DONATIONS,
ELECTION CAMPAIGNS
AND
PUBLIC CONFIDENCE

A perspective from Country Alliance
POSSIBILITIES

- Repeal the current taxpayer subsidies to political campaigns
- Prohibit government advertising within specified period before an election (e.g. 6 months)
- Ban donations by organisations which tender for government contracts
- Introduce full taxpayer funding of election campaigns.
- Limit or ban donations by unions and corporations to political parties
- Limit individual donations
- Limit election spending
- Limit advertising by advocacy and lobby organisations
COUNTRY ALLIANCE’S RESPONSES

Country Alliance supports:

- repealing laws which provide for taxpayer subsidies of the election campaigns of political parties and candidates

- a prohibition on government advertising of political material for the six months preceding an election

- a prohibition on organisations which tender for government work from making political donations

- Given the threat the exponential increase in the amount of money spent by the major parties on election campaigns and research presents to the democratic process, if the current regime is not repealed,
  
  - limit donations (cash and in kind) by unions and corporations to $50,000
  
  - limit individual donations (cash and in kind) to $10,000
  
  - require the disclosure of all donations worth more than $1500
  
  - limit election spending by political parties and candidates
  
  - limit advertising by advocacy and lobby organizations by prohibiting advertising 6 months before an election

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RATIONALE FOR CHANGE

1. The taxpayer funding of elections introduced around Australia during the 1980s has failed.

To quote Laurie Oakes:
'The introduction of public funding of election campaigns in 1984 was supposed to take the money culture out of politics by making political parties far less reliant on corporate and other donors. But it failed dismally. The parties pocketed the millions they received in public funding and continued to raise piles of cash on top of it' ('Money talks: it also stirs up trouble and spreads ugly gossip', The Daily Telegraph, 8th March, 2008, p.24).

2. Australia is not the USA. However, the possibility that Australia could become the poor person's version of the USA cannot be ignored any longer.

3. At a federal level, for example, members of at least one political party have fund-raising targets which have to be met with ministers having bigger targets than parliamentary secretaries and parliamentary secretaries have bigger targets than backbenchers.

4. As the cost of electioneering, including the cost of polling and focus groups, increases exponentially, this tendency can only continue.

5. Oakes points out that in the 2004 federal election campaign total spending by Labor and the Coalition on their campaigns was $40 million. Last year it is estimated that they spent about $80 million.

6. Politicians and political parties say that money cannot buy decisions, an idea which the community rejects.

7. What cannot be denied is that money buys access, regardless of whether it be a donation to the Liberals’ 500 Club or Labor’s Progressive Business.

8. As politics has become an industry, there is also the influence of lobbyists which are staffed predominantly by former ministerial advisers and former politicians.

9. The fact that the next career move for a current adviser could be to become a lobbyist for a large corporation or a professional lobbyist cannot be ignored when considering the question of whether some citizens have greater access to, if not influence over, the political process than others.

10. There is also the question as to whether the cost of electioneering is influencing the ability of people to seek the nomination of a major party.

11. The major parties, at least at a national level, expect candidates to devote significant time to campaigning in the twelve months before an election, particularly in marginal seats.

12. Candidates have to finance themselves for this period or have sponsors.

13. If the democratic principle of equality of access is not to be ignored completely the flaws in the current system and their implications need to be acknowledged and addressed.
THE CURRENT SITUATION

1. The Federal Government’s approach to electoral reform is minimalist given the seriousness of the situation.

2. Taxpayers have just handed over $48 million to political parties and candidates as their contribution to the cost of running federal campaigns last year, and as Laurie Oakes points out, the limit on the election spending is not in sight.

3. The Revd. Fred Nile, who is chairing a NSW parliamentary Select Committee on Electoral and Political Party Funding, recently said that presently political parties were spending a total of $65 million on the NSW state election (‘Ban on political donations a world first, says Labor’, The Sydney Morning Herald, 5th April, 2008. p.2). Taxpayers contributed $18 million towards the cost of Labor’s and the Liberals’ latest state election campaigns (‘Iemma to ban political donations’, The Sydney Morning Herald, 22nd March, 2008, p.1).

4. Oakes is only half right when he says the money goes into the pockets of the political parties. Political parties are merely middlemen. The money goes into the pockets of television stations and the members of a profitable election industry which has been built on the back of taxpayer funding — pollsters, researchers and political apparatchiks for whom commissioning polls and focus groups and interpreting the results has become a career.

5. Federally, the taxpayer subsidy to political parties does not end with public funding. An army of ministerial and shadow ministers’ staff collect travel allowance throughout the whole of a federal election campaign even though they do little if any work for the taxpayer and political parties now delay the official launch of their campaigns until as near as possible to the election date so that ministers can undertake party work at the taxpayers’ expense.

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1. NSW premier Maurice Iemma says:

‘(T)he time has come for us to now seriously consider moving away from donations and having a fully public-funded system.

It’s now got to the point the mere fact of giving a donation creates the perception that something has been done wrong. The time has come to test the viability of a full public system.

There’s no example of a minister or MP who has done anything wrong, but there is a perception as far as donations are concerned and the time has come to go further in the reforms’ (‘Iemma to ban political donations’, The Sydney Morning Herald, 22nd March, 2008, p.1).

2. Labor’s NSW secretary Karl Bitar told the NSW parliamentary Select Committee on Electoral and Political Party Funding:

‘Instead of recommending reforms (that) simply tinker at the edges of the current system, the select committee has (a) historic opportunity to endorse a new system of political funding (that) bans private contributions and restores public faith in our democracy’ (‘Good idea whose time will never come’, The Australian, 3rd April, 2008, p.14).

Bitar, in his submission to the Committee says:

‘This supplementary submission by NSW Labor advocates a ban on all private donations to political parties in favour of a system of full public funding. This overhaul of the existing system of funding and disclosure would help restore the public’s faith in political decision making’ (‘Iemma to ban political donations’, The Sydney Morning Herald, 22nd March, 2008, p.1).

3. NSW Opposition leader Barry O’Farrell says he will support Iemma’s proposal and recent NSW arrival Mike Baird, the Liberal member for Manly, recently said:

‘What we need is a system similar to those in New Zealand, Canada and some states of America, which includes full donation disclosure, donation limits and public funding of elections’, (‘Power and dirty sexy elections, The Age, 22nd March, 2008, p.21).

4. At the federal level, Liberal frontbencher Christopher Pyne has called for all political donations from any source to be banned (‘Money talks: it also stirs up trouble and spreads ugly gossip’, The Daily Telegraph, 8th March, 2008, p.24).

5. One reason advanced for such radical reform is the potential for corruption. The $10000 dinners with prime ministers are the tip of the iceberg. Fundraising activities extend well beyond the 500 Club and Progressive Business. One may not be able to buy influence for not much more than the cost of a proverbial meat pie, but one can buy access. Australians condemn the extent to which money dominates the lives of American politicians, but Australia gradually seems to be moving down the same road.
6. Another consideration is that Australia’s election funding laws are not nearly as stringent as those of Canada, the USA, the United Kingdom or New Zealand.

7. The dependence of political parties on private donations in Australia is much higher than other countries (‘Iemma to ban political donations’, The Sydney Morning Herald, 22\textsuperscript{nd} March, 2008, p.1).

8. Bitar said private donations accounted for an estimated 60 to 70 per cent of the income for major parties (‘Iemma to ban political donations’, The Sydney Morning Herald, 22\textsuperscript{nd} March, 2008, p.1). whereas in Canada, for example, public funding is less generous than in Australia but nevertheless accounts for about 80 per cent of the total income of the Canadian parties (‘Good idea whose time will never come’, The Australian, 3\textsuperscript{rd} April, 2008, p.14).

9. An argument against this proposal is that voters would not tolerate the increase in expenditure incurred in recent elections. However as journalist Mike Steketee has observed: ‘Public funding for federal elections has covered less than 20 per cent of the main parties’ campaign income in most years but that does not mean it should be increased. Much of the campaign spending goes to waste on mindless and misleading television advertising that party officials in their franker movements admit seldom influence many votes but that they feel compelled to continue to match the other side’ (‘Good idea whose time will never come’, The Australian, 3\textsuperscript{rd} April, 2008, p.14).

10. One is the challenges associated with full public funding of elections is the funding formula.

11. Should the major parties receive the same amount on the basis that in an election campaign the Government and the Opposition ought to be treated as equals or should funding be based on the results of the previous election, thereby giving an advantage to the incumbent?

12. What would be the formula for minor parties, independents and newly created parties?

Another issue is whether public funding should finance also the administrative costs of operating a political party.

If one does, the question is what is the formula? Should the major parties receive the same level of funding, and what should be the formula for funding minor parties, independents and newly created parties?

If there is not public funding of administrative costs and, as a consequence there were not any limits on the level of administrative expenditure, how could the undermining of caps and prohibitions by the transfer of activities such as research (i.e. polling and focus groups) from election campaigning to administration in an era in which the major parties are in perpetual campaign mode be prevented?

13. Because of the complexities associated with fully taxpayer-funded models, this approach should be a last resort.

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OTHER POSSIBILITIES

There are options which fall short of total public funding. These options are not mutually exclusive.

Government tenderers

1. Another possibility to prohibit organisations which tender for government work from making donations to political parties. In Canada, companies tendering for government work cannot donate at all (‘Power and dirty sexy elections, The Age, 22nd March, 2008, p.21).

Limits

2. Another option is to put limits on annual donations and limits on election spending.

3. This option is supported by O’Farrell (‘Now for the Libs’ developer dinner, The Sydney Morning Herald, 14th March, 2008, p.5.).

4. Liberal frontbencher and former federal director Andrew Robb supports a limit on spending on election campaigns (‘Money talks: it also stirs up trouble and spreads ugly gossip’, The Daily Telegraph, 8th March, 2008, p.24).

5. Canada, New Zealand and the UK set limits on campaign spending.

Government advertising

6. It is now common practice for governments, whether they be state or federal, to abuse the democratic process by using taxpayer funds to derive political advantage especially in an election year.

7. Adopting the Federal Government’s proposal to prohibit government advertising six months before an election would be an appropriate response to this development.

Broaden Ban

8. One is to broaden the Government’s proposed ban on donations to media organisations and foreign companies and to prohibit unions and corporations from making campaign donations at all. This is the situation in the USA.

9. A weakness of this proposal is that unions or corporations can arrange for individuals to make donations. This weakness could be negated by a complimentary option which is to put a limit on individual donations — say $1500 — as is now the situation in the USA.
10. Corporations or unions could be prohibited from using agents to make donations on their behalf, but such a proposition would be intrusive, expensive or impossible to enforce.

11. Another weakness is that, for such a regime to be effective, it would be necessary to impose similar limitations on interest and lobby groups.
THE USA EXPERIENCE

1. Of the measures introduced in the United Kingdom, Canada and the USA to prevent the electoral process from undermining the democratic process, those adopted in the USA appear to be most relevant to a discussion about total taxpayer-funding of elections.

2. There are two obvious limitations in the US system.

3. One is that, notwithstanding recent changes concerning ‘soft’ money, Political Action Committees and third parties such as internet-based organizations are usurping the role of political parties.

4. This development not only undermines the impact of these changes, but also brings about a change in the political process by reducing the capacity of the political parties and candidates, who are the people accountable to voters, to control the political and policy agenda.

5. Another is that candidates are not required to accept public funding and therefore are not restricted by the limitations that acceptance of public funding opposes.

6. Barack Obama’s fund-raising capacity, which has been critical to his success, highlights this issue.

7. Until now only occasional independent presidential candidates have decided to forego public funding because of the limitations it imposed.

8. This year, for the first time, a Democratic candidate has raised so much money that he is in a position to do the same.

9. The USA experience highlights:

   - The difficulty in ensuring effective limitations are placed on third parties, and
   - the need to ensure that —
     - the limitations imposed by a fully taxpayer-funded regime are mandatory, and
     - political parties are guaranteed sufficient, but not necessarily the same, media exposure to ensure the effectiveness of the democratic process.
RISKS

- Limits imposed on political parties and candidates could be undermined and neutralised if the ability of other organizations to campaign were not limited.

- Further reforms could advantage particular parties to the disadvantage of other parties, or could entrench any advantage enjoyed by particular parties under the current regime.

- Changes could disadvantage smaller parties, independents and newly-created political parties.

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CHALLENGES

1. It is essential for the democratic process to operate effectively that both the major parties are competitive in an election.

2. Any changes to the electoral process must ensure this outcome.

3. It is also essential that minor parties are competitive and that the electoral process does not discriminate between minor parties which are competing against each other as much as they are competing the major parties.

4. This is especially important in Victoria where the voting system for the Legislative Council is proportional voting.

5. Limiting the role of interest groups (e.g. environmental groups, employer organisations, primary producers’ organisations, unions, animal liberation groups) in the election process is critical to the effectiveness of most reforms which could improve the electoral process and bolster the democratic process.

6. The ACTU’s Workchoices campaign in the latest federal election exemplifies the issue.

7. On the other hand lobbying and advocacy organisations should not have to depend on political parties to communicate their message.

8. However, not to limit the campaigning capacity of third parties could undermine any proposals for reform, and especially those that limit the income or expenditure of political parties, thereby putting a particular political party at a disadvantage.

9. One response might be to treat third parties in the same way the Federal Government proposes to treat government advertising — ban advertising by any organisation other than a registered political party within six months of an election.

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CONCLUSION

- One issue which clearly emerges from a discussion about trends in election campaigning is the role of third parties. Excerpts from a recent story in *The New York Times* about the growing role of third parties in the USA where there are restrictions on donations highlights the importance of this issue.

- Ensuring that third parties do not exercise a disproportionate influence over the democratic process is a significant challenge. Whether the options canvassed in this paper are sufficient is questionable.

- Regardless of which option or options is or are pursued, one option is not tenable, and that is the status quo. As the former executive director of The Australia Institute, Clive Hamilton has pointed out, political donations ‘are not philanthropic contributions, they are made to get the ear of government. If there is another reason, I would like to know what it is’ (*Power and dirty sexy elections, The Age, 22nd March, 2008*, p.21).

- The current system undermines democracy and not only alienates and disenfranchises the average voter, but also makes most voters contemptuous of the political process and anybody associated with it.