

Election Finance in the UK and USA: A Comparative Analysis with Lessons for India

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ABSTRACT

This paper looks at how the United Kingdom and the United States shape and control the flow of money into their election processes, it tries to see what these mixed experiences may quietly offer to India. The study moves through the constitutional settings of both countries and follows the slow shifts in their ideas on political spending. It pays attention to how the UK leans toward spending limits, clearer disclosure rules, a model that keeps parties at the centre of financial reporting, though a few gaps still appear in practice. The inquiry then turns to the US approach, where courts treated political spending as a kind of protected expression, which ended up opening space for private donors, outside groups and many loosely monitored channels that often grow faster than regulators expect. Placing these two systems together allows the research to spot common worries. Transparency often feels uneven, outside influencers keep finding new routes around existing checks, authorities struggle to balance open political debate with fairness in competition. When the Indian context is viewed through this frame, it becomes easier to see where its debate on disclosure, corporate links and oversight may learn something useful. The aim is not to copy models but to give steadier ground for future reform thinking in India.

Keywords: Election Finance, Flow of Money, Political Spending, Financial Reporting, Corporate Links.

Introduction

Elections often get called the backbone of democracy, but behind every single vote, there is this tangled web of money and influence deciding who actually gets a chance at power. Campaign finance today is one of the messiest parts of politics, something people keep debating and struggling with. When looked at countries like the United Kingdom and the United States, it is seen a long history of trying to keep election funding in check. Each has its own fights and fixes. Their experiences do not give India a perfect blueprint, but there is still plenty to learn, especially now when political money is becoming a hot topic there. India is not a stranger to election funding challenges either. The system has developed some unique features, like electoral bonds, which have sparked plenty of debates on transparency and fairness. But honestly, it is still a work in progress. Watching other democracies, it can be spotted what could help and what traps to avoid. The UK and US have very different political cultures, legal frameworks, institutions, so their methods cannot just be copied. Still, certain problems keep showing up everywhere.

This paper looks at how election finance evolved in those two countries, examining their laws, the way oversight works, the controversies that pushed reforms. The UK has this long history with spending caps and disclosure rules, while the US has had ongoing legal battles over money and free speech. Both have had scandals and legal roadblocks, showing regulating political cash is never easy. Yet from these struggles come systems that, even if imperfect, provide useful points to think about. More

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than that, the paper asks what these experiences mean for India today. Election finance in India stands at a crossroads, with rising worries about hidden funding, corporate sway, weak rule enforcement. Lessons from abroad might guide reforms that improve transparency and accountability, but also must respect democratic freedoms. Unique political and social setting in India means these ideas need careful adaptation, not simple copy-paste.

At the core, this research is about trust in democracy. Elections are not just about tallying votes, they are about making sure the whole process feels fair and open to people. Money will always have a role in politics, but how it is controlled can either build or break faith in democracy. By comparing UK and US models, this paper endeavours to add something meaningful to that bigger conversation, giving India practical ideas as it works to handle election funding better.

Political Funding in the USA

The story of electoral finance in the United States began to take a more organized shape with Andrew Jackson 1828 presidential run. Jackson, lacking aristocratic roots or deep pockets, rallied a grassroots following and used new media channels in ways that were quite different from earlier candidates.¹ While he avoided asking people directly for money, his campaign built offices and coordinated distribution of pro-Jackson material, marking a shift toward a more systematic campaign effort. His time in office also cemented the use of patronage, where government jobs were handed out to supporters, laying groundwork for future questions about money and influence in politics. As campaign finance got tangled with corruption and patronage, lawmakers stepped in during the late 1800s. The Naval Appropriations Act of 1867 barred government workers from fundraising among naval yard employees, one of the first attempts to control abuses. The Civil Service Reform Act of 1883 aimed to dismantle the “spoils system,” especially after President Garfield was assassinated by a disappointed office seeker. Still, some political appointments like ambassadorships remained rewards for major donors, showing that patronage lingered despite new laws.² Public worries about role of money in politics grew by the late 19th century. William

McKinley 1896 campaign raised about \$16 million, symbolizing how deeply corporate money was influencing elections. His fundraiser, Mark Hanna, openly courted business interests, promising a pro-corporate agenda, which sparked calls for reform. The early 20th century saw laws like the 1907 Tillman Act that banned corporate and bank donations to federal campaigns, a first step to curb corporate power. Later laws required disclosure and contribution limits but often had loopholes and weak enforcement.

Judicial rulings complicated things. The Supreme Court 1921 Newberry decision limited Congress ability to regulate party primaries, highlighting ongoing struggles between free political expression and corruption prevention.³ Scandals like Teapot Dome pushed Congress in 1925 to tighten rules, requiring quarterly reports of contributions. Yet enforcement stayed weak, showing how laws often struggled to translate into real oversight. These events show a shift from informal, elite-driven politics toward more regulated but contested systems. During FDR era, concerns over public utility companies political influence led to the 1935 Public Utilities Holding Act, barring those corporations from political donations. Campaigning itself evolved after the Great Depression. Political Action Committees (PACs) emerged in 1943 as unions and groups pooled funds to support candidates, avoiding direct contributions to parties. The Supreme Court 1944 *Smith v. Allwright*⁴ decision ended racial exclusion in primaries, reopening federal oversight of these elections.⁵

The Federal Election Campaign Act (FECA) of 1971 replaced earlier laws with detailed disclosure rules and spending limits on ads. It recognized PACs formally but suffered from patchy enforcement. The Watergate scandal in 1972 revealed systemic abuses and led to the 1974 amendments, which created the Federal Election Commission (FEC) to enforce rules and introduced public campaign financing. Yet, the Supreme Court 1976 *Buckley* decision drew a line between contribution limits and personal spending, protecting the latter as free speech.⁶ Soft money became a big issue in the late 1970s, with parties directing unlimited funds to generic activities, bypassing federal limits. Legal battles shaped the field, including cases like *FEC v. Massachusetts Citizens for Life* and later *Citizens United*⁷ in 2010, which overturned some restrictions on corporate spending. The 1990s saw abuses of soft money and new groups called 527 organizations exploiting loopholes. Congress responded with the 2002 Bipartisan Campaign Reform Act (McCain-Feingold), banning soft money and regulating political ads. Its constitutionality was challenged but mostly upheld by the Supreme Court in *McConnell v. FEC*.⁸ Overall, American electoral finance history shows a complex

evolution from informal patronage to detailed regulations constantly tested by political realities and judicial interpretations.⁹ This ongoing tension between money, politics, democracy requires continued scrutiny and reform.¹⁰

The Federal Election Campaign Act, passed in 1971, marked a turning point in how the United States sought to control money in elections. It was crafted to respond to rising worries about wealthy donors having too much sway in federal races, introduced rules to manage both how money was raised and spent during campaigns. The Act put limits on contributions to candidates and parties, aiming to reduce undue influence. It also required campaigns to publicly disclose donations and spending, pushing for more openness. Importantly, it banned certain corporate and union donations, reflecting an attempt to keep elections fair. Over time, political changes and court decisions shaped FECA. After Watergate, 1974 amendments tightened contribution caps and created the Federal Election Commission to enforce the rules. Yet, in 1976, the Supreme Court *Buckley v. Valeo* decision struck down spending limits, arguing they violated free speech rights, while upholding contribution caps.¹¹ This showed the tricky balance between stopping corruption and protecting constitutional freedoms.

Later reforms came with the Bipartisan Campaign Reform Act of 2002, often called McCain-Feingold. It tried to close gaps by banning unlimited "soft money" donations to parties and restricting election-related ads paid for by corporations and unions. But the 2010 *Citizens United* decision¹² overturned key parts of BCRA, ruling that limits on independent corporate and union spending violated free speech. This opened the door for super PACs and a surge in political spending. Then in 2014, *McCutcheon v. FEC*¹³ further loosened rules by removing aggregate caps on how much an individual can give to all candidates and committees combined, on the basis that these limits did not effectively prevent corruption. These court decisions changed FECA original law dramatically and show the ongoing tension between regulating money in politics and upholding free expression. Though FECA laid groundwork, its limits and legacy are still debated fiercely.¹⁴ When it comes to where campaign money comes from, U.S. law carefully defines who can give and who cannot, aiming to balance fair participation with protections against undue influence. Individuals can donate directly to candidates within set limits, including minors who must contribute voluntarily and from their own resources without outside pressure.

State political action committees and other nonfederal committees can give funds if those come from allowed sources, sometimes requiring FEC registration. Candidates can use their personal money without limit, including personal loans, which are reported separately from other contributions.¹⁵ Certain contributors are outright banned to avoid conflicts of interest. Corporations and labor unions cannot give from their treasury funds, although political action committees linked to them may contribute. Professional corporations, like law or medical firms, partnerships with corporate or foreign members are also barred from giving. Federal contractors and foreign nationals are prohibited from donating or spending on campaigns altogether. The law also forbids giving in someone else's name, preventing donors from circumventing limits by using others as conduits, bans corporations from reimbursing employees for their donations through bonuses or other means. This patchwork of rules shows the complexities involved in trying to keep money from overwhelming democratic processes while respecting constitutional rights, a balance that continues to evolve as political and legal challenges arise.¹⁶

Political Funding in the UK

Political funding in the United Kingdom covers the many ways money moves into and around election work, how parties or candidates try to keep their machines running. In practice, they draw support from membership fees, scattered donations from people who back them, a few forms of state aid that developed over time. Some outside groups also shape the flow of resources, now and then they even steer public debates more loudly than formal parties. During the Brexit vote, for example,¹⁷ Vote Leave and Britain Stronger in Europe played central roles in shaping the mood of the referendum, each of them used fundraising channels that often sat slightly outside the usual party structures. All this has made political finance a rather uneasy topic in British public life. Now and then, controversies surface, sometimes around senior leaders, some stories about private dinners for donors raised doubts about influence that may not always sit neatly within democratic norms. A few details of such episodes remain disputed, yet the general feeling of strain around political money keeps coming back.

The path by which the United Kingdom arrived at its present system is long and a bit uneven. The 1880 general election, which many historians still call the costliest in British history, unfolded in a

country where large parts of society still had little or no voice. Spending rules were practically absent at the time, anti bribery laws often stayed on paper instead of being applied on the ground. Scholars tried to reconstruct its cost more than a century later, the figure they reached nearly startled everyone, partly because the spending spree rested on intense rivalry and partly because almost no legal boundaries existed to restrain it. This environment created quite a few disputes, several boroughs ended up under special inquiries. The whole affair pushed Parliament to act, in 1883 it brought in the Corrupt and Illegal Practices Prevention Act, which placed the first real spending caps on candidates while also trying to check electoral misconduct. For many decades afterward, that structure changed only little, debates focused mainly on individual candidates and the most obvious forms of wrongdoing.

A new wave of attention returned in the 1990s when the cash for questions controversy shook public trust. Members of Parliament were found to have accepted money from businessman Mohammed Al Fayed to advance his interests, this episode exposed deeper flaws inside the political culture. After the 1997 election, the government set up a formal review under the Committee on Standards in Public Life, which argued that national spending limits, clearer disclosure rules, restrictions on foreign sources, a statutory watchdog were needed. Parliament later adopted several of these ideas, although not always in the manner the committee hoped. Even with these reforms, quite a few gaps remain visible, the overall legal system has changed less than one might expect over the last quarter century. As party competition shifts and new kinds of political communication take shape, many scholars now argue that the present system struggles to cope with emerging pressures, Britain continues to search for a model of electoral finance that feels steadier and fairer for the future.¹⁸

The legal landscape that governs election funding in the United Kingdom grew slowly through many layers of parliamentary choices, each reform tried to answer problems that kept surfacing across the electoral field. When the Representation of the People Act 1983 came into force, it tried to tidy up parts of the earlier laws, yet it also carried a few new ideas that were meant to guide how parties, candidates, even voters behaved during elections.¹⁹ One clause barred people who were serving prison sentences from voting in parliamentary or local contests, this rule still sparks debates from time to time. The Act also laid down the process for filing appeals in local polls, though some practitioners feel the language is a bit confusing in places. Along with these points, the Act shaped what kind of conduct was expected from political actors before and during an election period, it left little room for casual or careless campaigning habits.

Sections 72 to 90 of the Act deal directly with how much money a candidate can spend, the structure is clear enough for most campaigns to understand, although mistakes do occur. All spending inside the fixed period must be authorised by the candidate election agent, who often ends up juggling many tasks at once. The list of regulated expenses is fairly long, covering meetings, posters, printed materials, advertisements, circulars and almost any effort by which a candidate speaks to voters or criticises an opponent. Personal costs like travel from home are kept outside these limits, which some scholars argue can create small loopholes. The Act also enforces a single point of financial responsibility by placing all spendings under the eye of one election agent. In a parliamentary by election, the spending cap is £100,000, while other contests follow a formula of. The Political Parties, Elections and Referendums Act 2000 came after a long season of consultations, many of which were shaped by concerns that the existing rules were not quite steady for modern campaigns. This law grew out of the Labour Government reform agenda in the late 1990s, it built on the Registration of Political Parties Act 1998. It drew heavily from the Committee on Standards in Public Life, chaired then by Lord Neill, which had looked deeply into long standing worries about transparency in party finances. The committee report titled *The Funding of Political Parties in the United Kingdom* later became the spine of much of the Act. John Major had created the committee earlier to improve standards in public life, the influence of its recommendations can be felt across many clauses of the 2000 Act, even if a few suggestions were softened during later debates.²⁰ Under the 2000 legal framework, the word donation is interpreted broadly so that money, goods or even services given free or on below market terms can fall within regulation if their value crosses £500. The intention was to reduce the chance of hidden influence. The examples are varied, from cash transfers to the gifting of office space or the sponsorship of events and publications. In some instances, membership subscriptions or affiliation fees are also treated as donations when they exceed the threshold. This wide frame tries to reflect the many ways by which private actors engage with politics, yet it also means that parties must keep careful records, there are days when clerical mistakes slip in.

Smaller donations of £500 or less do not need to be recorded or reported, this creates both convenience and occasional worry. While most low value contributions are harmless, there have been moments when donors appear to split their gifts into several smaller payments, each below the threshold, in order to avoid scrutiny. When several £400 payments turn up from the same person or from connected bodies, it may raise questions about evasion. Enforcement bodies then need to look closely at patterns, although the process is not always smooth. Membership fees still play a part in the finances of several parties, though the share has fallen sharply for many years. The Conservative Party saw a steep drop in fee based income, which by 2017 had dipped below the one million mark, showing deeper changes in public engagement. Labour, during Jeremy Corbyn leadership, witnessed a sudden rise in membership revenue, this shift reminded observers that party fortunes can swing with internal politics. Even then, membership income rarely forms the bulk of a modern party funds, most rely on a mix of donations, loans, other approved sources.

Political parties must file quarterly reports of donations and loans, including any that were later returned or forfeited when deemed impermissible. If a loan is repaid in full or its terms are altered, the change has to be reported, although partial repayments are strangely not required to be listed. The law uses the word benefits to cover donations and loans above £500. Everything under that level is left unrecorded. When parties have accounting units, the central treasurer combines all relevant data into one report, though each unit may have different reporting thresholds which creates a little confusion among local officers.

The Electoral Commission oversees these arrangements and is widely seen as a referee rather than an operator of elections. It does not run polling stations or count votes. Those tasks rest with returning officers in each constituency, who follow local procedures. The Commission instead offers guidance, support, checks for compliance with finance rules. Some foreign observers find this separation unusual, but most reports from election watchers have said that the model works in a fairly steady manner. There are still debates on whether the Commission needs more powers, yet on the practical side its presence has helped maintain a clearer line between campaign conduct and administrative control.

Conclusion and Lessons for India

The comparison between funding practices in the UK and the USA leaves India with a set of lessons that can guide future debates on political finance, though none of these should be lifted straight from another system. Each model carries its own background of history, party culture, institutional habits, but even then, certain broad ideas move across borders with some ease. What this really means is that India can look outward, not for ready made blueprints, but for hints on how to shape a cleaner and more trusted process at home. And a reform path usually grows slowly, sometimes uneven, yet every small improvement still matters in the longer journey. One of the clearest ideas that travels from both jurisdictions is the importance of fuller disclosure. The UK uses a detailed reporting practice where donations and loans come under close public view, the timing of these disclosures helps keep the flow of money open to scrutiny. The American system, even though shaped by judicial decisions that widen the space for private spending, still keeps a huge portion of campaign finance within a reporting net that journalists and civic groups use quite effectively. India has moved in a different direction, the experiment with electoral bonds created a zone of secrecy that blurred public trust.

A shift back toward transparent funding records, with fewer exceptions and tighter timelines, would restore clarity that voters expect in a working democracy. There is no perfect model for this, yet India can adapt the spirit of open disclosure without copying any specific rule word for word. The UK practice of using expenditure limits offers another insight. These limits did not remove inequality, but they helped keep campaign activity within a predictable boundary. India already sets limits for candidates, but parties themselves move outside that structure and spend through various indirect channels. Sometimes these routes create gaps that weaken the idea of fairness. A more integrated set of limits that covers candidates, parties, allied groups could close some loopholes, though the details of such a model will need careful drafting. Mistakes here can easily cause confusion, even a minor misstep risks creating new forms of evasion. Yet the basic direction feels worth exploring. The American experience works more as a warning. After judicial rulings that expanded the rights of independent political groups, money began flowing through super PACs and similar bodies at a scale that altered the landscape of political debate. India, which already faces deep anxieties about corporate influence, might avoid repeating this pattern by keeping tight boundaries around independent expenditures before they grow into something

unmanageable. It is easier to prevent a problem from fully forming than to dismantle one after it takes root, the US trajectory shows how difficult it becomes to rein in such spending once it gains constitutional protection.

Institutional design also shapes outcomes. The UK Electoral Commission, though sometimes criticised, has a clear regulatory mandate, while the American Federal Election Commission often remains stuck due to partisan gridlocks. India could benefit from creating a specialised financial oversight wing within the Election Commission or a separate statutory authority with technical expertise. Even a small team focused only on political finance might produce better monitoring than the current diffuse arrangement, although this too depends on steady funding and genuine autonomy, which are never guaranteed. Across all these lessons lies a larger truth. Campaign finance rules influence not only how parties raise money but also how people view the democratic space they inhabit. India will continue to rely on private funding to some degree, yet the structure around that funding can either promote a sense of fairness or slowly drain confidence from the system. Looking at the UK and the USA shows that choices made today carry effects far beyond a single election. For India, the way forward involves carefully balancing competition, transparency and public trust, so that the overall system feels closer to the democratic aspirations it claims to serve.

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