CAMPAIGN FINANCE REGULATION IN AUSTRALIA:
defender of democracy or protector of parties

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Declaration

I, Matthew James Keogh, declare this dissertation to be the result of my own research containing as its main content work that has not been submitted for a degree at any other tertiary institution.

MATTHEW KEOGH

Dated:

For Buddy

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Abstract

An important part of examining the vigour of the Australian version of liberal democracy is examining the regime that regulates campaign finance in Australia. To do this we must understand the nature of Australian liberal democracy and the campaign finance regulatory regime. This study examines the relationship between money and votes in recent (1993-2001) Australian federal elections as well as the use of trust funds and litigation and their effects on liberal democracy in Australia. From this examination an assessment is made as to the wellbeing of Australian liberal democracy and recommendations are then made regarding how to make the Australian campaign finance regulatory regime in Australia more democratic.

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Chapter One: the Australian regime

Introduction

It is disturbing that an attitude of 'close enough is good enough' is taken towards democracy in Australia, in particular in regards to the regulation of campaign finance. The area of political campaign finance is one that, while topical in the United States, is not a common area of discussion in Australia. Political parties and political candidates require donations to fund the costs of running their campaigns at election time. This reality has an impact upon the nature of democracy. The way in which such funds are raised, from whom they are raised, how and on what they are spent, the effect of such expenditure and the level of transparency during each of these processes all have different consequences for democracy.

This paper will explore campaign finance in Australia at a federal level to evaluate its place in Australian democracy. One of the most fundamental components of a western liberal democracy is the holding of free, fair and regular elections. This is the case in Australia. Hand-in-hand with this is campaign finance. In Australia, as in other western liberal democracies such as the United States, the United Kingdom and Canada, the financing of election campaigns is regulated. Electoral campaign finance is regulated so that the system of government remains democratic. This thesis will examine how effective the campaign finance regulatory regime that exists at a federal level in Australia is at maintaining the integrity of democracy in Australia.

In order to conduct this analysis this thesis will examine aspects of the Australian federal democracy and campaign finance regime. Firstly, this chapter will examine the nature of liberal democracy in Australia. In particular, what the requirements are for a system to be considered democratic in Australia and how these can be used to test the campaign finance regime in Australia. This chapter will also briefly outline how the Australian campaign finance regulatory regime currently operates.

Secondly, Chapter Two of this paper will examine the existence of relationships between money raised and spent by political parties during election campaigns and the performance of those parties at the ballot box. Chapter Three will examine the existence and use of funds outside of the regulatory regime in Australia and the use of litigation as a political tool.

Finally, Chapter Four contains an assessment of the campaign finance regime in Australia in relation to how it fares in the Australian democracy. Chapter Four also contains recommendations on how the regulatory regime in Australia can be improved at a federal level to make the system more democratic.

The Australian Democracy

The Australian political system is a liberal democracy.[1] A liberal democracy is a political system in which *democratically* based institutions of governance exist along

[1] Parkin 2002, 'Liberal Democracy', in Summers, Woodland &Parkin (eds), *Government, Politics, Power and Policy in Australia*, 7th edn, Longman, Frenchs Forest, pp. 297-321. p 297.

side *liberal* conceptions of individual rights and economics.[2] While featuring some recognisably Australian elements, Australia's liberal democracy is a product of the centuries-old liberal democratic tradition which has its origins in Europe and in Australia's case the United Kingdom in particular.[3] In order to understand liberal democracy in Australia it is important to understand the concepts of liberalism and democracy and place these in an Australian context.

Liberalism

Politically, liberalism denotes a family of positions centred on constitutional democracy, the rule of law, political and intellectual freedom, toleration of religion, morals and lifestyle, opposition to racial and sexual discrimination, and respect for the rights of the individual.[4] One of the deepest commitments of liberal political philosophy is to individualism. Liberals see the individual as the centre of the political, social and economic world. Liberals believe that it is vitally important that individuals be able to direct their own lives. This concept is known as liberty, which comes from the Roman word 'libertas'.[5] Many liberals hold that the most serious threat to individual autonomy has always come from political authoritarianism, which is in opposition to the concept of democracy.[6] Liberalism contends that the individual should be free to hold and express independent opinions.[7]

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[2] Parkin. p 297.
[3] Parkin. p 298.
[4] McCloskey 1986, 'Mill's Liberalism', in Muschamp (ed.), *Political Thinkers*, MacMillan, Crows Nest, pp. 177-93. p 183; Mill 1991, *On Liberty*, In Focus, Routledge, London. p 23-5; Waldron 1998, 'Liberalism', in Craig (ed.), *Routledge Encylcopedia of Philosophy*, Routledge, London.
[5] Maddox 2000, *Australian Democracy in Theory and Practice*, 4th edn, Longman, Sydney. p 566.
[6] Maddox. p 566.
[7] Maddox. p 567.

Another important part of liberal individualism is equality.[8] Equality deals with the principle that all persons should be treated as having equal moral worth.[9] This means, in the context of a liberal democracy, the authorisation of government needs to be through regular, free and fair elections in conditions of electoral equality. However, the idea of equality needs to be embedded within a broader theory of politics and society in order to be given a specific content. No political theory aims at equality pure and simple. It aims instead at specific types of equality thought to be morally or socially important.[10] This concept gives rise to limiting rights, like that of voting to those over eighteen years of age.[11]

In Australia, the major parties come from a liberal tradition. As Graham Maddox puts it, "the Australian system falls more into Duverger's 'bourgeois' classification[12], where the two party groupings line up at opposite ends of a liberal spectrum: the Labor Party generally represents a radical-liberal point of view, while the Liberal and National Parties might be styled conservative-liberal."[13]

Anthony Parkin suggests that the liberal tradition asserts the significance of a number of factors within a liberal democracy. Parkin lists these factors as being: the rule of law; a strong private sector economy and a general acceptance of basic individual liberties and rights.[14]

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[8] McCloskey. p 189; Waldron.
[9] McCloskey. p 189; Wearle 1998, 'Equality', in Craig (ed.), *Routledge Encyclopedia of Philosophy*, Routledge, London.
[10] Wearle.
[11] This concept is developed below under the heading *Democracy*
[12] cf. Duverger 1964, *Political Parties*, 3rd edn, Methuen, London.
[13] Maddox. p 298.
[14] Parkin. p 303.

Democracy

The word 'democracy' comes from the Greek words 'demos' meaning 'the people' and 'cracy' meaning 'rule'.[15] Literally, the word 'democracy' means 'the people rule'. This is referred to now as government by the people.[16] Democracy is a system that is viewed by many different people in many different ways. John Locke wrote that no rational creature when free would "put himself into subjection to another for his own harm".[17] Nearly one hundred years later again, Jean-Jacques Rousseau referred to a legitimate democratic state as a state created by individuals volunteering some of their rights but who continue to participate in the decision making of the state, so that public policies continue to represent the 'general will'.[18]

Democracy was most famously described, however, by Abraham Lincoln, who described it as "government of the people, by the people, for the people".[19] This description is very useful for coming to an understanding of democracy generally and how it works in Australia. "Government of the people" refers to the fact that the Government governs over 'the people'. However, it is the other two descriptors that illustrate how there can be many different types of democracy. The phrase "government by the people" raises the question of how do the people govern?

[15] The word 'cracy' is a derivative of 'curcia' meaning 'power' – McCloskey. p 34.
[16] Heywood 1992, *Political Ideologies: an introduction*, MacMillan, London. p 269.
[17] Locke 1971, 'The True End of Civil Government (Second Treatise on Civil Government)', in Barker (ed.), *Social Contract*, Oxford University Press, London. p 97. para. 164
[18] Parkin. p 301; Rousseau (1762) 1993, *The Social Contract and Discourses*, Everyman, London. p 191-3.
[19] Heywood. p 272; Lincoln 1863, *The Gettysburg Address*, Associated Press, Gettysburg, 19 November 1863, Speech.

Simplistically, do the people govern directly, as in ancient Greek city-states, or do they govern indirectly, through elected representatives?[20]

This question then leads to another question. Who are 'the people'? Clearly, 'the people' does not mean everyone who lives in a society. The answer to this question has varied considerably over time. During the twentieth century there has been a broad movement from the term only including land owning males through to today when any citizen over the age of 18, male or female can vote and participate in society.[21] This relates back to the discussion above regarding equality and how it relates to what a society regards as morally or socially important. As recently as the early twentieth century the right to vote was limited to those hwo owned land. This tempering of political equality was based on the view that only those who were affected by the actions of government should be able to decide who made up the government. As the main actions of the state related to private property only those who owned property needed to be able to vote. However, society's views of political equality and the role of government have changed and so with them the right of people to vote has expanded but is still limited to a degree.

In dealing with the concept of 'the people' democratic theorists stress the importance of political equality. It is here that there is a strong link between liberalism and democracy. In a democracy there is the idea that all individuals possess the right of political participation and the interests of one citizen are no more important than those

[20] Heywood. p 272-3.
[21] Heywood. p 273-4.

of another. This means that democracy requires political power to be divided equally amongst 'the people'.[22]

In resolving the question of "government by the people," during modern times, in western developed nations, liberal democracy has developed as government by consent. Simply, this means the development of indirect or representative democracy. The basic requirements of such a democracy are universal adult suffrage, i.e. that all of 'the people' can vote; a secret ballot, to maintain the freedom of 'the people'; and party competition, i.e. that 'the people' are presented with a choice of whom they choose to govern themselves.[23] This concept is also known as pluralism.

In such a system, in order to achieve political equality, the following conditions must be met:[24]

1. all adult citizens must be entitled to stand for election regardless of race, colour, sex or religion;
2. all citizens must possess a vote, i.e. universal adult suffrage;
3. no one must possess more than a single vote, each should have an equal voice at election time;
4. all votes must be of equal value, requiring as close to equal size electorates as possible.

In the Australian context Maddox argues that democracy should rest on a constitutional order; it should have a 'responsible' executive; there should be an opposition to the executive; that all its institutions should uphold the ideals of

[22] Heywood. p 275.
[23] Heywood. p 277.
[24] Heywood. p 265.

democracy – justice, liberty, equality and community – and finally, the system should operate in a pluralistic, participatory society.[25]

Parkin suggests that the democratic tradition asserts the freedom of people to engage in political activity; a state that derives its legitimacy from the authorisation of representative political institutions and provision of basic welfare and education.[26] This last section, "the provision of basic welfare and education," can be seen as an Australian version of the meaning of democracy.

Liberal Democracy

Liberal democracy is the form of democracy that has developed in the western world and is a system that determines government based on electoral success. In such systems great attention is paid to the rules that govern the electoral process, in order to ensure that it is 'democratic'. [27] In order to do this, elections must be regular, so that those elected will be responsible to 'the people'; free, enabling voters to make up their own minds and express their views without intimidation or corruption (this is usually done through the use of a secret ballot); and fair, being conducted so that all 'the people' have equal power.[28] Schumpeter calls this an "institutional arrangement for arriving at political decisions in which individuals acquire power to decide by means of a competitive struggle for the people's vote".[29]

[25] Maddox. p 113-4.
[26] Parkin. p 303.
[27] Heywood. p 281.
[28] Heywood. p 281-2.
[29] Heywood. ; Schumpeter (1942) 1994, *Capitalism, Socialism and Democracy*, Routledge, London. p 269.

In bringing the concepts of liberalism and democracy together in the Australian context we find competing interests. As Emy and Hughes point out, "the 'liberal' and the 'democratic' aspects of liberal democracy do not fit neatly together: there is a certain tension between them."[30] This is the case in many liberal democracies. These tensions are well illustrated in this study and in the study of electoral campaign finance in general. The regulation of campaign finance must find a middle ground between the competing interests of the individual liberty and freedom of speech of liberalism and the equality of power required by democracy.

Liberal democracies are not immune from inequalities of power and influence arising from the way interests are mobilised and the institutional structures of political, economic and social life within liberal democracies are likely to favour some interest over others.[31] It is because of this that the regimes set up to regulate campaign finance in liberal democracies can be such contentious issues. As put by Rolf Gerritsen, "to what extent are private interests legitimately allowed to use financial means to advance their point of view?"[32] Phrased another way, to what extent can private interests be restrained from using their financial resources to advance their point of view? These questions come from a liberalist grounding. The importance of such questions is highlighted by Kim Beazley's claim that "a serious imbalance in campaign funding threatens the health of democracy."[33] Such contention between

[30] Parkin. p 303.
[31] Parkin. p 315.
[32] Gerritsen 1995, *Election Funding Disclosure and Australian Politics: debunking some myths*, 21, Information and Research Service, Parliament House Library, Commonwealth of Australia, Canberra. p Introduction.
[33] Commonwealth of Australia *Debates*, 2 November 1983. p 2213.

liberal and democratic views requires compromise, and as can be seen below in the outline of the Australian regime, compromise can lead to problems.

The Problem

The question that arises in assessing liberal democracy in Australia is whether the campaign finance regime that exists in Australia is democratic? Elections must be regular, free, fair and competitive. However, how free are elections if in the lead up to Election Day 'the people' are constantly bombarded with the messages of only a few of the possible alternatives? How competitive are the elections if during the campaign only a few of the parties and candidates competing in the election are in a position to compete on a level paying field while the others are in no way competitive? How fair is it if some parties and candidates exert an unequal influence on the process by their use of money as donations, as campaign expenditure and in legal action?

In order to determine whether the campaign finance regime in Australia is democratic these questions must be answered in relation to the way in which the regime operates. In order to do this the components of the regime must be assessed against what their effect is on the following factors in their make up of the liberal democratic system in Australia: equality; freedom; competitiveness; fairness. Essentially, do the components promote or subvert the equality of 'the people', do the components create or hinder the free operation of the democracy, do the components promote or hinder the competitiveness of the parties and candidates involved in the system, do the

components make the system fairer or more unfair? In the main this will be answered by examining how money affects the outcomes of elections, particularly, as campaign expenditure is seen as a good guide to the intensity of a campaign.[34]

Intertwined with these issues is the increasing professionalisation of politics in Australia. This follows on the heels, in fact has been learnt from, a similar process in the United States.[35] In a way professionalisation can be a bit of a 'chicken and egg' problem as it can be seen in one of two ways. The first is that as a result of the increasing amounts of money becoming involved in politics there is a tendency for this to allow for the use of 'political professionals' such as pollsters, consultants, media advisers and the list goes on. Alternatively, the professionalisation of politics can be seen from the view that in the never ending search to get 'an edge' on one's political opponents political parties and candidates have turned to ever more complex, professional and expensive means of running campaigns. In order to do this, campaigns need to employ professional campaigners and spend more money. In this view, therefore, the professionalisation of politics leads to increased costs and hence the requirement for more money in politics.

I support the latter hypothesis and this is supported by a number of researchers as shown in Chapter Two, such as Peter Kobrack. Such professionalisation can also create problems for democracy, as professionalisation leads to the creation of 'political mercenaries'; professional politicians such as pollsters, policy advisors and campaign directors who have no affinity to any ideology and will work for the highest

[34] Johnston, MacAllister & Pattie 1999, 'The Funding of Constituency Party General Election Campaigns in Great Britain', *Environment and Planning C: Government and Policy*, vol. 17, pp. 391-409. p 403.
[35] Kobrak 2002, *Cozy Politics: political parties, campaign finance, and compromised governance*, Lynne Rienner Publishers, Boulder. p 110-1.

bidder. The existence of such political mercenaries and their use help to undermine the liberal democratic requirement of pluralism because instead of people contesting each other with their differing views, some groups are now able to employ professional politicians with no affiliation whatsoever to their viewpoint to contest these arguments for them. This can then give certain ideas, that are no better than others the *appearance* of being better because of the way they are portrayed by the professionals that help sell them.

Adamany and Agree suggest four rationales that are associated with electoral regulation to provide a framework for evaluating the effectiveness and fairness of any democracy's electoral system. Their four rationales are:[36]

1. enable a capitalist nation with an unequal social distribution of economic resources to establish a condition of equality in financing politics (i.e. equality);
2. create a system that will endow all significant points of view with sufficient resources to present their case reasonably effectively to the bulk of citizens (i.e. support pluralism);
3. ensure that each significant political interest in society is provided with economic resources in such a way as to recognise newly emerging socio-economic interests and not disproportionately reward decaying or declining interests; and
4. free political parties and their representatives from undesirable or disproportionate influence or pressure from donors in their election activities (i.e. transparency).

[36] Adamany & Agree 1975, *Political Money*, Johns Hopkins University Press, Baltimore. p 8-12.

While this method of analysis is useful to a degree it does not fit cleanly with the analysis in this paper. In examining the campaign finance regime in Australia, this analysis therefore, makes reference to the following three criteria:

1. the effect on the equality of political power in Australia;
2. the transparency of election financing in Australia; and
3. the effect on pluralism in Australia.

In order to make such an assessment it is first crucial that we have a basic understanding of how the regulatory regime operates.

The Australian Campaign Finance Regulatory Regime

The current electoral funding and disclosure regulatory regime in Australia was introduced by the Hawke Labor Government in 1984.[37] The scheme that was introduced was the product of investigations by Parliamentary committees and independent Commissions instigated by the Fraser Liberal Government in response to the outdated and unworkable regime that existed until 1980.[38] Since its inception in 1984 the regime has remained fairly constant in structure and objective with minor but consistent changes over the years. This section outlines the current campaign finance regulatory regime in Australia. In the course of this research I have made use of data from earlier elections where the regime operated slightly differently. These differences are outlined as they occur.

[37] Gerritsen. Part 2
[38] Gerritsen. ; Harders 1981, *Inquiry into Disclosure of Electoral Expenditure*, Canberra. Part 2

One of the main features of the regime in Australia is that it gives formal recognition (for the first time when it was introduced) to political parties. Some say that the introduction of the regime even entrenched political parties as part of the electoral system in Australia.[39] This is one of the key ways in which the Australian regime is different to those operating in other nations. While in countries like the US campaign finance regulation is based on candidates and other organisations, in Australia the regime is centred on parties. This is a product of the party-centric political system in Australia, in particular the pre-eminence of the Australian Labor Party, the Liberal Party of Australia and the Nationals (formerly the National Party of Australia). The position of parties in Australia, some argue, has resulted in a reduction in the autonomy of candidates and made it harder for independent candidates to succeed.[40]

The regime has two main aims: to increase transparency in the Australian electoral process and to introduce a public funding system for Australian federal elections.[41] Under the public funding system any candidate or senate group that receives more than four percent (4%) of the vote in an election will receive public funding. The public funding is paid after the election and is calculated by multiplying the number of votes received by the public funding rate at the time of the election. The public funding rate is calculated every six months and is increased at the rate of inflation. At the time of the 2001 election the public funding rate was $1.79026 per vote.[42]

[39] Commonwealth of Australia. p 2509ff. (Hall, Steele)
[40] Commonwealth of Australia. p 2509ff. (Hall, Steele)
[41] Gerritsen. Part 2
[42] Commonwealth of Australia 2001b, *Funding and Disclosure Handbook for Candidates*, Australian Government Printing Service, Canberra. p 9.

Until 1995 public funding was only available as a reimbursement for expenditure made by parties during the election. This meant that if a party spent less than the amount of public funding it would be entitled to it only received public funding to cover its declared expenses.[43] From the 1996 election onwards public funding entitlements were paid to parties based only on the vote they received, regardless of their expenditure. The result of this was that minor parties, with very small resources, which won a reasonable proportion of the vote in an election, would get their full entitlement thereby allowing them to grow as a party.[44] This gave more accurate affect to the intention of public funding, which was to create a more level playing field for elections to be fought on between the parties.

The regime is based on the appointment of agents by political parties, candidates and Senate groups. All returns and public funding payments are made by and to these agents. As mentioned above, public funding is paid based on the number of first preference votes received. In the case of endorsed candidates this funding is paid to the agent of their political party. In the case of individual candidates and non-endorsed Senate Group funding is paid to the agent for that candidate or senate group.[45]

To make the Australian electoral system more transparent a disclosure regime was also introduced.[46] This regime required that political parties, associated entities (of political parties), candidates, publishers, broadcasters and third parties make returns to

[43] Commonwealth of Australia 1997, *Funding and Disclosure Report Following the Federal Election Held On 2 March 1996*, Canberra. p 3.
[44] Commonwealth of Australia 2000a, *Funding and Disclosure Report following the Federal Election held on 3 October 1998*, Australian Electoral Commission, Canberra. p 4-6.
[45] Commonwealth of Australia *Funding and Disclosure Handbook for Candidates*. p 1,10.
[46] Australia. House of Representatives *Debates*, 2 November 1983. p 2213; Gerritsen. Part 2

the Australian Electoral Commission (AEC) after each election. The AEC then makes these returns available to the public after a period of time. For parties and associated entities the returns must list their total expenses, income and debts and are submitted annually. Candidate and Third Party returns are based on election cycles. Third Parties must also lodge annual returns. Each group is also required to list individual transactions over a certain threshold. Broadcasters and publishers must declare any advertisements or promotions that they prepare, publish or broadcast for a candidate or party during an election and third parties must declare any donations they make to a party or candidate if the total of their donations is over a particular threshold. In 1992 changes were made so that political parties and associated entities were required to make annual returns to the AEC instead of returns just for elections.[47]

These disclosure requirements are outlined in more detail below, along with a description of each entity.

[47] Commonwealth of Australia 1995, *Election Funding and Financial Disclosure Report for the election for the House of Representatives and the Senate held on 13 March 1993*, Canberra. ; Commonwealth of Australia 1996, *Funding and Disclosure Handbook for Political Parties*, Australian Government Printing Service, Canberra. ; Commonwealth of Australia 2000d, *Funding and Disclosure Handbook for Associated Entities*, Australian Government Printing Service, Canberra. ; Commonwealth of Australia 2000b, *Funding and Disclosure Handbook for Third Parties*, Australian Government Printing Service, Canberra. ; Commonwealth of Australia 2001c, *Funding and Disclosure Handbook for Broadcasters and Publishers*, Australian Goverment Printing Service, Canberra. ; Commonwealth of Australia *Funding and Disclosure Handbook for Candidates*. p 1-2.

Registered Political Parties[48]

A registered political party is one that is registered with the AEC. This does not include parties that are registered at a State or Territory level. State and Territory branches of parties must register with the AEC separately in order to receive public funding. Political parties that are not registered with the AEC are regarded as third parties.

Registered political parties are required to lodge annual (financial year) returns with the AEC, which set out the total of all receipts, payments and debts for the party. Registered political parties are subject to compliance investigations by the AEC and their returns must also set out the names and address of person or organisations of sources of receipts of $1,500 or more or who is owed $1,500 or more by the party. The type of receipt that we are most interested in for the purposes of this research is donations.

However, when determining if someone has donated $1,500 or more to the party, only donations of over $1,500 need to be counted. For example where a person makes two donations over the $1,500 threshold amount and one under the threshold amount the donor must be declared on the political parties return to the AEC, but only for the first two amounts (which were over $1,500). Likewise, if a person makes a number of donations each of less than $1,500 that donor does not have to be declared, even if the total of the donations was more than $1,500. This means that donors can make unlimited donations of $1,499 to political parties and the parties do not need to

[48] Commonwealth of Australia 2000c, *Funding and Disclosure Handbook for Political Parties*, Australian Government Printing Service, Canberra.

declare these donors on their returns to the AEC. Donors to political parties are also required to make disclosure returns to the AEC, these are covered below under Third Parties. Anonymous donations of $1,000 or more to a registered political party are forfeited to the Commonwealth Government.

Another difficulty associated with the disclosure of donations is the way in which receipts are categorised on the returns to the AEC by the political parties. Receipts can be designated into one of three categories, however, the use of these is optional and a party organisation may elect to designate all of their receipts as 'unspecified receipts'. This makes it very difficult to even determine the declared donors to a party as not all parties separately identify donations from other receipts. The three different categories are 'donations or gift', 'public funding' and 'other receipts'. These categories are defined in Table 1.[49]

Category	Definition
Donation or Gift	The giving of any property from one person to another (including money) in exchange for an amount of money or other property not of equal value to the value of the property given. For example, money or a service for which no payment or an inadequate payment is received. It includes both cash and non-cash (gift-in-kind) donations. Commercial transactions are not treated as donations.
Public Funding	Funding made available to political parties and candidates from State and Commonwealth electoral bodies, under relevant legislation.
Other Receipts	Amounts received by a party or associated entity that do not meet the legislative definition of 'gift'. Examples include membership fees, interest on investments, dividends on shares and rent received on properties owned.

Table 1: Categories of Receipts

[49] Commonwealth of Australia *AEC Funding and Disclosure - Glossary*, Australian Electoral Commission, <http://search.aec.gov.au/annualreturns/arwGlossary.htm>.

In general the main political parties have reported their receipts under the above categories from the 1998 election onwards, indeed a number have from the 1993 election.

Associated Entities[50]

An associated entity is an organisation that is either controlled by or operates wholly or to a significant extent for the benefit of one or more political parties. Therefore, an associated entity can be an organisation that is independent of a party but still benefits it. Examples of associated entities are companies that hold assets for political parties, such as John Curtin House Ltd, and trust funds and fundraising organisations, such as the 500 Club (WA).[51]

Associated entities must also lodge annual (financial year) disclosure returns to the AEC. These returns cover the same information as those for registered political parties. Associated entities are also subject to audits by officers of the AEC.

In addition, where a payment has been made to a registered political party out of income earned from capital or the associated entity, the details of all persons or organisations who deposited capital in trust with the associated entity from 16 June 1995 onwards must be disclosed. Donors to associated entities may also be deemed under the Act to have made their donations direct to a registered party and therefore

[50] Commonwealth of Australia *Funding and Disclosure Handbook for Associated Entities*.
[51] *About the 500 Club*, 500 Club, viewed 12 October 2003 <http://www.500club.com.au/info/about/about500.htm>. ; Crabb 2003, 'Ethanol Company Doubled Donation before Fuel Ruling', *The Age*, 4 February 2003, p. 4.

also to have disclosure obligations. Anonymous donations of $1,000 or more are also forfeited to the Commonwealth Government.

Candidates and Senate Groups[52]

A candidate is a candidate for election in a Division of the House of Representatives or for the Senate. Individual candidates and Senate Groups are required to lodge election returns to the AEC. These returns cover the period starting from the 31st day after the previous election for current Senators and Members of Parliament, from the day of endorsement for candidates endorsed by a political party and from the day of declaration of intent to be a candidate for unendorsed candidates. The period of disclosure ends on the 30th day after the election being contested.

Candidate and Senate Group returns must set out the total of all receipts and certain categories of campaign expenditure. The categories of campaign expenditure include broadcasting advertisements, publishing advertisements, displaying advertisements at a theatre or other place of entertainment, costs of campaign material, direct mailing and research. These returns must also declare the names and address of all receipts of $200 or more to the same candidate, or $1,000 or more to the same Senate Group. In addition, anonymous donations of $200 or more to a candidate or $1,000 or more to a Senate Group are forfeited to the Commonwealth Government. Unlike in the United

[52] Commonwealth of Australia *Funding and Disclosure Handbook for Candidates*.

Kingdom, there are no maximum spending limits on campaign expenditure by candidates.[53]

Publishers and Broadcasters[54]

A publisher is any person or organisation who publishes a newspaper, magazine or other periodical, whether published for sale or distribution without charge. A broadcaster is any holder of a license within the meaning of the Broadcasting Services Act 1992 other than a rebroadcasting or retransmission license as well as the ABC and SBS.

Broadcasters and publishers are required to lodge returns listing the details of electoral advertisements during the election period. The election period is the period from the issue of the writ to polling day. Electoral advertisements include campaign advertisements for political parties and candidates and advertisements placed by persons commenting on the election but are not seeking election themselves. In addition, advertisements placed by Government agencies must also be disclosed. Publishers, however, do not need to lodge a return if their charges for electoral advertisements did not total more than $1,000.

[53] Commonwealth of Australia *Funding and Disclosure Handbook for Candidates*. ; Johnston, MacAllister & Pattie. p 392.
[54] Commonwealth of Australia *Funding and Disclosure Handbook for Broadcasters and Publishers*.

Third Parties[55]

The term third parties refers to a person or organisation other than a registered political party, candidate, Senate Group, associated entity, broadcaster or publisher who is under an obligation to make a disclosure return to the AEC. Such people and organisations include those that donate $1,500 or more in total to the same political party or associated entity during one financial year.

Annual (financial year) returns must be made setting out donations made, directly or indirectly (through an associated entity or other third party), to a registered political party where those donations total $1,500 or more. Returns are also required to disclose donations received by a third party of $1,000 or more that is then used in whole or in part to make a donation to one or more political parties.

An election return (a return covering the election period as mentioned above under Candidates and Senate Groups) must also be lodged where donations are made by a person or organisation totalling $200 or more to the same candidate in an election or $1,000 or more to an organisation specified in the Gazette by the AEC. Such organisations are generally associated entities. An election return must also be lodged where a person or organisation incurs $200 or more of electoral expenditure or where $1,000 or more of donations received from a person are used in whole or in part to incur $1,000 or more on expenditure for political purposes.

[55] Commonwealth of Australia *Funding and Disclosure Handbook for Third Parties*.

One of the clearest observations from the above disclosure rules is that there are many discrepancies in what has to be reported by each type of person or organisation and therefore, also many potential gaps. This also means that it is hard to gather completely accurate information from any one return. The effect of this is that while information is disclosed, it is very hard to find and cross check. This is one way in which the disclosure regime is ineffective in protecting Australian democracy. The specifics of this are outlined in later chapters.

Chapter Two: money and votes

Introduction

This chapter examines the relationship between the financing of political campaigns by political parties and the outcomes of elections. Is there only so much a candidate/party can do in a campaign, or is it the case that the more a candidate/party spends on an election campaign the more likely they will be to win that election? This will be explored by examining previous research in this area of study in other jurisdictions and using similar theories to examine the effects of money on elections in Australia.

It is now generally assumed, particularly in the United States that funds spent on election campaigns translate automatically into votes.[56] The United States Supreme Court supported the view that money influences elections in its ruling that the concept of government restricting the speech of some elements to enhance the relative voice of others by limiting candidate campaign expenditure was "foreign to the First Amendment".[57] Frank Sorauf states that this was akin to the court elevating the proposition that "money talks" from popular saying to a principle of constitutional law.[58]

[56] Dharmapala 2002, 'Campaign War Chests, Entry Deterrence, and Voter Rationality', *Economics and Politics*, vol. 14, no. 3, pp. 325-50. p 326.
[57] Quoted in Corrado, Mann, Ortiz, Potter & Sorauf (eds) 1997, *Campaign Finance Reform: a source book*, The Brookings Institution, Washington, DC. p 64
[58] Sorauf 1992, *Inside Campaign Finance: myths and realities*, Yale University Press, New Haven. p 9-11.

The above statement illustrates that campaign finance is playing a growing role in the systems of Government in western liberal democracies. The concern raised is what effect does this have on our democracies? Does money distort the Australian democracy?

Most research in this area has been conducted in other Anglo-American jurisdictions and is outlined below. The finding of the majority of this research is that election spending contributes to the success of candidates and parties in legislative elections.[59] The main difference between recent research to that of this analysis is that most research in this area has concentrated on local election spending at the constituency, divisional, riding or electorate level and not looked at spending by parties as a whole or on a national or state level as this research does. The main reason for this is that such local data is available in other jurisdictions. However, because the campaign finance regulatory regime in place in Australia only required disclosure returns from each registered political party national, state or territory organisation and not from each campaign such data is not available for Australian federal elections.

This chapter also discusses the methodological differences of this research to that of other previous research in this area. Finally, this chapter will outline the results of the examination of the relationships outlined below and how this impacts upon democracy in Australia.

[59] Carty & Eagles 1999, 'Do Local Campaigns Matter? Campaign spending, the local canvass and party support in Canada', *Electoral Studies*, vol. 18, pp. 69-87. p 72. This point is illustrated below under "Review of the Literature".

Proposition

It is clear from the coverage of the research below that in recent years a small but still substantial amount of research has been completed examining the relationship between party spending on campaigns and the outcomes of those elections. What is also clear is that very little research has been done in this area in Australia. The main reason for this is due to different reporting requirements in Australia, as compared to the United States and the United Kingdom. In Australia expenditure figures are not available on a division by division basis in Australia.

Recent Royal Commissions in Canada, New Zealand, Queensland, Tasmania and Western Australia have recognised the potential for excessive electoral expenditure to have an unfair influence on voters.[60] Despite these findings, a significant gap exists in Anglo-American electoral research on the relationship between campaign expenditure and election outcomes as a result of the lack of any further research in Australia in this area. The area of campaign finance is an important area for public policy discussion and debate as it reaches to the crux of the effectiveness of the democratic system. For this reason it is important that the gap be filled so that proper information is available on a national level concerning such relationships. The research in this paper will begin to fill this gap.

This paper tests the theories expressed in the research conducted in other jurisdictions, specifically, that the more a party spends on an election campaign the more votes it wins. This research will focus on the federal elections in 1993, 1996, 1998 and 2001

[60] Western Australia 1995, *Specified Matters: 20 & 21 - Disclosure of Political Donations, Disclosure of Electoral Expenditure and Other Matters of Political Finance*, 7, Commission on Government, Perth. p 11.

and ask the question, does campaign expenditure, as well as the donations to campaigns that make up that expenditure, affect the outcome of elections?

Review of the Literature

Outline

The literature increasingly supports the view that campaign spending by parties or candidates impacts on votes gained.[61] It is important however, to understand the public policy framework that this research is part of before reviewing its results. The regulation of the use of money in election campaigns has been the topic of national commissions in the United States, Canada, Australia, Great Britain and the former West Germany.[62] The main issue of contention in the area of campaign finance is that donors who contribute to political parties do so in the expectation that their payment will yield some form of return.[63] Green and Farrows put together many examples of such behaviour from information gleaned from the Ralph Nader Congress Project in the 1960s and 1970s.[64] More recently, Peter Kobrack has written about what he sees as compromised governance. For example, a person seeking a favourable

[61] Cf. Forrest, Johnston & Pattie 1999, 'The effectiveness of constituency campaign spending in Australian state elections....' *Environment and Planning A*, vol. 31, pp. 1119-28. p 1119; Green & Krasno 1988, 'Salvation for the Spendthrift Incumbent: the Effects of Campaign Spending in House Elections', *American Journal of Political Science*, vol. 32, pp. 884-907. ; Johnston & Pattie 1995, 'The Impact of Spending on Party Constituency Campaigns in Recent British General Elections', *Party Politics*, vol. 1, no. 2, pp. 261-73.
[62] Alexander (ed.) 1989, *Comparative Political Finance in the 1980s*, Cambridge University Press, Cambridge. p 1
[63] Fisher 2002, *Party Finance: is more reform still needed?*, IPPR. p 2.
[64] Green, Fallows & Zwick 1972, *Who Runs Congress? The President, big business or you?*, Ralph Nader Congress Project, Bantam Books, New York.

appointment as a director of the European Bank of Reconstruction and Development wrote to the Clinton administration. He was then contacted by a fund-raiser and told "If you want to talk to the President, make a donation of $25,000, and you'll get invited to the White House."[65] It is from actions such as this and many others like it on smaller and larger scales, that contributions to campaign funds can create at the very least potential, if not actual, conflicts of interest. Such conflicts undermine democracy.[66]

The reason that candidates and parties are in an endless search for more and more money is due to the ever increasing costs of running campaigns. Anthony King states that in the United States this is a result of the high "vulnerability equation," consisting of "frequent general elections *plus* primaries *plus* lack of party cover *plus* the need to raise large amounts in campaign funds [which] equals an unusually high degree of electoral exposure".[67] For incumbents the pressure to raise funds comes partially from the knowledge that a large, early war chest[68] can discourage a serious primary or general election challenge.[69] However, Kobrack also outlines other reasons for the high costs of running a campaign, stating that acquisition of votes by use of political technology instead of volunteer power is a capital-intensive exercise. Fisher points

[65] Kuntz 1997, 'DNC Invites for Clinton Coffees Perked Along with $25,000 Price Tag, a Businessman Recalls', *Wall Street Journal*, 8 October 1997, p. A24. cited in Kobrak. p 121.
[66] Johnston, MacAllister & Pattie 'The Funding of Constituency Party General Election Campaigns in Great Britain'. p 391.
[67] King 1997, *Running Scared*, Free Press, New York. p 42-3. – emphasis from original.
[68] "war chest": money saved from previous election campaigns, the salient feature being any funds raised by an incumbent prior to the entry decision of a potential challenger: Dharmapala. p 325.
[69] Dharmapala. ; Kobrak. p 110.

out that money is important because it buys what is not or cannot be volunteered.[70] This situation was clearly enunciated by the Barbeau Committee in Canada: [71]

> *The elector cannot make a sensible choice unless he is well informed. Keeping the electorate well informed means using the great communications media: radio, television, newspapers, printed flysheets, billboards etc. If these media are to be used well, parties and candidates must spend very considerable sums of money. The sums are essential expenses in informing the public.*

The professionalisation of politics has brought with it the use of consultants for advertising, strategy and management, research aids, media experts and pollster, all of which cost money.[72] Such rising costs occur in elections all over the world. The Joint Standing Committee on Electoral Matters of the Australian Parliament noted that in 1984 $7.1 million was spent on political advertising via broadcasters and publishers. By the 1987 federal election this figure had risen to $14.9 million, an increase of 112%, comprising an increase of 137% in the cost of television and radio advertising.[73] Rolf Gerritsen states that "election costs … have roughly tripled over the last decade [1985-1995]."[74]

Kim Beazely stated when introducing the 1984 campaign finance reforms into Parliament, that "[t]he sky-rocketing costs of modern election campaigns have threatened to create a situation where national government can be delivered to the party with the best bagman".[75] Many would regard it undemocratic if a political party were to win government because of the volume of its message rather than the content

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[70] Fisher 1999, 'Party Expenditure and Electoral Prospects: a national level analysis of Britain', *Electoral Studies*, vol. 18, no. 4, pp. 519-32. p 519.
[71] Barbeau Committee 1966, *Report on Canadian Political Finance*. – quoted in Ewing 1992, *Money, Politics and Law*, Clarendon Press, Oxford. p 47.
[72] Kobrak. p 110-1.
[73] Commonwealth of Australia 1989, *Who Pays the Piper Calls the Tune - minimising the risks of funding political campaigns: inquiry into the conduct of the 1987 federal election and 1988 referendums*, 4, Parliament of the Commonwealth of Australia, Canberra. p 86.
[74] Gerritsen. Introduction
[75] Commonwealth of Australia *Debates*. p 2213.

of its message.[76] Following from the research above, a small but growing body of research has formed in order to examine whether the application of the two basic campaign resources – money and people (usually volunteers) – affects the outcome of elections in a systematic way. The main jurisdictions in which such research has been undertaken are the United States, the United Kingdom and Canada.

United States

One of the first pieces of research in this area was conducted by Gary Jacobson in the 1970s and 1980s. His research, while acknowledging that spending by candidates challenging the current House representative was linked to their performance, had a paradoxical result, which sparked much debate in this area in research. Jacobson examined the change in vote for candidates in United States House of Representative elections based on the expenditure of challengers and incumbents. Jacobson found that the more challengers spent during their campaign the better they performed but that the more incumbents spent in their re-election campaign, the worse they appeared to do. He surmised that the reason for this was that incumbents tend to spend heavily when they are vulnerable and hence more liable to be defeated.[77] Jacobson's research was followed closely by that of Green and Krasno, who purported that they expected the political quality of a challenger to exert a positive influence on the challenger's vote and bear a positive relationship to challenger expenditures as well as to

[76] Ewing 1992, 'The Legal Regulation of Electoral Campaign Financing in Australia: a preliminary study', *Western Australia Law Review*, vol. 22, pp. 239-56. p 256; Western Australia. p 18.
[77] Jacobson 1980, *Money in Congressional Elections*, Yale University Pres, New Haven.

incumbent expenditures.[78] They found that once challenger quality was accounted for in their study (something that they say Jacobson, did not do adequately) incumbent spending exerts an influence that is "sizable, properly signed, and fairly stable across different levels of challenger spending".[79] The primary difference between these two studies was that while Jacobson used a dummy variable (set to either 0 or 1) for challenger quality, based on whether they had previously held office, Green and Krasno used a multi-facetted variable (0 to 8), producing a larger variance in challenger quality, which they say more accurately represented the actual elections.

Green and Krasno, in their rebuttal of Jacobson's reworking of his earlier work, based on new election data and a new set of equations,[80] compared "yields", the number of votes "purchased by challengers and incumbents in each district".[81] In this later research Green and Krasno point out that incumbents' are less susceptible to diminishing returns than challengers. They say this is because challengers, who typically start the campaign with little name recognition, make early gains and then confront the more difficult task of getting their message across to the voter. Incumbents, however, begin the campaign relatively well known, so do not enjoy the same gains early in the race, but by the same token, do not suffer a drop off in the productivity of their spending as rapidly.[82]

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[78] Green & Krasno 'Salvation for the Spendthrift Incumbent: the Effects of Campaign Spending in House Elections'. p 886.
[79] Green & Krasno 'Salvation for the Spendthrift Incumbent: the Effects of Campaign Spending in House Elections'. p 898.
[80] Jacobson 1990, 'The Effects of Campaign spending in House Elections: New Evidence for Old Arguments', *American Journal of Political Science*, vol. 34, pp. 334-62.
[81] Green & Krasno 1990, 'Rebuttal to Jacobson's 'New Evidence for Old Arguments'', *American Journal of Political Science*, vol. 34, pp. 363-72. p 363.
[82] Beitz 1984, 'Political Finance in the United States: a survey of research', *Ethics*, vol. 95, pp. 129-48. ; Green & Krasno 'Rebuttal to Jacobson's 'New Evidence for Old Arguments''. p 365.

More recently, Paul Starr stated that the challenger who lost the "money" election had a slim chance of prevailing in the people's election. Starr presents data from the Center for Responsive Politics and Citizen Action that shows that in 1996 the candidate who raised the most money won 92% of House races and 88% of Senate races in the United States.[83] Kobrack follows Starr's thesis but adds Jacobson's qualification that money is not a guarantee, as large campaign funds can signal that a candidate is in trouble.[84]

United Kingdom

Research in this area has also occurred in the United Kingdom. A great deal of the research in this area points out that little research has looked at the impact of spending and activity at the local constituency level, but rather at the national level.[85] This is due to the old prevailing view that constituency campaigns have "little success in changing political attitudes"[86] and that "constituency organisation counts for next to

[83] Starr 1997, 'Democracy v. Dollar', *The American Prospect*, vol. 8, no. 31. p 1.
[84] Kobrak. p 125.
[85] Bogdanor 1982, 'Reflections on British Political Finance', *Parliamentary Affairs*, vol. 35, pp. 367-80. ; Pinto-Duschinsky 1981, *British Political Finance 1830-1980*, American Enterprise Institute, Washington, DC. ; United Kindgom. House of Commons. Home Affairs Committee 1993, *Funding of Political Parties: minutes of evidence and memorada of evidence. Session 1992-93*, Cm 726, HMSO: House of Commons, London. ; United Kindgom. House of Commons. Home Affairs Committee 1994, *Funding Political Parties: second report. Session 1993-94*, Cm 301, HMSO: House of Commons, London. cited in Johnston & Pattie 'The Impact of Spending on Party Constituency Campaigns in Recent British General Elections'. p 261.; Fisher 1997, *Political Parties: financial costs of party organisation and activities*, Department of Politics and Modern History, London Guildhall University. cited in Johnston, MacAllister & Pattie 'The Funding of Constituency Party General Election Campaigns in Great Britain'. p 398.; Butler & Kavanagh 1974, *The British General Election of February 1974*, Macmillan, London. p 201. cited in Carty & Eagles. p 73. and Fisher 'Party Expenditure and Electoral Prospects'.
[86] Crewe & Harrop (eds) 1986, *Political Communications: the general election campaign of 1983*, Cambridge University Press, Cambridge. ; Crewe & Harrop (eds) 1989, *Political Communications: the general election campaign of 1987*, Cambridge University Press, Cambridge. ; Kavanagh 1970, *Constituency Electioneering in Britain*, Longman, London. p 87. in Pattie, Johnston & Fieldhouse 1995, 'Winning the Local Vote: the effectiveness of constituency campaign spending in Great Britain, 1983-1992', *The American Political Science Review*, vol. 89, no. 4, pp. 969-83. at paragraph 8.

nothing in the television age".[87] Such national studies are not in line with the research covered in this thesis. Charles Pattie, Ronald Johnston and Edward Fieldhouse found in their research that incumbents also perform badly in the United Kingdom but feel that this is not just due to the "weak-incumbent" problem discussed by Jacobson but also the fact that nearly all incumbents spend near the legal spending limits in their campaigns and can therefore, not effectively outspend their challengers if required. The end result of this was that the more a party spent in its own seats, the worse it did and the better its rivals performed.[88] They also found that spending by non-incumbent parties in a seat had a significant effect on their election results, in the expected positive direction, concluding that the more a challenger spends the more votes they receive and the fewer votes won by their rivals. In general Pattie et al. concluded that the more a party spends the more votes and seats it wins.[89] This research was backed up by very similar research by Pattie and Ronald Johnston.[90]

Denver and Hands' analysis of the 1992 general election in the United Kingdom, however, found that Conservative Party constituency campaigns had relatively little effect on the vote but that same was not true of the Labour and Liberal Democrat campaigns.[91] Denver and Hands examined the change in the share of the electorate won in comparison to the last election between parties in each constituency.[92] Their reason for this, they say, is the starting point for each party: those constituencies in which parties did poorly at the previous election offered the greatest scope for a local

[87] Ivor Crewe, quoted in Denver 1994, *Elections and Voting Behaviour in Britian*, 2nd edn, Prentice-Hall/Harvester Wheatsheaf, Hemel Hempstead. p 117., cited in Carty & Eagles. p 73.
[88] Pattie, Johnston & Fieldhouse. p 976.
[89] Pattie, Johnston & Fieldhouse. p 981.
[90] Johnston & Pattie 'The Impact of Spending on Party Constituency Campaigns in Recent British General Elections'. p 264.
[91] Denver & Hands 1997, 'Challengers, Incumbents and the Impact of Constituency Campaigning in Britain', *Electoral Studies*, vol. 16, pp. 175-93. p 187.
[92] Denver & Hands 'Challengers, Incumbents and the Impact of Constituency Campaigning in Britain'. p 181.

campaign to make a positive difference as the opposition parties.[93] They found that Labour and the Liberal Democrats, were far more likely to be in that situation as the Conservative Party were in government and therefore held the most seats.[94]

Johnston, Pattie and Ian MacAllister also conducted a similar study to Johnston and Pattie's earlier studies, this time focusing on the 1997 general election in Great Britain. They found that there was a clear impact from constituency spending on the outcome of the 1997 general election.[95] They also found that parties raised and spent the most where they were likely to campaign most intensively, i.e. in the seats they held and in the marginal seats where they were the challengers.[96] This would seem to go a long way in explaining why they found that campaigns that spend more are more likely to win, as it would seem quite logical that the most intense campaigns would be the most effective. Johnston, MacAllister and Pattie concluded that the amount parties spent was significantly related to the election outcome: the more a party spent, the better its performance (especially if it was a challenger) and the poorer the performance of its opponents.[97]

In a later study, Justin Fisher conducted a national level analysis of the relationship between party expenditure and electoral prospects. Fisher's thesis was that increased spending capacity provides parties with greater opportunities to promote themselves to voters and that the exploitation of such opportunities would result in electoral

[93] Denver & Hands 'Challengers, Incumbents and the Impact of Constituency Campaigning in Britain'. p 184.
[94] Carty & Eagles. p 74; Denver & Hands 'Challengers, Incumbents and the Impact of Constituency Campaigning in Britain'. p 189-91.
[95] Johnston, MacAllister & Pattie 'The Funding of Constituency Party General Election Campaigns in Great Britain'. p 402.
[96] Johnston, MacAllister & Pattie 'The Funding of Constituency Party General Election Campaigns in Great Britain'. p 403.
[97] Johnston, MacAllister & Pattie 'The Funding of Constituency Party General Election Campaigns in Great Britain'. p 404.

payoffs.[98] Fisher, however, raises the important point that the relationship between money an electoral popularity may be reciprocal. Thus, there is likely to be a relationship between how a candidate is likely to perform on election day and how much they can raise. In turn, the amount of money a candidate can raise will affect how much they can spend, which may affect how well they perform electorally.[99] Fisher indicates that spending at a national level had little demonstrable electoral impact but that other factors such as the media should also be taken into account.[100] He concluded, however, that increased party expenditure can have a positive effect, but that it is difficult to show on a consistent basis.[101] In later work Fisher acknowledges that it is simplistic at one level to automatically equate increased spending with increased electoral payoffs as other factors before and during and election will always play a part in their outcome.[102] His explanation for different findings between constituency and national level spending is that at a constituency level the types of spending in each election are fairly routine, whereas at a national level these may change significantly from year to year.[103]

Canada

The limited research that has been conducted in Canada indicates that local spending contributes in a variable, but generally positive way to a party's electoral fortunes.[104] Carty and Eagles agree with Denver and Hands' findings that challenger campaigns

[98] Fisher 'Party Expenditure and Electoral Prospects'. p 520.
[99] Fisher 'Party Expenditure and Electoral Prospects'. p 521.
[100] Fisher 'Party Expenditure and Electoral Prospects'. p 529.
[101] Fisher 'Party Expenditure and Electoral Prospects'. p 530.
[102] Fisher *Party Finance*. p 6.
[103] Fisher *Party Finance*. p 8.
[104] Carty & Eagles. p 72.

can be more effective at improving electoral shares simply because they have more room for improvement.[105] Carty and Eagles conclude that there is a positive correlation between local campaign spending and activity and votes won. They also found that such campaign effects are strongest for campaigns of candidates of the non-governing parties.[106]

New South Wales, Australia

Very little has been written about the effect of campaign finance on the outcome of Australian elections. One of the main reasons for this, as mentioned above, is the lack of appropriate data.[107] All the research refers to the work of Ronald Johnston and Charles Pattie. Essentially, in Australia, due to the operation of the public funding system, the cyclical nature of investigating local campaign effects that exist where there is no public funding (i.e. do parties do well locally in terms of their campaign spending because they campaign effectively, or do they campaign effectively because they are already strong and have ample resources) does not apply.[108]

In light of the difficulties in acquiring appropriate information in federal elections Gary Forrest conducted research examining flow-of-the-vote and campaign spending based on the 1991 New South Wales state election. This research was based on previous work Forrest had published in 1991 and 1992 that indicated considerable

[105] Carty & Eagles. p 76.
[106] Carty & Eagles. p 83.
[107] Johnston 2003, *Re: Effects of Campaign Spending on Election Outcomes in Australia*, Perth, 22 April 2003, Email.
[108] Forrest, Johnston & Pattie. p 1123.

support for a positive relationship between money and votes.[109] Forrest posited that "the greater the effort put into local campaigning in 1991 by each major party relative to the other, the more votes will be retained or attracted (flows to) and the fewer will be lost (flows from)."[110] Forrest used an entropy-maximising procedure to estimate the flow-of-the-vote for each electoral division between 1988 and 1991.[111] He found that for every $1,000 the ALP spent they won them a 0.65% increase in their vote, which was offset by a 0.23% decrease in their vote for every $1,000 spent by the Liberal-National Party Coalition.[112] In addition, Forrest found that incumbency of individual seats made no significant impact but that the spending of the Coalition government was less effective than the spending of the ALP opposition.[113] Forrest did acknowledge however, that local campaign effort is only one of a number of factors influencing the flow-of-the-vote.[114]

In 1999 Forrest, Johnston and Pattie, published research into the effectiveness of constituency based campaigns in New South Wales state elections. This research followed the methods previously employed by Johnston and Pattie in their research in the same area in Great Britain. They found that the proposition that the more a party spends, the greater the votes it wins was generally true but that the strength of the relationship found in the elections in the early 1980s was not found in elections in the

[109] Forrest 1997, 'The Effects of Local Campaign Spending on the Geography of the Flow-of-the-Vote at the 1991 New South Wales State Election', *Australian Geographer*, vol. 28, no. 2, pp. 229-40. p 230.
[110] Forrest 'The Effects of Local Campaign Spending on the Geography of the Flow-of-the-Vote at the 1991 New South Wales State Election'. p 234.
[111] Forrest 'The Effects of Local Campaign Spending on the Geography of the Flow-of-the-Vote at the 1991 New South Wales State Election'. p 231.
[112] Forrest 'The Effects of Local Campaign Spending on the Geography of the Flow-of-the-Vote at the 1991 New South Wales State Election'. p 234.
[113] Forrest 'The Effects of Local Campaign Spending on the Geography of the Flow-of-the-Vote at the 1991 New South Wales State Election'. p 238.
[114] Forrest 'The Effects of Local Campaign Spending on the Geography of the Flow-of-the-Vote at the 1991 New South Wales State Election'. p 235.

late 1980s and 1990s. They said that this is due to the earlier elections being 'maintaining' elections, while the later elections were of a 'reinstating' nature.[115]

Shaun Bowler, David Farrell and Ian McAllister's research, published in 1996, examined the effectiveness of local campaigns during the 1993 federal election in Australia. Bowler, however, used information gathered as part of the Australian Election study survey as a measure of local campaign effort as opposed to campaign expenditure.[116] Bowler examined five different types of local campaign activity and found that they fitted into two basic categories of local activity. In estimating the effect of local activity on the vote Bowler regressed the votes Members of Parliament (MPs) received in 1993 and the swing that took place in their divisions between the 1990 and 1993 elections for each of the five types of campaign activity. Bowler found that local constituency work by MPs had a negligible effect on the number of votes received by MPs.[117] Local party work by MPs, on the other hand, influenced their vote to a considerable degree.[118] Bowler found that local campaign effects have limited influence on electoral outcomes in parliamentary systems because the central issue at stake is who will form the national government.[119]

[115] Forrest, Johnston & Pattie 'The effectiveness of constituency campaign spending in Australian state elections....' p 1127.
[116] Bowler, Farrell & McAllister 1996, 'Constituency campaigning in parliamentary systems with preferential voting: is there a paradox?' *Electoral Studies*, vol. 15, no. 4, pp. 461-76. p 463.
[117] Bowler, Farrell & McAllister. p 464.
[118] Bowler, Farrell & McAllister. p 465.
[119] Bowler, Farrell & McAllister. p 471.

Analysis

Each of the above pieces of research identifies different factors that complicate their understanding of the operation of money in election campaigns. King refers to the high "vulnerability equation" that exists in the United States and there are many references to the ever increasing costs of running campaigns. Jacobson developed the concept that expenditure has different effects for challengers and incumbents. This was developed further by Green and Krasno, who further developed how the quality of the challenger relates to the outcome of elections and the concept of diminishing returns. Fisher points out that the relationship between money and electoral performance may be reciprocal with those spending the most money performing the best in the election but also with those with the most chance of winning raising more money. Carty and Eagles pointed out that in Parliamentary systems, it is often the candidates from the party that is in Government that have the qualities of incumbency, regardless of whether or not they are actually the incumbent in that particular seat. All of these factors result in the study of electoral campaign finance becoming more and more complex. In developing a method of research these researchers and myself attempt to re-simplify this study so that concrete results may be obtained. While the methods employed by the different researchers are different they have attempted to account for the factors mentioned above as well as others, such as socio-economic conditions, ethnicity and support for parties at previous elections, by introducing different dummy variables into the equations they use to analyse the relationship between expenditure and electoral performance. These methods are outlined below.

Methods

Before explaining the methodology utilised in this research it is useful give a brief treatment of the methodologies employed in some of the other research in this area mentioned above. These methodologies can be easily broken up by the jurisdictions that they have been applied to as the research in each jurisdiction encountered different problems based on their differing political structures. Following this I will discuss the key differences between these jurisdictions and Australia on a federal level. From this discussion I will outline the methodology employed in this research to examine the relationship between donations, expenditure and votes and the outcomes of elections.

Other Methodologies

There are four main jurisdictions that have been covered by the research: the United States, the United Kingdom, Canada and the Australian state of New South Wales. To a large degree the methodologies employed in each of these jurisdictions has been largely the same and based on the research done by Jacobson in the 1970s with most differences based on differing political structures or refinements to Jacobson's original formulae.

United States

In his original study Jacobson considered there to be four factors that determined the proportion of the vote a challenger (a candidate running for a US House of Representatives seat who was not already a member of the House) would receive (CV). The four factors were the strength of the challenger's party (CPS), measured by the proportion of the vote that the candidate of the challenger's party received in the district at the previous election; the challenger's expenditure (CE), in thousands of dollars; the incumbent's expenditure (IE), in thousands of dollars and the challenger's party (P). In his study, party was represented by a dummy variable of zero for Republicans and one for Democrats.[120] From this Jacobson calculated ordinary least squares regressions equations in the form (with e as an error term)[121]:

$$CV = a + b_1CE + b_2IE + b_3P + b_4CPS + e$$

Green and Krasno found fault in Jacobson's method, in particular because Jacobson did not account for challenger quality as a factor that affected the proportion of votes won by the challenger. Green and Krasno added this to Jacobson's equation with challenger quality being a variable with a value of 0 to 8 based on previous roles and experience.[122] Green and Krasno also believed that Jacobson's methodology was too rigid as it was linear and therefore was not able to account for the diminishing marginal returns of a candidate's expenditure.[123]

[120] Green & Krasno 'Salvation for the Spendthrift Incumbent: the Effects of Campaign Spending in House Elections'. p 885-6.
[121] Denver & Hands 'Challengers, Incumbents and the Impact of Constituency Campaigning in Britain'. p 176-7.
[122] Green & Krasno 'Salvation for the Spendthrift Incumbent: the Effects of Campaign Spending in House Elections'. p 886.
[123] Green & Krasno 'Salvation for the Spendthrift Incumbent: the Effects of Campaign Spending in House Elections'. p 886.

United Kingdom

While there has been to some extent a hostile debate between Jacobson and his supporters and Green and Krasno and their followers, in the UK the methodology for the study of this area has essentially been set by Charles Pattie and Ronald Johnston. In their 1995 study of the 1992 general election in the United Kingdom Pattie, Johnston and Fieldhouse used a series of regression models, with party vote share as the dependent variable and spending levels as the independent variables. In order to take into account changes in constituency population sizes and voter participation rates Pattie et al calculated vote share as a percentage of the local electorate. Also, due to the existence of spending limits for constituency based campaigns in the UK, campaign expenditure was also expressed as a percentage of the maximum legal expenditure limit.[124] Pattie et al used an equation for their comparisons consisting of percentage of the vote (VOTEPC), Conservative Party spending in a constituency at the election as a percentage of the legal limit (CSnPC); Labor Party spending at the election as a percentage of the legal limit (LSnPC) and Alliance spending at the election as a percentage of the legal limit (ASnPC).[125]

However, Pattie et al did acknowledge that this was just one factor affecting the percentage of vote won by a party and so took other factors into account also by using

[124] Pattie, Johnston & Fieldhouse. p 972-3.
[125] Pattie, Johnston & Fieldhouse. p 973.

a number of control variables. These variables were based on the data from the last national census and were as follows for each constituency:[126]

- The proportion of the population in semi and unskilled manual jobs (SEMI/UNSKILLED)
- The proportion of the population employed in the energy industry (MINE)
- The proportion of households in properties rented from local government (COUNCIL); and
- The proportion of the population living in households headed by someone from the New Commonwealth or Pakistan (NCWP)

The use of these variables, claimed Pattie et al, controlled for both the general geography of voting and for the overall geography in party support between regions. They then entered all of the above variables into the regression models.[127] In their analysis Pattie et al differed from Jacobson and Green and Krasno by using parties and the basis of incumbency instead of candidates, this was because in the UK the majority of voters vote for parties, which are well recognised, not for individual candidates, who are not easily recognised. On the whole, however, there is a large amount of overlap between incumbent candidates and incumbent parties.[128] The model that Pattie et al used was as follows:[129]

$$\text{SPENDPC}_t = c + b_1\text{V}_{t-1} + b_2\text{M}_{t-1} + b_3\text{SECOND}_{t-1} + b_4\text{SPENDR1PC}_t + b_5\text{SPENDR2PC}_t$$

[126] Pattie, Johnston & Fieldhouse. p 973.
[127] Pattie, Johnston & Fieldhouse. p 973-4.
[128] Denver & Hands 'Challengers, Incumbents and the Impact of Constituency Campaigning in Britain'. p 177.
[129] Pattie, Johnston & Fieldhouse. p 977.

where $SPENDPC_t$ is the percentage of the legal maximum spent by a party at election *t*; V_{t-1} is the vote for the party in the seat at the previous election (*t-1*) as a percentage of the constituency electorate; M_{t-1} is the percentage point difference between the electorate shares of the party and the winner in the seat (or, where the party won, between it and the second-place party) at the previous election (*t-1*) (this value is always positive); $SECOND_{t-1}$ is a dummy for the party in second place at the previous election; $SPENDR1PC_t$ is the percentage of the legal limit spent by one rival party at election t; $SPENDR2PC_t$ is the percentage of the legal limit spent by the other rival party at election *t* and b_{1-5} are slope coefficients. SPENDPC was then substituted for PSP values in the equation below:[130]

$$\text{VOTEPC} = c + b_1\text{PCSP} + b_2\text{PLSP} + b_3\text{PASP} + b_4\text{SEMI/UNSKILLED} + b_5\text{MINE} + b_6\text{COUNCIL} + b_7\text{NCWP} + b_i\text{REGION}_i$$

where PCSP is the predicted percentage of the legal maximum spent by the Conservative party, after controlling for the strategic position in each seat after the previous election; PLSP is the same as PCSP but for the Labor Party; PASP is the same as PCSP but for the Alliance and $REGION_i$ represents the dummy variables for the regions used in an earlier analyses.[131]

Denver and Hand's took a different direction for the UK by following Jacobson's model more closely using vote share as a dependent variable with the vote share at the previous election as a control but by using the change in the share of the electorate won as compared with the previous election as a measure of electoral change and reporting regressions with this measure as the dependent variable. However, they

[130] Pattie, Johnston & Fieldhouse. p 977.
[131] Pattie, Johnston & Fieldhouse. p 977.

split the sample into two analysing challengers and incumbents separately. They used challenger's performance as a dependent variable and included the challenger's party as a control variable to take account of national-level changes. For the same reason they included the incumbent's party when the incumbent's performance was the dependent variable. Denver and Hands came up with the following series of regression models:[132]

$$C_1V92 = a + b_1C_1V87 + b_2C_1P + b_3Icamp + b_4C_1camp + b_5C_2camp + e$$

$$C_1Che = a + b_1C_1P + b_2Icamp + b_3C_1camp + b_4C_2camp + e$$

$$IV92 = a + b_1IB87 + b_2IP + b_3Icamp + b_4C_1camp + b_5C_2Ccamp + e$$

$$IChe = a + b_1IP + b_2Icamp + b_2C_1camp + b_3C_2camp + e$$

where C_1V92 is the first challenger's share of the vote in 1992; C_1V87 is the first challenger's share of the vote in 1987; IV92 is the incumbent's share of the vote in 1992; IV87 is the incumbent's share of the vote in 1987; C_1Che is the first challenger's change in share of votes won between 1987 and 1992; IChe is the change in the incumbent's share of votes won between 1987 and 1992; Icamp is the incumbent's campaign strength; C_1camp is the first challenger's campaign strength; C_2camp is the second challenger's campaign strength; IP is the incumbent's party and C_1P is the first challenger's party.[133]

Denver and Hands then used the following two models to show that the effects of campaigning were different for the different parties:[134]

[132] Denver & Hands 'Challengers, Incumbents and the Impact of Constituency Campaigning in Britain'. p 181.
[133] Denver & Hands 'Challengers, Incumbents and the Impact of Constituency Campaigning in Britain'. p 181-2.
[134] Denver & Hands 'Challengers, Incumbents and the Impact of Constituency Campaigning in Britain'. p 182-3.

$$\text{Con92} = a + b_1\text{Con87} + b_2\text{Coninc} + b_3\text{Concamp} + {}_4\text{Labcamp} + b_5\text{Ldemcamp} + e$$

$$\text{Conche} = a + b_1\text{Coninc} + b_2\text{Concamp} + b_3\text{Labcamp} + b_4\text{Ldemcamp} + e$$

where Con92 is the share of the vote won by the Conservatives in 1992; Con87 is the share of the vote won by the Conservatives in 1987; Conche is the change in the Conservative vote between 1987 and 1992; Coninc is a dummy binary variable indicating Conservative incumbency; and Concamp, Labcamp and Ldemcamp are the campaign strength scores for the Conservative, Labor and Liberal-Democrat parties respectively.[135]

In order to test whether it is previous vote effect and not challenger effect that is important in such studies Denver and Hands divided the campaigns of the parties in each constituency into three groups based on their share of the vote in 1987 (low, medium and high). They then tested each group against the following models:[136]

$$\text{Vote92} = a + b_1\text{vote87} + b_2\text{owncamp} + b_3\text{othercamp} + e$$

$$\text{Che} = a + b_1\text{owncamp} + b_2\text{othercamp} + e$$

where Vote92 is the vote share of the relevant party in 1992; vote87 is the share of the vote of the relevant party in 1987; Che is the change in the share of the vote gained by the relevant party between 1987 and 1992; owncamp is the strength of the relevant

[135] Denver & Hands 'Challengers, Incumbents and the Impact of Constituency Campaigning in Britain'. p 183.
[136] Denver & Hands 'Challengers, Incumbents and the Impact of Constituency Campaigning in Britain'. p 184-5.

party's campaign; and othercamp is the sum of the campaign strengths of the two opposing parties.[137]

Denver and Hands then suggested an alternative set of equations, which incorporated an interaction term (the product of vote share in the 1987 election and campaign strength in 1992). They stated that this had the advantage of "utilising all the data simultaneously"[138] and avoided dividing cases into categories. The models developed from this were:[139]

$$\text{Vote92} = a + b_1\text{vote87} + b_2\text{owncamp} + b_3\text{othercamp} + b_4(\text{owncamp x vote87}) + e$$

$$\text{Che} = a + b_1\text{owncamp} + b_2\text{othercamp} + b_3(\text{owncamp x vote87}) + e$$

Denver and Hands found that there were a number of different effects that resulted from the above statistical method that were not easy to sort out and therefore, chose to examine holding constant one or other of the relevant variables.[140] They did this in a number of ways, firstly, they held the party constant to examine whether the previous vote effect would still exist. Secondly, they examined the effects for each party's campaign separately and included terms for the interaction between votes received in 1987 and campaign strength in 1992. This produced two new formulae:

$$\text{Con92} = a + b1\text{Con87} + b_2\text{Concamp} + b_3\text{Labcamp} + b_4\text{Ldemcamp} + b_5(\text{Con87 x Concamp}) + e$$

[137] Denver & Hands 'Challengers, Incumbents and the Impact of Constituency Campaigning in Britain'. p 185.
[138] Denver & Hands 'Challengers, Incumbents and the Impact of Constituency Campaigning in Britain'. p 186.
[139] Denver & Hands 'Challengers, Incumbents and the Impact of Constituency Campaigning in Britain'. p 185-6.
[140] Denver & Hands 'Challengers, Incumbents and the Impact of Constituency Campaigning in Britain'. p 186.

$$\text{Conche} = a + b_1\text{concamp} + b_2\text{Labcamp} + b_3\text{Ldemcamp} + b_4(\text{Con87 x Concamp}) + e$$

The last relationship that Denver and Hands examined was whether party effect remained if previous vote was held as a constant. Again, they saw two ways of achieving this. Firstly, by using data defined on the basis of share of the vote in 1987 they included terms for the interaction between party and campaign strength:[141]

$$\text{Vote92} = a + b_1\text{vote87} + b_2\text{owncamp} + b_3\text{othercamp} + b_4(\text{Con x Concamp}) + b_5(\text{Ldem x Ldemcamp}) + e$$

$$\text{Che} = a + b_1\text{owncamp} + b_2\text{othercamp} + b_3(\text{Con x Concamp}) + b_4(\text{Ldem x Ldemcamp}) + e$$

Secondly, Denver and Hands examined the same relationship but by using all data simultaneously. They achieved this by introducing Vote87 as a control variable, producing the following model:

$$\text{Che} = a + b_1\text{vote87} + b_2\text{owncamp} + b_3\text{othercamp} + b_4(\text{Con x owncamp}) + b_5(\text{Libdem x owncamp}) + e$$

Denver and Hands used a number of models for deriving their conclusions. These models were based around the vote received by parties in the 1992 election and the change in vote received by parties between the 1987 election and the election in 1992 and the strength of the campaigns of each party as well as the vote received by the parties in 1987.

[141] Denver & Hands 'Challengers, Incumbents and the Impact of Constituency Campaigning in Britain'. p 187-8.

In their research published in 1995 Johnston and Pattie used a model first tested by Johnston in 1986[142] base on the proposition that the more a party spends the better its electoral performance should be. Johnston and Pattie used the ratio of two parties' performance (as percentages of the votes cast) at each pair of elections between 1979 and 1992 to measure inter-electoral change.[143] After regressing inter-electoral change between the parties for these elections Johnston and Pattie used regression models that used seven variables to represent constituency characteristics and 22 dummy variables to represent regions.[144] These figures were then regressed against spending by the various parties each constituency as a percentage of the maximum allowable in that constituency.[145]

Fisher's national level research published in 1999 examined the influence of a party's annual expenditure on popularity in opinion polls.[146] Fisher's hypothesis was that electoral popularity is a function of party spending, the spending of the party's principle opponent and the existing strength of the party. This hypothesis was represented by the following formula:

$$\text{POLL} = a + b_1\text{PS} + b_2\text{PE} - b_3\text{OPE} + e$$

[142] Johnston 1986, 'Information Provision and Individual Behaviour: a case study of voting at an English general election', *Geographical Analysis*, vol. 18, pp. 129-41. cited in Johnston & Pattie 'The Impact of Spending on Party Constituency Campaigns in Recent British General Elections'. p 264.
[143] Johnston & Pattie 'The Impact of Spending on Party Constituency Campaigns in Recent British General Elections'. p 264.
[144] Johnston & Pattie 'The Impact of Spending on Party Constituency Campaigns in Recent British General Elections'. p 266.
[145] Johnston & Pattie 'The Impact of Spending on Party Constituency Campaigns in Recent British General Elections'. p 266-7.
[146] Fisher 'Party Expenditure and Electoral Prospects'. p 524.

where *a* is a constant, POLL is the share of the poll for the party concerned, PS is the electoral strength of the party, PE is expenditure by the party, OPE is the expenditure by the parties main rival, *e* is the error term and b_{1-3} are regression coefficients.[147]

Fisher, struck methodological difficulties due to the lack of a pre-defined campaign period and not being able to account for non-partisan political campaigning. Fisher dealt with the first problem by using annual data and the second by the fact that non-partisan activity is likely to be concentrated around the time of general elections, and that his analysis was based on annual data in non-general election years.[148] Fisher then also looked at the relationship between expenditure by challengers and incumbents and the electoral strength of the challenger on challenger's share of the poll and vice versa so as to test the theories of Jacobson and Green and Krasno.[149]

Johnston, MacAllister and Pattie, in their study published in 1999 worked on the following assumptions: that parties would spend the most in the seats that they already held and wished to retain and in addition, in other seats where the margin of loss at the last election was small. Johnston, MacAllister and Pattie also assumed that candidates would spend more in seats where the margin between the parties was the least. [150] To test these theories, they plotted a series of graphs that showed the relationship between expenditure by political parties and the margin of votes in each seat for the 1997 general election. They plotted separate graphs for each party:

[147] Fisher 'Party Expenditure and Electoral Prospects'. p 524-5.
[148] Fisher 'Party Expenditure and Electoral Prospects'. p 525.
[149] Fisher 'Party Expenditure and Electoral Prospects'. p 525-6.
[150] Johnston, MacAllister & Pattie 'The Funding of Constituency Party General Election Campaigns in Great Britain'. p 394.

Labour, Conservative and Liberal Democrat.[151] Johnston, MacAllister and Pattie also examined the relationship between party expenditure and seats each party held in 1992 and whether that seat was marginal, close or safe.[152]

Canada

The research design employed by Carty and Eagles in their Canadian research differed to most of the above research due to it being centred on parties as opposed to incumbents and challengers. The main reason for this was the way in which Carty and Eagles conceptualised incumbency. Instead of treating the actual incumbent representative of the seat as the incumbent Carty and Eagles treated candidates from the party in government as incumbents and those from opposition parties as challengers. This is because of the strict party discipline that characterises the parliamentary system in Canada. Carty and Eagles argue that incumbency in the minds of most voters is based on the governing party's record and that therefore, it is more accurate to use their model rather than a straight incumbency versus challenger model.[153]

In order to conduct their research Carty and Eagles took the proportion of the total constituency (called a 'riding' in Canada) vote for each of the three major national parties in the 1999 Canadian federal election as the dependent variable in their analysis. The independent variables they used were volunteer use and expenditure, as

[151] Johnston, MacAllister & Pattie 'The Funding of Constituency Party General Election Campaigns in Great Britain'. p 394-5.
[152] Johnston, MacAllister & Pattie 'The Funding of Constituency Party General Election Campaigns in Great Britain'. p 396.
[153] Carty & Eagles. p 75.

these related to the nature and intensity of the campaigns by the parties.[154] Carty and Eagles represented campaign expenditure as the amount spent in each constituency by each campaign per elector. Volunteer strength was determined as the number of volunteers during the election for each of the three parties.[155] Carty and Eagles also included a variable measuring the party's level of support at the previous election. This was because, they argue, parties do not start from scratch but rather "inherit"[156] the legacies of previous election campaigns.[157] In addition, they utilised three constituency-level indicators. The first was an index of socio-economic status, the second, a measure of urbanisation within the constituency and the third, measured the ethno-social homogeneity of the constituency. Carty and Eagles then used ordinary least squares regressions to estimate the parameters for the model.[158]

New South Wales, Australia

In his analysis of the elections in New South Wales (NSW), Forrest examines the flow-of-the-vote by using an entropy-maximising procedure utilising data from the NSW Election Survey in 1995. Forrest used the number of votes cast for each party in each electoral division at the 1991 and 1988 NSW elections. Forrest also used the flow-of-the-vote sum at a State wide level, which he arrived at by inflating division flow-of-the-vote results. The results for flows to and from the major parties were

[154] Carty & Eagles. p 76.
[155] Carty & Eagles. p 76-7.
[156] Carty & Eagles. p 77.
[157] Carty & Eagles. p 77.
[158] Carty & Eagles. p 77-8.

used as dependent variables in later analysis.[159] Forrest then regressed the flow-of-the-vote against campaign spending for each of the parties. This was to test his hypothesis that "the greater the effort put into local campaigning in 1991 by each major party relative to the other, the more votes will be retained or attracted (flows to) and the fewer will be lost (flows from)."[160] Forrest then expanded his model to "control for underlying influences"[161] by incorporating a number of political-contextual and socio-structural variables. These variables (number over a dozen) were based on the two major divisions in NSW of class, as determined by socio-economic status, and urbanisation (rural-urban).[162] Forrest also included further variables to account for whether or not a particular seat was marginal and to account for incumbency.[163]

In their study of NSW elections, Forrest, Johnston and Pattie hypothesised that party spending would be increasingly linked to election outcomes.[164] In order to test this, they analysed the results of the NSW elections from 1988 to 1995 in two stages. The first stage was to examine the effect of class, urbanisation and ethnicity of electoral divisions on the way in which they voted. The equation used for this stage of the analysis was:[165]

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[159] Forrest 'The Effects of Local Campaign Spending on the Geography of the Flow-of-the-Vote at the 1991 New South Wales State Election'. p 231-2.
[160] Forrest 'The Effects of Local Campaign Spending on the Geography of the Flow-of-the-Vote at the 1991 New South Wales State Election'. p 234.
[161] Forrest 'The Effects of Local Campaign Spending on the Geography of the Flow-of-the-Vote at the 1991 New South Wales State Election'. p 235.
[162] Forrest 'The Effects of Local Campaign Spending on the Geography of the Flow-of-the-Vote at the 1991 New South Wales State Election'. p 235-6.
[163] Forrest 'The Effects of Local Campaign Spending on the Geography of the Flow-of-the-Vote at the 1991 New South Wales State Election'. p 236.
[164] Forrest, Johnston & Pattie 'The effectiveness of constituency campaign spending in Australian state elections....' p 1123.
[165] Forrest, Johnston & Pattie 'The effectiveness of constituency campaign spending in Australian state elections....' p 1124.

$$ALP2PP_{i,t} = \int (ALP2PP_{i,t-1}), GOVHSG, NESB, SKILL, AGRIC$$

where $ALP2PP_{i,t}$ is the difference between the Labor two-party preferred vote and that for the coalition in constituency *i* at the current election, *t*; $ALP2PP_{i,t-1}$ is the same difference as above but for the previous election; GOVHSG is the percentage of households in the constituency that are rented from the state (i.e. government/public housing); NESB is the percentage of the constituency that come from a non-English speaking background; SKILL is the percentage of the constituency that work in semi-skilled and unskilled occupations and AGRIC is the percentage of constituency populations employed in agriculture.[166]

In the second stage the impact of major-party spending was assessed independently of the state 1 effects. The equation for stage 2 was:[167]

$$ALP2PP_{i,t} = \int (ALP2PP_{i,t-1}, GOVHSG, NESB, SKILL, AGRIC, ALP\$_{i,t}, LNP\$_{i,t})$$

where $ALP\$_{i,t}$ and $LNP\$_{i,t}$ are the absolute campaign-spending totals by the ALP and the Liberal Party/National Party Coalition.[168] This gave a flow of the vote to or from the ALP based on the ALP's vote at the previous election and controlled against different regional factors in each constituency and the spending by both the ALP and the Liberal Party/Nationals Coalition.

Shaun Bowler, David Farrell and Ian McAllister's study of the 1993 federal election in Australia was based on the 1993 Australian Election Study survey. This survey

[166] Forrest, Johnston & Pattie 'The effectiveness of constituency campaign spending in Australian state elections....' p 1124.
[167] Forrest, Johnston & Pattie 'The effectiveness of constituency campaign spending in Australian state elections....' p 1124-6.
[168] Forrest, Johnston & Pattie 'The effectiveness of constituency campaign spending in Australian state elections....' p 1126.

asked successful Members of Parliament and unsuccessful incumbents how much time they spent working on different activities within their divisions. The types of activities were divided into two types: "constituency service" and "local party work."[169] Bowler et al then regressed the mean hours per month spent on each activity against the number of votes that the Members received in the 1993 election and against the swing for or against the Member between the 1990 and 1993 elections.[170] While this study was interesting for its results, its methodology is not related to the research reported in this thesis.

Differences

In general the models used analyse a change in the share of the vote obtained by one party as a function of the previous strength of the party (usually based on its performance at the previous election), the party's expenditure and the expenditure of other parties. Many of the analyses also include in their models variables to counter any effects based on geography, socio-economic and other regional differences of each constituency or district.

However, it is pertinent at this point to examine some of the key differences between electoral campaigns in the jurisdictions discussed thus far and Australia at a federal level. The first and main difference is that voting in Australia is compulsory. The effect of this is that one of the main tasks of local campaigns in the United States, the

[169] Bowler, Farrell & McAllister. p 463.
[170] Bowler, Farrell & McAllister. p 463-4.

United Kingdom and Canada, that of 'getting out the vote,' is not required.[171] The second major difference is the voting method employed in Australia: preferential voting or single transferable vote. While in the above mentioned jurisdictions it is possible to improve one's vote without reducing vote of one's opponent by 'getting out more of the vote', this is not possible in Australia. This means that greater emphasis is placed on convincing voters who do not have any party affiliation or allegiance (otherwise known as swinging voters) to vote for a particular party over another, thereby not only increasing one party's vote but directly reducing the votes obtained by the other parties.

Two other significant differences also exist, which stem from Australia being a parliamentary system. Firstly, congressional election campaigns in the United States are more parochial and candidate-centred than those in parliamentary systems such as Australia, Canada and the United Kingdom.[172] Another important difference is the way incumbency is conceptualised. Due to the strict party discipline evolving from parliamentary systems, especially in Australia and Canada[173], in the minds of most voters incumbency is defined in terms of the incumbent governing party, as opposed to the affiliation of the actual Member of Parliament in a particular seat. By definition, this means that more incumbents will be members of the governing party than the opposition parties.[174]

[171] Pattie, Johnston & Fieldhouse.
[172] Carty & Eagles. p 72.
[173] Carty & Eagles. p 75.
[174] Carty & Eagles. p 75.

Methodology for this research

In order to answer the question proposed at the beginning of the chapter the methodologies employed in the above studies were broadly followed. However, the methods employed had to be modified to suit the information that is available in the Australian context for federal elections. This means that whereas many of the above studies concentrated only on local campaign expenditure this study will examine expenditure at state and national levels.

The information used to conduct this research was gathered primarily from the Australian Electoral Commission (AEC), to which all parties are required to submit disclosure returns as described in Chapter One. Information relating to the number of votes obtained by each party was also gathered from the AEC.[175]

In forming a methodology a number of difficulties were encountered in relation to data availability and the form in which the data was presented. In addition a few points must be made about the Australian political structure and its operation and how this affects the formulation of an accurate methodology. Some of these are basic but necessary points to be considered. In order to examine how campaign expenditure affects the outcomes of elections, purely discussing the number or percentage of first preference votes received by a party is not entirely useful. The examination must deal with the realities of the formation of government in Australia. At the federal level, as in the United Kingdom, the party that becomes the governing party is the one that wins the most seats in the House of Representatives. For this reason this research

[175] Australia. Australian Electoral Commission 1999, *Election Statistics 1993, 1996, 1998*, Australian Electoral Commission. ; Australia. Australian Electoral Commission 2002, *Election Statistics 2001*, Australian Electoral Commission.

focuses on votes won in divisions of the House of Representatives only and not votes won by parties in Senate elections.

As mentioned above, Australia uses a preferential or single transferable vote (STV) voting system for House of Representatives elections. This means that voters can nominate an order of preference for candidates in an election and that in order to win an election a candidate must receive over 50% of the vote in that division. For this reason it is important to look not only at first preference votes won by each party but also the vote received by the two major parties on a two-party preferred basis as it is this vote that nearly always determines who wins the division. The two-party preferred outcome was also analysed in this study as it is this result that determines the winning candidate in each division. However, as financing data is not available on a division by division basis two-party preferred results will be based on State and national totals. The number of actual seats won was also examined. This is important due to the closed-system nature of the Australian system created by a compulsory and preferential voting system mentioned above.

While it would have been preferable to utilise spending data on a division by division basis to conduct this research this was not possible. As mentioned earlier, Australian electoral law only requires parties and candidates to lodge expenditure returns through their State or Territory party bodies for each election on a State or Territory wide basis. This means that campaign expenditure information on a division by division basis is not available to the public. In an effort to conduct research at a division level I contacted each of the State, Territory and national organisations of each of the parties examined in this research. I requested from each party a break down of their

expenditures during the 1996 election on a division by division basis. Despite a guarantee of confidentiality, the parties regarded the information as being sensitive and were not prepared to provide the information to me.[176] For this reason the campaign expenditure figures used are only broken down by State and Territory as provided to the Australian Electoral Commission (AEC).

An additional difficulty is that the reported campaign expenditures from the parties do not differentiate between expenditure for Senate and House of Representative elections. This means that in comparing expenditure to votes the expenditure figures used are for both the Senate and the House of Representatives whereas the votes are only for the House of Representatives. However, at least in the case of the Australian Labor Party, the Liberal Party and the National Party campaign expenditure on Senate elections makes up a minor part of the total expenditure by the parties during the campaign. Additionally, while the Australian Democrats and Greens fare better in the Senate than in the House of Representatives they still field candidates in nearly every House of Representatives election. This would seem to indicate that their expenditure would still mainly be aimed at House of Representatives elections with such expenditure having positive spin offs for the Australian Democrats and Greens in the Senate in the same way it does for the other major parties. Therefore, this problem can be effectively ignored.

Another problem is that the national organisations of the parties also spend money on the election campaigns separately to the state and territory organisations. It is not possible in every case to discover in which state or territory particular funds were

[176] It should be noted that the GreensWA did provide me with the information that I requested, however, on its own it was of no use to the research. My thanks to Rowena.

spent. To eliminate this problem in the research I have compared the total expenditure of each party, including all national, state and territory organisations of each party, with the total vote received by the party over the whole country during the election. The use of these figures makes sure that all expenditure is included in the research.

Reference must also be made to the fact that the research conducted in this area in other jurisdictions made use of dummy variables to different degrees to counter specific socio-economic, geographical and other factors present in each division or constituency. In this research I do not feel that such variables are necessary. As the analysis in this thesis is essentially from a state and territory level, regional variations will essentially cancel themselves out within each state and territory and across the country.

It should also be noted that the use of financial year returns means that party activities between elections are more accountable as parties must report their finances more regularly and completely than with election returns, which are once every three years in effect, however, it also means that in the study of each election the data is not as accurate as election based returns. A number of factors come into play when looking at data over a financial year; however, as they equally affect each party these factors can be ignored. The main factors to take note of are: firstly, donations reported could have been in relation to a state election held during that financial year; secondly, if an election is held at the beginning of a financial year a great deal of donations and some expenditures relating to the election may have been reported in the previous financial year's return to the AEC.

This Research

In answering the question does campaign financing affect the outcome of an election we need to determine whether the more a party spends on its election campaign equates to or has a positive relationship with that party acquiring more votes in that election. In conducting this research I hypothesise that despite there being many factors that affect the outcome of an election, ranging from long to short term as well as local and national political factors, the more a party spends on its election campaign the higher its vote will be and therefore, the lower the vote of the other parties contesting the election will be. This analysis examined the number of first preference votes for each of the five major parties: the Australian Labor Party (ALP), the Liberal Party (LPA), the Nationals (NP), the Australian Democrats (Dem) and the Greens (Grn). Also examined, were the number of two-party preferred votes for the ALP, the Liberal Party and the Nationals.

The following formulas were used in the examination:

$$FPV_t = a + bPE_f + e$$

$$2PPV_t = a + bPE_f + e$$

where FPV is the number of first preference votes won by a party in a State or Territory in the House of Representative at election *t*; 2PPV is the number of the two-party preferred votes won by a party in a State or Territory in the House of Representatives at election *t*; PE is the total expenditure by a party in a State or

Territory during financial year *f*, covering election *t*; *a* is a constant; *b* is the slope variable or regression coefficients; and *e* is an error term.

The other half of this research involved examining the effect of the different sources of income of the results of the election. This is important as a strong relationship between donations to political parties and the outcomes of elections would call into question the unrestrained nature of the Australian campaign financing regime. That is, donations to a party can influence the outcome of an election.

In order to examine these relationships this research went down two different paths, the first was to assess the nature of the relationship by examining the relationships between the total receipts of a party and the amount spent during a campaign. In addition, the relationship between the total donations to a party and the party's expenditure during a campaign was examined. This relationship was examined with the following models:

$$PE_f = a + bPR_f + e$$

$$PE_f = a + bPD_f + e$$

where PR*f* is the total receipts for a party during financial year *f* and PD*f* is the total declared donations to a party during financial year *f*.

Secondly, the relationship between the total funds raised by a party and the votes it received and the total donations a party received and the votes it received was examined. In each of these cases the examination included both first preference votes

and the two-party preferred vote as above. The equations used in this analysis were essentially identical to those above also.

In these examinations the following formulas were used:

$$FPV_t = a + bPR_f + e$$

$$2PPV_t = a + bPR_f + e$$

$$FPV_t = a + bPD_f + e$$

$$2PPV_t = a + bPD_f + e$$

In making these further examinations a number of problems arose. Again, these stem from data availability. The returns for the financial year 1992/1993 (covering the 1993 federal election) were of a different format and required information to be presented in a different way to that of the returns used from the 1996 federal election onwards. The forms did require the parties to specify their total receipts and total payments. This data was used in this research. However, the way in which information regarding donations was required to be presented differed from that used from the 1996 federal election onwards. For this reason data relating to donations has not been used for the 1993 federal election as to do so would result in comparisons of unalike data.

In addition, in nearly all cases parties did not distinguish between donations and other receipts in the 1995/1996 returns (which covered the 1996 federal election). For this reason only total income data is used in this study in 1996. However, donations were declared in the financial year returns from 1998 onwards. The way in which

donations are declared, as discussed in Chapter One, does cause a problem however, as data on donations can be incomplete and inaccurate.

The other problem with this data is that parties are required to give a total income amount and then only have to itemise and categorise amounts of $1500 or more. This means that any number of donations can be unaccounted for if they are under $1500 and are only accounted for under the total receipts amount.

Despite these difficulties the information obtained from the data that was available is still useful. The overall effect is that we have expenditure data for four consecutive elections. On the income side we have total receipts data for the first two elections examined and complete income data (donations and total receipts) for the latter two.

Results

This research essentially made five comparisons: first, between expenditure and votes; second, between income and expenditure; third, between donations and expenditure; fourth, between income and votes and finally, between donations and votes. In each instance where there was a comparison with votes the comparison was made both with first preference votes and secondly with the two-party preferred vote. Each election has been considered separately. The results that were produced were largely as expected. There was little variance between the three elections in the results and as expected the strength of the relationships were higher in the first set of relationships examined and lowest in the final set of relationships examined.

Figures 1, 2, 3 and 4 show the relationship between first preference votes won and the expenditure of the parties for each election between 1993 and 2001 respectively. On these graphs, the y-axis represents expenditure and the x-axis represents first preference votes. Each dot represents a party's performance in a particular state or on the national level. There were also very strong relationships between expenditure and two-party preferred votes as well as between expenditure and the number of seats won by each party. Pearson regressions of the data gave r and r^2 values in the range of 0.9370 to 0.9826 and 0.8781 to 0.9655 respectively.[177] Overall, this suggests that there is certainly a very strong relationship between the amount that a party spends on its election campaign and its success in the election.

Figures 5, 6, 7 and 8 show the relationship between the declared receipts of parties and their expenditure. Again, the relationship between these two areas is very strong. The data from 1993 produced an r value of 0.9947 and an r^2 value of 0.9895. For 1996 data the r value was 0.9978, with a r^2 value of 0.9956; for 1998 the r value was 0.9954, with a r^2 value of 0.9908. Values of 0.9473 and 0.8975 were produced for r and r^2 respectively from the 2001 data. In figures 5, 6, 7 and 8 the y-axis represents expenditure and the x-axis represents receipts. Such high correlations tend to suggest that parties spend all of their income in the financial year of an election on that election.

[177] Full tables of data for this study are included in Appendices A to E.

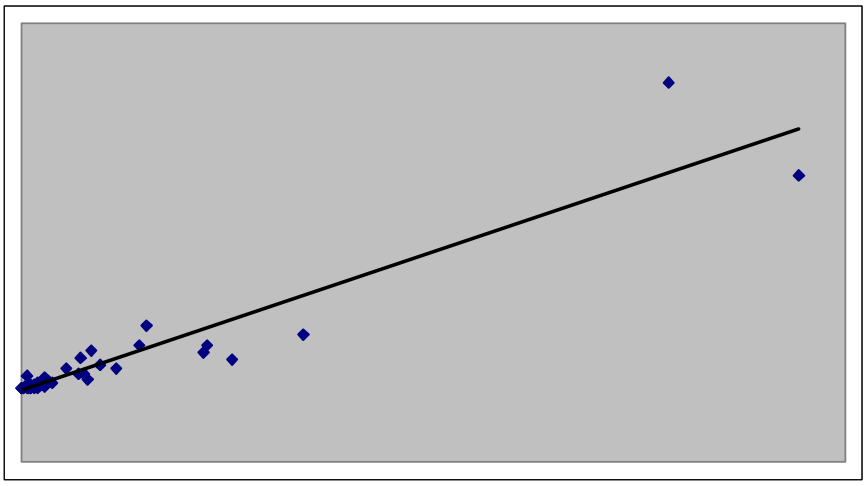

Figure 1: Expenditure v First Preference Vote - 1993

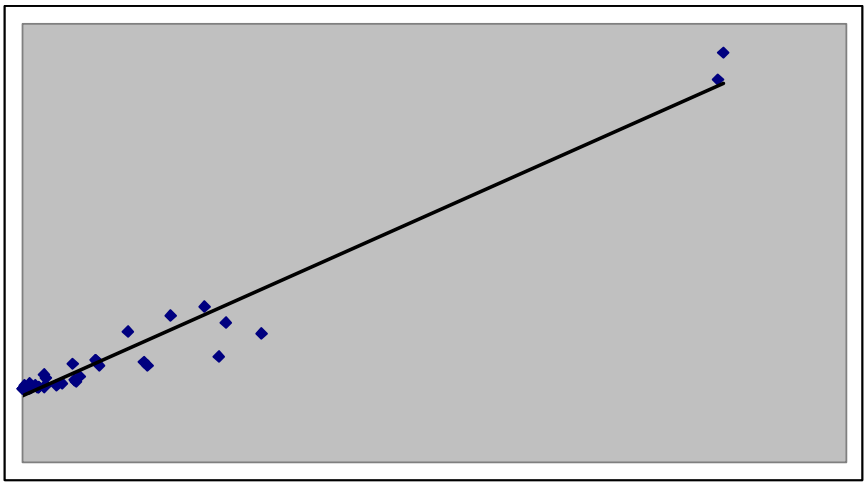

Figure 2: Expenditure v First Preference Vote - 1996

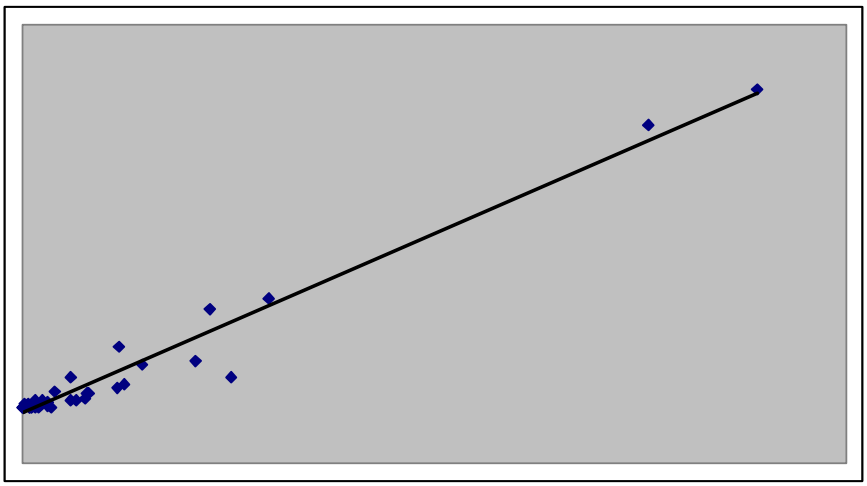

Figure 3: Expenditure v First Preference Vote - 1998

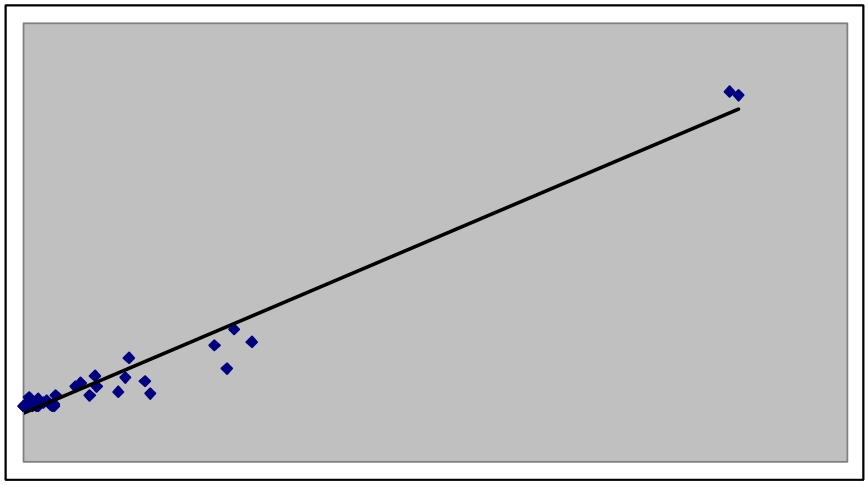

Figure 4: Expenditure v First Preference Vote - 2001

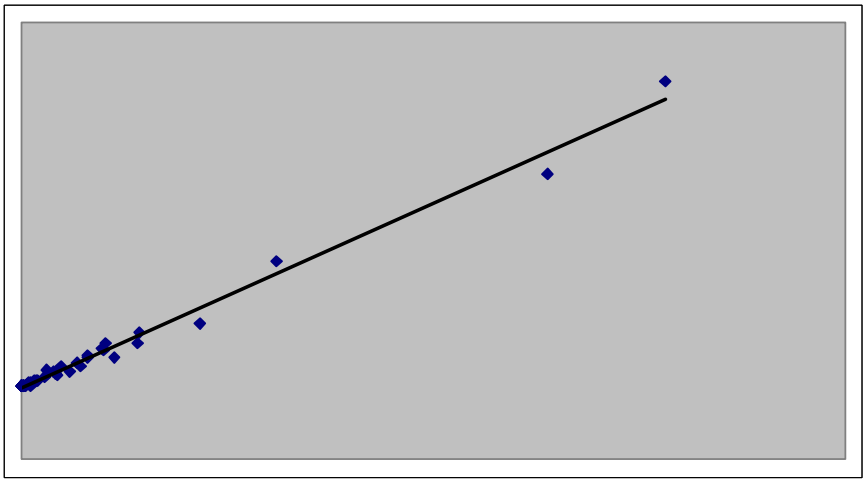

Figure 5: Expenditure v Total Receipts (Income) - 1993

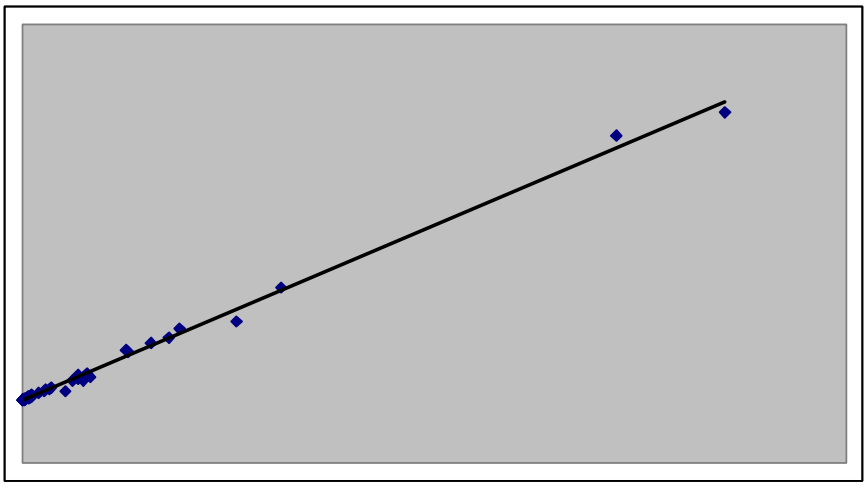

Figure 6: Expenditure v Total Receipts (Income) - 1996

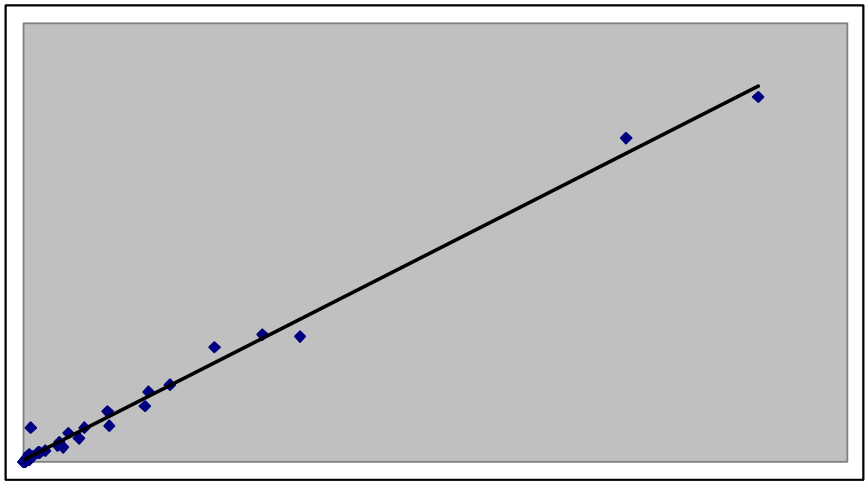

Figure 7: Expenditure v Total Receipts (Income) - 1998

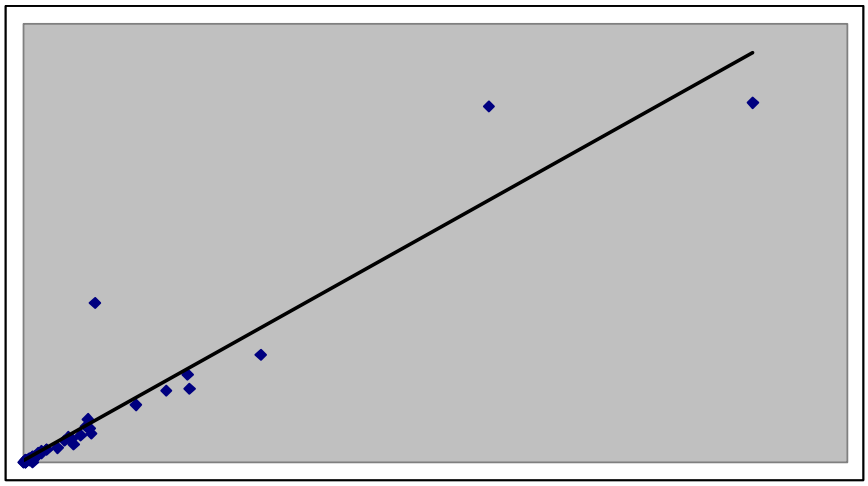

Figure 8: Expenditure v Total Receipts (Income) - 2001

In the examination of donations and party expenditure strong relationships were also found. Though these relationships were not as strong as the previous two just discussed they are still worth considering, given that the lowest r^2 value for the data was only 0.8039. What this does represent, however, is that while donations do make up a large part of the income for parties, there are other substantial areas of funding for parties, including public funding from some State regimes, such as New South Wales and Queensland.

As was expected, particularly given the very strong relationship between expenditure and votes and expenditure and receipts, the relationship between receipts and votes was also very strong. This is illustrated in figures 9, 10, 11 and 12, with the y-axis representing receipts and the x-axis representing the two-party preferred votes received by the parties.

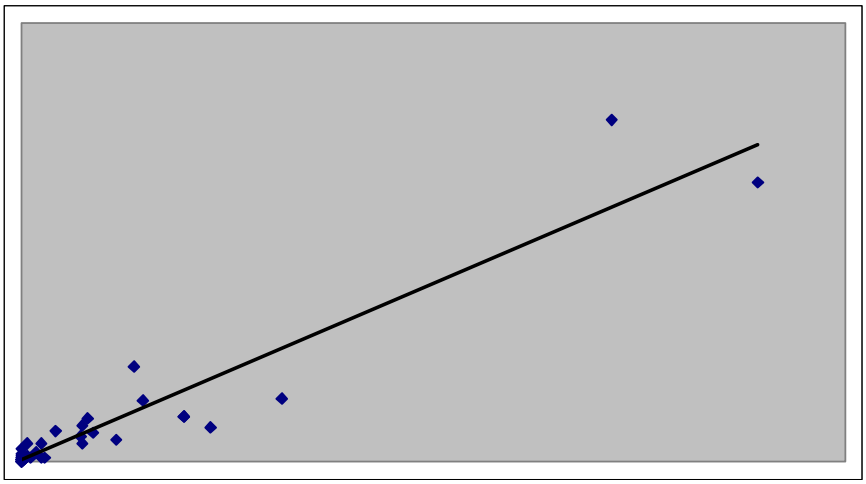

Figure 9: Total Receipts (Income) v Two-party preferred Votes - 1993

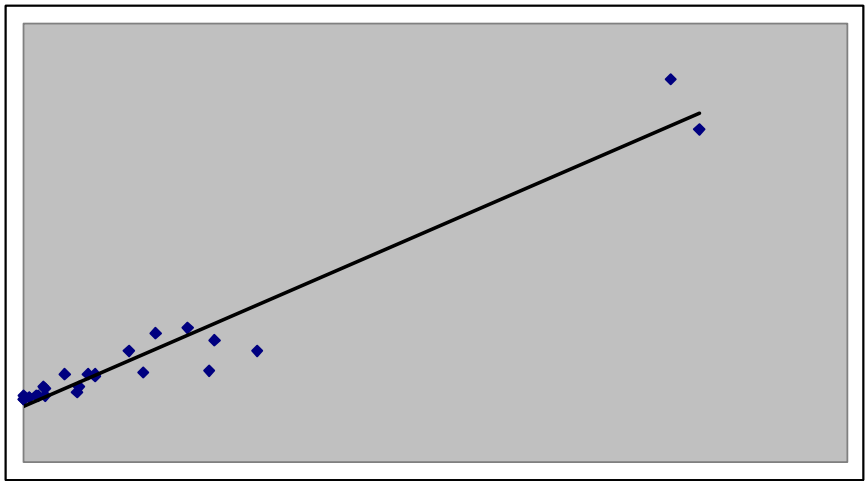

Figure 10: Total Receipts (Income) v Two-party preferred Votes - 1998

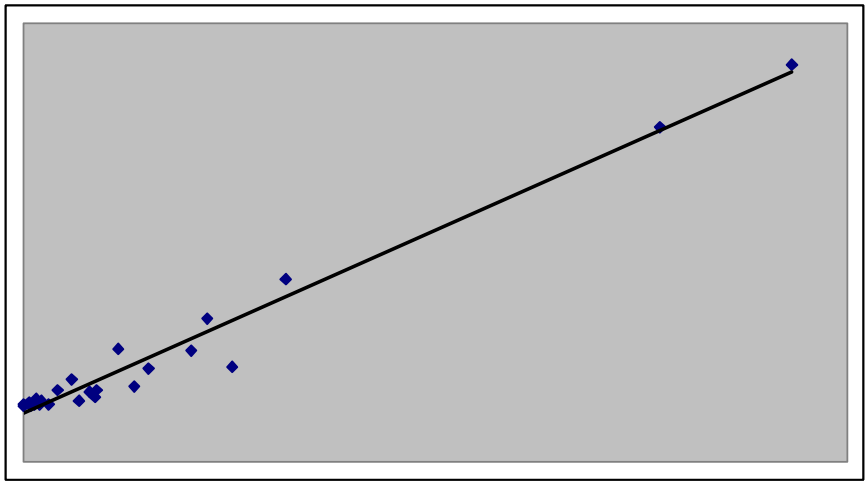

Figure 11: Total Receipts (Income) v Two-party preferred Votes - 1998

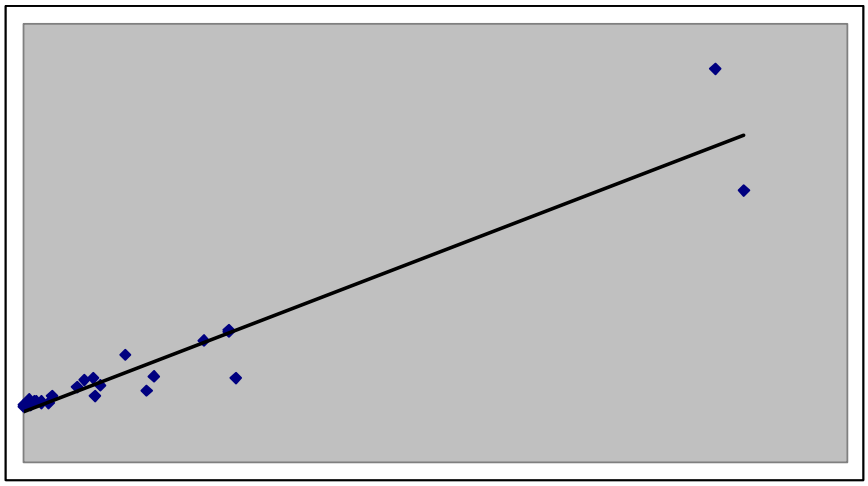

Figure 12: Total Receipts (Income) v Two-party preferred Votes - 2001

Likewise, the relationship between donations and votes was strong but not as strong as the above relationships. The regression coefficient values for this data ranged from 0.7888 up to 0.9467, with r^2 values from 0.6222 to 0.8962. These values still show that a strong, though not very strong, relationship exists between donations received by a party and the votes that the party receives at an election. [178]

[178] These comparisons were only made for data for the 1998 and 2001 elections because of a lack of data for the 1996 election as discussed earlier.

Conclusions

A number of conclusions can be reached from the strengths of the relationships demonstrated in the results from this research. The first is that political parties draw their income for elections from a variety of sources and that this is related, though not very strongly to the amount of donations a party receives. This is demonstrated by the fact that a large amount of party receipts are in the form of loans in lieu of income the parties will receive in public funding payments after the election and other sources. The second conclusion is that due to the very strong relationship between parties' receipts and expenditure, parties spend nearly all and sometimes a bit more than their income in an election year. This demonstrates that the political parties will utilise all resources available to them to campaign during an election. Thirdly, the very strong relationship between party expenditure and votes received shows that there is a very strong case to be made in Australia, as has been made in the United States, Canada and the United Kingdom, that party campaign expenditure does influence the outcome of elections. This appears to not only be the case in relation to first preference votes but also at a two-party preferred level, which is important because it is this vote that determines who wins seats, and in relation to the number of seats won, which is the most important as this determines which party wins Government.

In the elections of 1993, 1996 and 2001 the Liberal Party spent more than the ALP but only won more seats than the ALP in the elections of 1996 and 2001, with the ALP winning the 1993 election. The ALP only spent more than the Liberal Party in the election in 1998 and it won more seats than the Liberal Party in that election, however, as the Liberal Party was in coalition with the Nationals the Liberal/National

Coalition won the 1998 election. Considering the Liberal Party and the Nationals together as a Coalition when looking at seats won, the Coalition outspent the ALP in every election from 1993 to 2001 and won more seats than the ALP in every election from 1996 to 2001. These results clearly illustrate a strong relationship between the electoral expenditure and electoral results.

The anomaly of the 1993 election, however, is best explained by reference to the cyclical nature of donations to elections as mentioned earlier. The Liberal Party was a clear favourite to win the 1993 election after 10 years of an ALP government. In line with this the Liberal Party attracted more donations and was able to secure more funding than the ALP in their 1993 campaign. This allowed the Liberal Party to outspend the ALP during the 1993 election campaign. However, due to some large tactical mistakes by the Liberal Party in relation to their proposal to introduce a goods and services tax (GST) during the campaign the ALP managed to win the election.

Chapter Three: litigation and definitions

Background

At the 1996 federal election Pauline Hanson, a disendorsed Liberal Party candidate, won the seat of Oxley in Queensland. Ms Hanson then delivered one of the most controversial maiden speeches in the history of the Commonwealth Parliament and went on to form the One Nation Party (later known as Pauline Hanson's One Nation).

Pauline Hanson and the party she formed became the focus of much ridicule from other political parties and the mainstream media. However, despite being attacked from many areas One Nation performed very well in the June 1998 Queensland State election.

The dramatic and somewhat mysterious rise of Pauline Hanson and her party prompted the making of a short documentary, *Inside One Nation*, which aired on the *4 Corners* program on the ABC on the 10 August 1998.[179] As part of this program a Liberal Commonwealth Government Minister, Tony Abbott, was questioned about a fund set up to finance legal action against Pauline Hanson and One Nation. Mr Abbott denied the claims. In a statement issued in August 2003 Mr Abbott claims that he did establish a fund in August 1998, but after his interview with *4 Corners*. [180]

[179] *Inside One Nation (4 Corners)* 1998, Television, 10 August 1998. Distributed by Australian Broadcasting Corporation.
[180] Abbott 2003, *One Nation Litigation*, Manly, 26 August 2003, Media Release, <http://www.tonyabbott.com.au/onenation.html>.

The Fund and the Legal Action

It now appears that as a result of One Nation winning 11 seats in the Queensland State election Tony Abbott met with Terry Sharples, a disgruntled former One Nation candidate. Sharples had evidence that he believed could show One Nation had fraudulently registered as a political party in Queensland. Abbott met with Sharples and Ted Briggs, a former State treasurer of One Nation on 7 July 1998. At issue as a result of this meeting, and subsequent others, has been to what extent Abbott provided any funds to Sharples in an effort to have him bring a case against One Nation.[181] The Sydney Morning Herald later obtained a copy of an agreement by Abbott guaranteeing that Sharples would not be "further out-of-pocket as a result of this action".[182]

On July 31, 1998 Abbott was interviewed by the ABC for its *4 Corners* episode *Inside One Nation*. In this interview Abbott was asked if any Liberal Party funds or funds from any other source had been given to Terry Sharples. Mr Abbot said "absolutely not".[183] Mr Abbott has now said that he meant that no Liberal Party funds had been given to Mr Sharples and that in any event the guarantee that Mr Sharples would not be out of pocket did not equate to having funds for Mr Sharples.[184]

On 24 August 1998 Tony Abbott established the *Australians for Honest Politics Trust* fund. The Trustees of the fund were Mr Abbott and two former Members of Parliament: Peter Coleman (the father in-law of the Treasurer Peter Costello) and

[181] Snow 2000, 'Absolute Abbott', *Sydney Morning Herald*, 11 March 2000, pp. 1, 4-5.
[182] Snow.
[183] *Inside One Nation (4 Corners)*.
[184] Abbott.

John Wheeldon (a Minister in the former Whitlam Government). This was reported at the time.[185] Mr Abbott says that most of the $100,000 raised by the fund was spent in the preparation of the Hazelton case against One Nation.[186] Barbara Hazelton was a One Nation Supporter who used to work in Pauline Hanson's office. Hazelton was prepared to pursue legal action to de-registrater One Nation, however, after a few months, Hazelton decided to cease the action.[187] The rest of the funds were returned to the donor to the fund.[188] Mr Abbott has also said that he disclosed that he was a Trustee of the Trust under his disclosure requirements as a Member of Parliament.[189]

In 1999 the Australian Electoral Commission contacted Tony Abbott as a trustee of the Australians for Honest Politics Trust to determine whether the Trust was an associated entity under the *Commonwealth Electoral Act* and as such should make a declaration. Upon seeking advice from Mr Abbott the AEC determined that the Trust was not an associated entity.[190]

In August 1999 the Queensland courts agreed with Sharples in his case against the Queensland Electoral Commissioner that Pauline Hanson and One Nation co-founder David Ettridge had fraudulently registered One Nation as a political party in Queensland. It must be noted that this did not affect its registration at a federal level with the Australian Electoral Commission (AEC). However, as a result of this and subsequent proceedings, One Nation virtually collapsed in all States of Australia and

[185] Abbott. ; Niesche 1998, 'Hanson Finally Gets Poll Funds', *The Australian*, 3 September 1998, p. 4; Wilkinson 1998, 'Lib MP Backs Trust to Attack Hanson', *Sydney Morning Herald*, 29 August 1998, p. 3.
[186] Abbott. ; Coleman 2003, 'Abbott Deserves a Medal', *The Australian*, 28 August 2003, p. 11.
[187] Coleman; Wilkinson.
[188] Abbott. ; Coleman.
[189] Abbott.
[190] Atkins 2003, 'Review May Unveil Fighting Fund Donors', *The Courier-Mail*, 28 August 2003, p. 4.

at a federal level, culminating in a three year sentence for Hanson and Ettridge for electoral fraud in Queensland on 20 August 2003.[191]

As a result of the demise of Pauline Hanson, there were calls for Mr Abbott to disclose the donors to the Australians for Honest Politics Trust and for him to more fully explain its actions in 1998 and 1999. In late August 2002 a spokesman for the AEC said that the status of the trust would be reviewed again.[192] In September the Australian Electoral Commissioner, Mr Andy Becker, said that the issue of whether an organisation is set up to benefit a registered political party was complex.[193]

Issues

Controversy surrounding the use of trust funds and electoral campaign finance in Australia is not new. During the early 1990s there was much debate of the use of trusts to hide the true identities of donors.[194] It was for this reason that the requirements of declaring donors for trusts were incorporated into the associated

[191] The conviction was overturned on 6 November 2003; Kingston 2003, *Hanson Sinks Abbott: is Howard in danger?*, viewed 27 August 2003 <http://www.smh.com.au/articles/2003/08/22/1061529330032.html>. ; Meade, K, Shanahan, D & Staff Reporters 2003, '"The Truth Has Set Us Free"', *The Australian*, 7 November 2003, p. 1; Pavey & Klot 2003, *Released After 78 Days in Jail*, News.com.au, viewed 6 November 2003 <http://www.news.com.au/common/story_page/0,4057,7787014%255E2,00.html>.

[192] Atkins; Gilchrist, Marris & Videnieks 2003, 'AEC Launches New Trust Inquiry', *News.com.au*, 28 August 2003.

[193] Hallett 2003, *Electoral Disclosure Obligations*, Australian Electoral Commission, Canberra, 5 September 2003, Media Release, <http://www.aec.gov.au/_content/What/media_releases/2003/sep/elec_disc_oblig.htm>.

[194] Gerritsen. 6.2 The Source of funds

entity declaration provisions.[195] However, the above case presents a whole new set of problems surrounding the use of trust funds.

While there are many political issues that arise from the above case, there are two main issues that develop relating to the Australian campaign finance regime. The first relates to whether or not the Australians for Honest Politics Trust should be deemed to be an associated entity under the *Commonwealth Electoral Act*. The second relates to what the effects are of not including such funds within Australian electoral financial disclosure laws.[196]

Firstly, as discussed in Chapter One, an associated entity is defined as an entity that is controlled by one or more registered political parties or operates wholly or to a significant extent for the benefit of one or more registered political parties.[197] The critical phrase in relation to the Australians for Honest Politics Trust is "for the benefit of one or more registered political parties." The phrase "wholly or to a significant extent" is also important here.

It has been argued by Tony Abbott, and the AEC originally followed Abbott's reasoning, that the Trust was not for the benefit of the Liberal Party, but was for the benefit of the political process and therefore, was not an associated entity that must disclose its donors.[198] This appears to follow what the AEC has described as "an

[195] Australia. Australian Electoral Commission 2000b, *Funding and Disclosure Handbook for Associated Entities*, Australian Government Printing Service, Canberra.
[196] Tham 2003, *When Litigation's Just Another Way to Play Politics*, <http://www.smh.com.au/articles/2003/09/03/10262548901240.html>.
[197] *Commonwealth Electoral Act* 1918 s287
[198] Dodson 2003, 'Watchdog Eyes Fighting Fund', *The Age*, 28 August 2003, p. 3.

unwillingness by some to comply with disclosure; others have sought to circumvent its intent by applying the narrowest possible interpretation of the legislation."[199]

So then, how broadly, can the phrase "for the benefit of one or more registered political parties" be construed? It would appear now that the actions of the Trust in offering to fund cases against the registration of One Nation in Queensland was clearly to the benefit of the Liberal Party, at least in Queensland, if not to all other registered political parties that had to compete with One Nation, including the National Party and the Australian Labor Party. This would seem to fit within the generally accepted definition of one or more political parties. So then, is there a point at which operating for the benefit of too many political parties is not a direct enough benefit for an organisation to be considered an associated entity?

Interestingly, in its funding and disclosure report after the 1998 federal election the AEC recommended that the definition of an associated entity be clarified by inserting the following definitions into the *Commonwealth Electoral Act 1918*. The AEC recommended that the term "benefit" be given a broad meaning so as into include the receipt of favourable terms and other instances where a party ultimately enjoys a benefit.[200] The AEC then further recommended in 2001 that the definition be expanded to include where a benefit is enjoyed by members of a political party based on their membership of that party.[201] This is quite broad as it includes benefit to

[199] Australia. Australian Electoral Commission 2000a, *Funding and Disclosure Report following the Federal Election held on 3 October 1998*, Australian Electoral Commission, Canberra. p 2. See also, Chaples 1994, 'Developments in Austrlian Election Finance', in Alexander &Shiratori (eds), *Comparative Political Finance Among the Democracies*, Westview Press. p 29.
[200] Commonwealth of Australia *Funding and Disclosure Report following the Federal Election held on 3 October 1998*. p 27-8.
[201] Commonwealth of Australia 2001a, *Attachment H - Status Reprt on Progress of FAD Recommendations from the 1993 Federal Election Onwards*, 147H, Australian Electoral Commission, Canberra.

members as opposed to the party generally, which may not necessarily benefit members directly.

Clearly any action by an organisation that effectively wipes out a competing political party is to the benefit of other parties. However, the question needs to be answered in relation to how direct does such operation need to be? The other question is when does the operation of an organisation become a substantial operation? If a charitable organisation, working with the poor, decided to make a donation to support a party it may, if the donation was large enough, have to make a declaration of that donation. What if that charity does some other act to support a political party? Such an action would not be the charity's core or whole operation, so could it be considered that the charity "substantially operated" for the benefit of that political party? It would appear that this is why there are separate categories of associated entity and third party; with the former required to make annual returns and the latter required to make election returns if particular thresholds are met.

The AEC also recommended that the term "substantially operated" be clarified so that an organisation would have to expend more than 50% of its "distributed funds, entitlements or benefits"[202] on a political party (presumably this could actually be on one or more parties) for it to pass the substantiality test. To date, none of these recommendations have been taken up.

This brings us back to the phrase "for the benefit of one or more registered political parties." What operations or actions are or are not of benefit to political parties? If

[202] Commonwealth of Australia *Funding and Disclosure Report following the Federal Election held on 3 October 1998*. p 27.

such a charity chose to support legal action, as the Australians for Honest Politics Trust did, would it be substantially operating for the benefit of other parties? While a charity in this scenario may not be deemed to be an associated entity because it would fail the substantiality test, the Australians for Honest Politics Trust was set up for the sole purpose of funding such actions. So assuming the Australians for Honest Politics Trust does pass the substantiality test, is supporting litigation against political parties something that is for the benefit of other political parties?

Questions of this nature have in some ways been tackled before but not in Australia. In the case of *Buckley v Valeo*[203] in the United States the Supreme Court had to decide what sort of actions were or were not in support of a candidate's election. While the ruling by the Supreme Court has not always been liked by those involved in campaign finance reform in the United States it did provide some stringent and clear guidelines for what does and does not constitute advocating the election or defeat of a candidate. The Supreme Court said that campaign finance limitations in the United States only applied to "communications that in express terms advocate the election or defeat of a clearly identified candidate for federal office". In the footnote of the judgement the court included what have become known as the 'magic words', which were phrases that the court deemed to be express terms advocating election or defeat as referred to in its judgement.[204] The use of other phrases, while they may hint or imply support for or rejection of a particular candidate, have now been deemed to fall outside of the scope of campaign finance law in the United States. This is what has resulted in the phenomenon of 'issue ads' in the United States.

[203] *Buckley v Valeo* (1976) 424 US 1
[204] The phrases were 'vote for …,' 'elect…,' 'support…,' 'cast your ballot for…,' 'Smith for Congress,' 'vote against…,' 'defeat…,' 'reject… .'

This example, demonstrates the difficulty that is to be encountered in the future when dealing with non-registered party organisations that expend funds that are not obviously directly for the benefit of any one registered political party. Arguably Australia is in need of its own *Buckley v Valeo*. I would, therefore, suggest that until a case similar to that involving the Australians for Honest Politics Trust is taken through the courts Australia will not have a solid understanding of exactly what does and does not fit within the definition of benefiting a political party for the purposes of determining if an organisation is or is not an associated entity.[205]

Why is this important? The reason that it is important is because associated entities, as discussed in Chapter One, must make annual returns to the AEC listing their donors and the donations and other campaign related expenses that they make. This is as opposed to third parties who only have to provide election returns disclosing only specific items. Therefore, the disclosure provisions for associated entities are much more stringent and transparent. There are two further issues here. Even if organisations such as the Australians for Honest Politics Trust were to be deemed associated entities and made to make annual returns, while the public would know who their donors were, it would be arguable whether funding actions such as those funded by the Australians for Honest Politics Trust would be required to be specifically disclosed. Here again, we await a determination from the courts in some future case yet to be brought to set out the strict requirements of such disclosures or changes to the relevant regulations to require such actions and their costs to be disclosed.

[205] There is a certain irony in this point, in that possibly the best way to determine the place of legal action in the political sphere is through further use of legal action that would no doubt be funding by an organisation similar to the Trust discussed in this chapter.

Secondly, this is not an issue that is going to go away, in fact, the situation with the Australians for Honest Politics Trust may be a sign of the opening of a new theatre for political parties, or their friends, to do battle. This poses a serious threat to our democracy in two ways. The first, as has been mainly discussed above, is the fact that at the moment there appears to be no accountability of these issues via public disclosure. The second threat comes from access to funds. As was seen in the election of George W Bush as President of the United States via the United States Supreme Court, the introduction of litigation into the political arena has serious ramifications. If litigation does become a new theatre for battle in Australian politics then it is the major two parties, the Australian Labor Party and the Liberal Party of Australia, that stand to win. As evidenced by the research in Chapter Two, these two parties have access to much more money and resources than any other parties in Australia, indeed more resources than the other parties in Australia combined. Who knows what other resources the ALP and Liberal Party have at their disposal, the Australians for Honest Politics may only be the tip of the iceberg. If this is the case the minor parties in Australia are at a serious disadvantage, a disadvantage that it would appear that even public funding could not rectify.

This process can be seen as a further illustration of the results of the professionalisation of politics and its effects on pluralism. In this type of scenario the professionals used are lawyers. While these professionals are used to being used as 'hired guns', their introduction into the political sphere is cause for great concern.

Conclusions

An equal playing field is required, allowing for pluralism to flourish as an integral part of a liberal democratic system. However, the events and actions by Tony Abbott and the Australians for Honest Politics Trust and their relationship to the demise (albeit only temporarily) of Pauline Hanson and One Nation may suggest that while public funding is attempting to level the election campaign playing field the big players like the Liberal Party and the ALP are finding a new field to play on which suits them better. This is of serious concern for the maintenance of liberal democracy in Australia.

Chapter Four: conclusions

Democracy and Campaign Finance

Liberal Democracy is a contested concept with a variety of forces competing for the benefit of their interests resulting in conflict. Further, compromise must be reached between the competing values of liberalism and democracy. The campaign finance regime in Australia illustrates the compromises that can result from such conflict as do such regimes in other western democracies. Liberalism encompasses the values of liberty, equality and freedom of speech. Democracy is a system of government that is of, by and for "the people." These concepts interlink in their value of equality and promotion of pluralism. However, while freedom of speech encourages pluralism, the unrestrained use of money in elections can remove the equality of power that is required in a democracy. It is for these reasons that a transparent campaign finance system is required, one where political players must be open about where they receive money from and how they spend it.

It is important that the campaign finance regime used in a liberal democracy enhances and does not subvert that democracy. A regime can enhance a democracy by ensuring equality of political power and maintaining transparency. A regime can subvert democracy if it does not do these things adequately and so creates the illusion that democracy is being protected when it is not. In essence, campaign finance regulatory regimes guard democracy from liberalism but should not encroach too far on liberalism.

Adamany and Agree discuss the use of four rationales for evaluating the effectiveness and fairness of any democracy's electoral system. Their rationales are broader, however, than just concerning the regulation of campaign finance. As mentioned in Chapter One, there are three criteria that a campaign finance system should be analysed against to determine its effectiveness in maintaining democracy:

1. How does the regime affect the equality of political power within the system?
2. Does the system produce transparency and hence, accountability?
3. Does the system enhance or detract from pluralism?

These are the criteria upon which the assessments below are made.

Money, Votes and Democracy

Chapter Two discussed the relationship between money and votes or election outcomes by looking at a number of different relationships over a period of three elections. In the first election there was a change of government, in the second, while the opposition won more votes on a two-party preferred basis, it remained in opposition, and in the third, the Government remained in power. Therefore, it appears that while each election was conducted in differing political circumstances, such changes did not impact the study. The relationship between the expenditure of political parties and the votes that they received at both the first preference and two-party preferred stage was very strong. The relationship was also very strong between party expenditure and seats won. This seems to indicate that the more a party spends

on its election campaign the more votes and hence, seats, it will win, thereby resulting in winning government.

This research also looked at the relationships between income and expenditure, donations and expenditure, income and votes and donations and votes. The relationship among income, donations and votes was also strong but not as strong as that between expenditure and votes. The results of these relationships indicated that parties tended to spend near to or slightly more than all of their income in an election year. Obviously, this is because winning elections is important. The two major parties were also left with large debts after an election year. The relationship between income, donations and votes, however, while still strong on its own, was weaker than that of the relationship between income, donations and expenditure and weaker again than that of expenditure and votes. This was as expected as these elements are further removed from each other in the process of the campaign if we look at them in a linear fashion progressing from donations to income to expenditure to votes to seats won to winning government.

The existence of such strong relationships demonstrates the need for a strong electoral campaign finance regulatory regime. Liberalism upholds the value of freedom of speech and the expenditure of funds is a form of freedom of speech. However, the political equality of "the people" is eroded if the wealthy can determine the results of elections based on who they donate funds to and therefore allow provide the means to expend more money on an election campaign. It would appear that, given at the time of the last election studied the campaign finance regulatory regime in Australia had

been in place for 17 years, the system is in need of reform in order to reduce the effect of money and in particular donations on the outcome of elections.

A New Theatre of Battle

Two main issues were raised in Chapter Three: the meaning of "substantial" and "benefit" and the use of litigation in politics. In relation to definitions, the current definition of an associated entity is broad and ambiguous and this has been acknowledged by the Australian Electoral Commission. Such ambiguity poses real problems in the administration of the disclosure regime in Australian and therefore effects the ability of maintaining a transparent electoral system. This issue is tackled further under 'Recommendations' below.

The issue of the use of legal action to gain political advantage is one that has caused much controversy in 2003, stemming from the gaoling of former One Nation party leader, Pauline Hanson for fraud. It was the use of funds raised by a group to bring a civil action against Ms Hanson that eventually led to her criminal prosecution that has led to this controversy, with many questioning the true motives of the group that financed the action. What is of further concern is the possible continued use of legal action by political parties or their allies. One of the main aims of the regulatory regime is to maintain as level a playing field as possible for the fighting of elections; this is the rationale behind providing public funding. However, the use of litigation opens up a new theatre of battle for political parties, where it is not possible to provide a levelling influence such as public funding. The only possible way that a

regime could intervene would be to provide more transparency and this relates back to the definitions mentioned above. Other than this, any move that results in an increased use of litigation as a political tool will result in an unfair benefit to the major political parties and an unfair disadvantage to other political parties.

Professionalisation

The issue of professionalisation is one that relates to all of the issues discussed above. The professionalisation of politics appears to be one of the major causes of the increasing costs of campaigning and running elections and therefore, is one of the main factors in increasing the amount of money that is now involved in elections.

While there are many circular arguments about the causes of the professionalisation of politics, one factor that is certain is that the more regulatory requirements that are placed on political parties and candidates the more professional their campaigns have to be in order to make sure that they are compliant with the law. This then makes it more difficult for grassroots organisations to get involved in the political process because of the cost of complying with the regulatory regime. This is to the detriment of pluralism in liberal democracy.

As well as the increasing costs of campaigns that are associated with the professionalisation of politics, there is also the detrimental affect on democracy that results from the creation of professional politicians or political mercenaries. The use of such mercenaries creates two problems. Firstly, it puts those groups that cannot

afford them at a distinct disadvantage to those that can and secondly, it means that these people are actively disengaging from what they think may be politically right or wrong and so support people purely based on what they are paid. While not talking of democracy, even Machiavelli could see the problems that this can create.[206]

Recommendations

As a result of examining the electoral campaign finance system in Australia, the effect of money on election outcomes and the use of litigation as a political tool one can see that there are problems and loopholes in the current system. Pointing out such downfalls is only part of the task. It is also critical to consider ways in which these downfalls can be rectified, and the Australian liberal democracy with them.

Australian Electoral Commission

There is no point in starting from scratch when others have already given consideration to some of these issues. For that reason I will first outline the recommendations that have been made by the AEC as a result of the 1996 and 1998 federal elections and submissions made by the AEC to the Joint Standing Committee on Electoral Matters in 2002[207] in relation to electoral funding and disclosure. The recommendations dealt with here are not exhaustive but are selected based on their relevance to the issues covered in this paper.

[206] Machiavelli (1532) 1999, *The Prince*, New edn, Penguin Classics, Penguin Books, London. p 39-43.
[207] Commonwealth of Australia 2002, *Submission to the Joint Standing Committee on Electoral Matters: the conduct of the 2001 federal election*, 147, Australian Electoral Commission, Canberra.

Inclusion of Definitions

The AEC recommended in its post 1998 federal election funding and disclosure report that the definition of an associated entity be clarified. The AEC suggested the following additions: [208]

- "'controlled' to include the right of a party to appoint a majority of directors or trustees';
- 'to a significant extent' to mean the receipt by a political party of more than 50% of the distributed funds, entitlements or benefits enjoyed and/or services provided by the associated entity in a financial year; and
- 'benefit' to include the receipt of favourable, non-commercial terms and instances where the party ultimately enjoys the benefit."

In its submission to the Joint Select Committee on Electoral Matters in August 2001 the AEC recommended that the term 'benefit' referred to above be further clarified by inserting the following interpretation:[209]

> 'benefit' includes "instances where the benefit is enjoyed by members of a registered political party on the basis of that membership.

Both sets of recommendations deal with the issues that are raised in Chapter Three of this paper. The introduction of such definitions would be of benefit in gaining a clearer understanding of what organisations constitute an associated entity, however, the definition suggested for 'benefit' is still broad and is not exclusive, therefore, even

[208] Commonwealth of Australia *Funding and Disclosure Report following the Federal Election held on 3 October 1998*. p 13.
[209] Commonwealth of Australia 2001d, *Submission to the Joint Standing Committee on Electoral Matters Inquiry into Electoral Funding and Disclosure*, 15, Australian Electoral Commission, Canberra. p 13.

if such recommendations were implemented the problems that are outlined with the current definition of 'benefit' would still apply.

Further Control of Donations

The AEC, in its October 2000 submission to the Joint Select Committee on Electoral Matters, recommended that all payments at fundraising events be regarded under the *Commonwealth Electoral Act 1918* as donations or gifts and that limits not be imposed upon the value of donations.

The reason for the first recommendation is that often parties use inflated prices to functions as a way of securing donations without necessarily having to reveal the source. This is because, while in some circumstances it is obvious that such a purchase is a donation, in others it is not. In addition, it is possible for persons wanting to make a donation to pay for others to attend such fundraisers, thereby appearing not to be making a donation, while in reality one person is actually making a sizeable donation. This is one way in which people make donations but still remain below the disclosure threshold. While such a recommendation would not be welcomed by the political parties, unless a better way is found of regulating such income sources, such a recommendation would be of great use in better identifying donations to political parties.[210]

[210] Commonwealth of Australia 2000e, *Submission to Joint Standing Committee on Electoral Matters Inquiry into Electoral Funding and Disclosure*, Australian Electoral Commission, Canberra.

The recommendations not to impose limits on donations is drawn from experience in the United States where such limits have merely pushed donations underground, thereby making the system even less transparent. In this case, it is better to be able to account for more of the money, even if it is not limited than to only be able to account for some of the money because donors find underground methods of making such donations.

In its funding and disclosure report following the 1996 federal election the AEC also recommended that political parties be required to identify donations separately from other receipts. As discussed in Chapter One, currently there is no requirement for parties to specify which receipts are donations and which are receipts of other categories. The current arrangement has caused many problems and reduces the transparency of the system. This recommendation should be adopted.

Anonymous Donations

The AEC has also recommended that the ban on anonymous donations that currently exists for political parties be extended to associated entities. The ban on anonymous donations applies, as discussed in Chapter One, on donations that are above a particular threshold where the name and address of the donor are unknown. This recommendation closes a loophole that allows such donors to make a donation to an associated entity instead of a political party, which can then be passed onto a political party by the associated entity as a way of avoiding disclosure.

Gerritsen

Further to these recommendations from the AEC Rolf Gerritsen, in his report *Election Funding Disclosure in Australian Politics* also made a number of recommendations for changes to the funding and disclosure regime in Australia.[211] The recommendations made by Gerritsen are quite representative of recommendations made by others in relation to the Australian campaign finance regulatory regime.[212] Gerritsen proposed the prohibition of corporate and institutional donations as well as a prohibition on overseas donations. There are points for and against such recommendations; however, they do not fit within the scope of this paper specifically.[213] Gerritsen also proposed that expenditure limits be introduced for political parties, that there be restrictions placed on third party and non-official advertising and the usage of the mass media.

Expenditure Limits

Limiting the expenditure of any group involved in elections has been cited as a way of reducing the upwardly spiralling costs of elections and campaigns and thereby, reducing party dependency on donors. Firstly, the results from the research conducted

[211] Gerritsen. Part 8
[212] cf: Democrats 2001a, *Keeping Political Parties Honest: Democrats launch measures to change politics*, <http://www.democrats.org.au/news/index.htm?press_id=1611&display=1>. ; Democrats 2001b, *Making the B*****DS Honest: Democrats' accountability package*, Canberra. ; Tham 2002, 'Legal Regulation of Political Donations in Australia: time for change', in Patmore (ed.), *The Big Makeover: a new Australian Constitution*, Labor Essays, pp. 72-86, 242-5,62-65. ; Tucker & Young 2002, 'Public Financing of Election Campaigns in Australia: a solution or a problem?' in Patmore (ed.), *The Big Makeover: a new Australian Constitution*, Labor Essays, pp. 60-71, 241-2, 61-62.
[213] In fact a whole other paper could be written on just these two issues.

in Chapter Two shows that donations are not the only funding source that parties are dependent on. Gerritsen also shows in his own paper how donations only make up a minority of funding for political parties.[214]

Secondly, as shown in the United States the imposition of such limits purely moves spending on campaigns from the groups that have their expenditure limited to other groups. Thirdly, given the position taken by the Australian High Court in the case of the *Australian Capital Television v Commonwealth*[215] it is highly unlikely that such a limit would be deemed constitutional. This point particularly highlights again how efforts to maintain an equal playing field in democracy have to be weighed up against people's rights of freedom of expression. This reasoning would also appear to negate the recommendation of restricting third party and non-official advertising during elections.

Mass Media Usage

Gerritsen also recommended the reduction of campaign expenditure by requiring all mass media to provide free advertising or in the alternate, restricting the use of paid advertising. With regard to the latter suggestion, the evidence shows that the introduction of such limits in the United States only resulted in the proliferation of more groups to run advertising.[216] In Australia, this would translate into the proliferation of more and more associated entities and other such groups running advertisements on behalf of parties in order to circumvent the limits.

[214] Gerritsen. Part 9
[215] *Australian Capital Television Pty Ltd v Commonwealth* (1992) 177 CLR 106
[216] Gerritsen. Part 8.6

The recommendation to require all mass media outlets to provide free advertising to political parties is one that has been fervently opposed, for obvious reasons, by the media. In effect, the policy decision has been taken that the operations on political parties be subsidised by the introduction of public funding in 1984 and the free or reduced rate use of the mass media only amounts to a further subsidy of party activity. In fact, the provision of such advertising would probably amount to the freeing up of party resources for other endeavours and not rectify any existing imbalances between parties.

My Recommendations

Further Disclosure

The first two recommendations I propose relate to the lack of information that was available when conducting the research discussed in Chapter Two. Specifically, that it is not possible to replicate studies from other jurisdictions in Australia due to a lack of expenditure information at a divisional level. Most of the studies conducted in the United Kingdom, the United States and Canada that examine the relationship between money and votes examine spending at the local campaign level on a seat by seat basis. One of the reasons for this is that this produces a larger sample size and is thus, more accurate. In the case of the United States, research based on individual House districts produces a sample of over 400, whereas State based research would only give

a sample of 50. In Australia, a division by division examination would give a sample of 150 as opposed to the sample size of 8 from every State and Territory. Such division by division studies are not possible at this time in Australia as the data is not currently available. Due to the centralised structure of the parties in Australia the Australian campaign finance regulatory system is based on each party's State or Territory section making financial returns to the AEC. These returns cover that party's finances for all of its constituent parts over the whole State or Territory as opposed to candidates or campaigns for each seat having to make individual disclosure returns to the AEC. This is possible as the regime allows endorsed candidates to have their party include what they would need to disclose as part of the party's return. This reflects not only the centralised nature of the major parties operations but also the fact that it is the major parties that control the operation of the campaign finance regulatory regime in Australia.

Because of the centralised and entrenched nature of political parties in the Australian political system any proposal that would loosen the central control of parties over their constituent parts would surely fail. Therefore, I propose that in the returns of registered political parties, parties must specify the value of payments made in relation to the campaign as a whole (nationally or in that State or Territory), campaigns for the Senate and for each electoral division. In addition, donations that must be disclosed must be broken down in the same way as payments. These two changes should be more acceptable to the major parties then separate party unit returns for each campaign.

This would provide a closer level of accountability of candidates themselves as opposed to just the State or Territory units of the parties. This is because the public would be able see directly which candidates receive donations and from where and therefore, the public could more easily identify any potential conflicts of interest or instances of 'quid pro quo' with donors. Similarly, the public would be able to more easily ascertain how much was expended by each candidate against their opponents. Such disclosure requirements would also allow for more accurate studies of the role of money in politics in Australia as more accurate data at a divisional level would be available and so studies such as those conducted in other jurisdictions referred to in Chapter Two could also be conducted in Australia.

Associated Entities

The third change that I would recommend is that the above requirements suggested for registered political parties are also placed upon returns from associated entities so as not to provide a loophole to avoid such detailed disclosure. In addition, the disclosure requirements placed on third parties relating to their donations or actions for a registered political party should also be expended to include associated entities, so as to make sure that all donations over the threshold are accounted for, either to political parties or associated entities.

Fourth, as discussed in Chapter Three and in the above recommendations by the Australian Electoral Commission, tighter definitions are required for terms defining an associated entity; specifically, the terms 'to a significant extent' and 'benefit'. The

recommendations by the AEC in relation to the word 'significant' (i.e. that the benefiting action is more than 50% of the operations of the organisation) are sufficient as they would provide more clarity. However, in relation to the word 'benefit', I feel that while the recommendations by the AEC are useful in providing a clear understanding, the definitions recommended by the AEC are open ended so that they could be construed in a broad or a narrow sense. Therefore, lack the clarity required, as discussed in Chapter Three. I would recommend that a definition of the term 'benefit one or more registered political parties' be:

> *any action by an organisation that contributes to the success at an election or an increase of membership for one or more registered political parties or any action that is to the detriment of the opponents of one or more registered political parties, whether that opponent is a registered political party or not.*

The above definition is broad enough to encompass most actions that are of benefit to a political party, but would be limited in operation by the term 'to a significant extent' in the beginning of the definition of an associated entity. To have a definition that is too limited would be ignoring the reality of different theatres of battle that are used in politics in Australia today.

Regularity

Fifth, I would recommend the following changes to reporting timelines disclosure returns. For publishers and broadcasters, their requirements would remain the same. For entities that are required to make election returns, they must make a return for every three months from the beginning of their reporting period, be it from the 31st day after the previous election or after their endorsement as a candidate, with a final

cumulative return at the end of the period. Each return would be required within 28 days of the end of the three month period. For entities that make annual (financial year) returns, they should be required to submit a return for every quarter, within 28 days of the end of each quarter, with a cumulative return at the end of the financial year, due within 28 days of the end of the financial year. In addition, returns should be made available for public inspection within 5 working days of being received by the AEC.

The reason for recommending these changes is to give the disclosure provisions some value. Currently, annual (financial year) returns are not made available to the public until 1 February the following year (this is an approximate delay of 30 weeks) and election returns are not made available to the public until 24 weeks following polling day. In either situation the relevant data for any given election will not be made available to the public until well after the election has been held. The result of this is that parties and other entities can enter into financial arrangements that could very well harm them during an election if they were known publicly at election time because the details of such arrangements are not made publicly available until well after the election. If political parties and other players in the political process in Australia are going to be held to account for the way in which they use funds and from whom they receive funds the electorate must be aware of these facts at the time of the election. While, the intense election period itself is not as long as three months, any conduct just prior to an election would become public during an election and any activity conducted during the election period proper (from the announcement by the Prime Minister until election day) would be available considerably sooner after the election than it would currently, while the election is still in the minds of the

public. These changes should, therefore, add a new level of accountability to the disclosure system in place in Australia.

One problem that applies to all of the above recommended regulations is the added complexity and administrative burden they place on individuals and organisations that are required to make disclosure returns. This is an issue that has serious ramifications. The more complex and burdensome the requirements of disclosure are the more skilled people are required to maintain the appropriate records to meet such requirements. For small organisations and individuals this can make disclosure requirements too difficult and therefore unworkable. In addition it means that, smaller groups are not able to afford to employ people to make sure that they meet these regulatory requirements, leaving only the main parties and large organisations able to remain in the political system as the others are not able to comply with disclosure requirements. Therefore, the added burden of disclosure to maintain transparency for a more level playing field can in fact be one factor that makes the political playing field more unlevel. I feel that my recommendations above do not make the existing reporting requirements more complex, however, I recognise that they do make them more burdensome. In relation to breaking down expenditure by division, I am aware of a minor party that already does this, which suggests to me that such a requirement is not overly burdensome for small parties and that such a requirement could be absorbed by the major parties. In relation to requiring quarterly reporting, this will place added burden on all parties, groups and individuals but in my view the added transparency it will provide will be worth any increases in burden on parties and other entities. Due to these concerns the above recommendations

could be modified so that third parties that are individuals are still only required to make election period and annual returns as provided under the current regime.

Regulatory Power

Finally, I would recommend that the Australian Electoral Commission be given the power to make its own regulations, just as the Federal Electoral Commission in the United States is able to do currently. Currently, there is power for the Governor-General to make regulations which are required for the administration of the *Commonwealth Electoral Act 1918*.[217] In practice, this means that such regulations are prepared and recommended to the Governor-General for his assent by the government of the day, which in accordance with constitutional convention is always given. This relates to the bigger issue of the regulated also being the regulators. Currently, as a representative democracy, the Parliament sets the laws that regulate elections, including funding and disclosure provisions. This, to a degree, presents a conflict of interest. As an example, since the 1993 federal election the AEC has made 95 recommendations to the Parliament (through the Joint Select Committee on Electoral Matters) regarding the funding and disclosure provisions of the *Commonwealth Electoral Act 1918* alone. Of these, eight have been given effect, one was recommended by the Joint Select Committee but was not condoned by the government and three have become obsolete. While, these changes were legislative, there is also potential for changes by regulation, which are currently, in practice, at the discretion of the relevant Minister. It is for this reason that I believe that the AEC

[217] *Commonwealth Electoral Act 1918* s395

should be given the authority to make regulations relating at least to the funding and disclosure provisions of the *Commonwealth Electoral Act 1918*, with the possibility of expanding the current scope for regulations in these provisions within the Act. Such regulations, as with all other regulations, would be subject to disallowance by the Parliament. While this would seem to ultimately leave power with the politicians, in reality, while such regulations would not have been proposed by a Minister, it would not be politically expedient in most cases for Members of Parliament to be seen to be removing regulations that are designed to make them more accountable.

Conclusions

The Australian electoral campaign finance regulatory regime is one that was established to increase equality for electoral participants, provide a level of transparency and in doing so provide for a pluralistic society in Australia. To a large degree the system in Australia has done that. As Gerritsen says, despite its faults, "the system still makes a worthwhile contribution to the workings of Australian democracy". I think this evaluation is accurate. However, this is still a case of 'close enough is good enough.' In its submission to the Joint Standing Committee on Electoral Matters Inquiry into Electoral Funding and Disclosure the AEC said:[218]

> *The legislation's history to date can be characterised as one of only partial success. Provisions have been, and remain, such that full disclosure can be legally avoided. In short, the legislation has failed to meet its objective of full disclosure to the Australian public of the material financial transactions of political parties, candidates and others.*

[218] Australia. Australian Electoral Commission 2000c, *Submission to Joint Standing Committee on Electoral Matters Inquiry into Electoral Funding and Disclosure*, Australian Electoral Commission, Canberra. para. 2.9

In the course of this research I have identified a number of deficiencies in the regime, which I have outlined and make recommendations to resolve. However, on the whole I think it can be said that the system at least aims to provide for a healthy liberal democracy in Australia and to a large degree has succeeded.

The issue of the relationship between money and the outcomes of elections brings into stark contrast the potential problems and pitfalls of a campaign finance regulatory regime. The effect that money appears to have on the outcome of elections in Australia demonstrates that economic equality does disrupt political equality within the Australian democracy. In the course of my research into these effects, gaps in the disclosure regime were discovered, which show that the system is not as transparent as one would first think or hope it to be. This research also illustrated the huge gap that exists between the spending power and power to attract donations between the major parties (the Australian Labor Party and the Liberal Party/Nationals Coalition) and the minor parties (the Australian Democrats and the Greens).

The apparent turn to the use of litigation in Australian politics and the use of trusts to hide the source of funds driving such actions is of grave concern for liberal democracy in Australia. As discussed in Chapter Three and this chapter, such litigation will only highlight the financial inequalities of political parties and powers in Australia. In addition, without clarifications to definitions in the *Commonwealth Electoral Act 1918*, the level of transparency required for the public to be aware of such activity and discrepancies will not be available. Such discrepancies are a hindrance to a healthy pluralistic society. Coupled with this is the phenomenon of

professional politicians and professional politics that has swept the United States and is now also a reality in Australia. This means that the buying power of the major parties will give them a greater ability of persuasion in campaigns compared to their less wealthy counterparts.

Referring back to the three criteria mentioned in Chapter One: equality, transparency and pluralism; each assessment must be made with a certain degree of pragmatism. Is the campaign finance system in Australia, with its faults as mentioned in this paper and the good structures and intent it has put in place, one that enhances or reduces political equality in Australia? I think that the research shows that while there are serious flaws in the operation of the system in particular places, overall, the system, with the use of public funding, goes a long way to provide for a more level political playing field than many other liberal democracies. Therefore, overall I feel the effect of the system on political equality is positive, however, the effect of economic inequalities on political equality needs to be addressed.

Is the system transparent? To a large degree it is if all entities make completely accurate disclosures, however, the discrepancies in reporting requirements of different entities creates a complex system with a number of loopholes, meaning that if entities were so inclined they can circumvent a number of reporting requirements. Therefore, I feel that the system has achieved a reasonably high level of transparency, especially when compared to the loopholes that exist in the United States, but that there is a great deal of room for improvement, as evidenced from the recommendations above.

The campaign finance system in Australia has had a positive effect on pluralism in Australia. The political playing field is more equal than before its introduction and "the people" are now able to choose between more parties than before the regimes introduction. This is probably most clearly evidenced by the success in the last two decades of the Australian Democrats and the Greens, at least in the Senate.

In conclusion, therefore, I feel that the Australian liberal democracy is in a healthy state of affairs but like all bodies, requires exercise to maintain its health. As politics in Australia takes new turns the system must also develop. The implementation of the recommendations in this chapter will put the system on a good footing to maintain the health of liberal democracy in Australia and so move from one that is close enough to one that is actually good enough.

Appendix A: expenditure and vote data

Electoral Expenditures v Votes

Party Grouping by State	1993 Expenditure ($)	1993 FP Vote	1993 2PP Vote	1993 Seats Won	1996 Expenditure ($)	1996 FP Vote	1996 2PP Vote	1996 Seats Won
ALP								
National	2,035,348.34				18,104,928.40			
NSW	3,633,432.00	1,714,512	1,898,256	33	7,659,787.00	1,453,542	1,700,239	20
Victoria	1,997,939.03	1,272,974	1,381,417	17	4,353,627.28	1,190,404	1,355,503	16
Queensland	2,956,299.09	710,374	884,426	13	7,996,543.66	639,510	765,019	2
Western Australia	1,001,018.00	381,143	445,462	6	1,849,749.00	347,583	398,755	3
South Australia	2,092,009.68	358,707	436,650	4	1,119,500.00	326,678	391,516	2
Tasmania	130,632.00	143,621	167,780	4	629,309.00	137,607	159,853	3
ACT	362,374.81	95,993	110,055	2	406,533.89	91,477	105,323	3
Northern Territory	420,493.04	43,578	43,578	1	202,697.09	36,994	42,003	
TOTAL	14,629,545.99	4,720,902	5,367,624	80	42,322,675.32	4,223,795	4,918,211	49
Liberal Party of Australia								
National	8,605,402.02				12,531,647.00			
NSW	3,015,091.89	1,127,291	1,176,605	8	9,049,787.71	1,229,423	1,389,055	19
Victoria	2,515,712.00	1,102,965	1,185,675	17	11,366,998.00	1,106,556	1,190,874	19
Queensland	1,378,666.00	571,226	689,821	7	3,104,466.00	757,621	865,238	17
Western Australia	1,602,272.25	474,743	522,580	8	3,838,566.38	440,647	465,403	8
South Australia	2,622,249.61	421,687	485,892	8	3,274,628.21	460,246	524,445	10
Tasmania	212,361.63	129,132	139,239	1	1,614,389.18	138,087	150,057	2
ACT	170,347.49	61,535	69,796		605,621.44	78,109	84,592	
Northern Territory (CLP)	852,326.00	35,207	35,207		664,044.83	38,302	42,630	1
TOTAL	20,974,428.89	3,923,786	4,304,815	49	46,050,148.75	4,248,991	4,712,294	76
National Party of Australia								
National	1,101,892.00				42,527.00			
NSW	974,428.00	346,191	432,580	8	3,975,310.00	443,542	521,349	10
Victoria	734,200.91	137,470	136,757	3	2,018,595.42	128,091	142,853	2
Queensland	1,388,177.13	269,152	251,888	5	3,445,007.81	306,986	292,884	6
Western Australia	34,515.00	2,345			472,542.63	13,333		
South Australia	68,855.00	2,878			30,665.88			
Tasmania					33,914.44	1,218		
ACT								
Northern Territory								
TOTAL	4,302,068.04	758,036	821,225	16	10,018,563.18	893,170	957,086	18

Electoral Expenditures v Votes

Party Grouping by State	1993 Expenditure ($)	1993 FP Vote	1993 2PP Vote	1993 Seats Won	1996 Expenditure ($)	1996 FP Vote	1996 2PP Vote	1996 Seats Won
Australian Democrats								
National	62,869.00				1,464,315.00			
NSW	185,052.69	99,817			822,458.57	240,255		
Victoria	47,213.00	101,185			520,118.00	203,892		
Queensland	45,316.07	74,278			322,006.09	129,244		
Western Australia	305.00	31,791			169,622.00	55,862		
South Australia	271,747.69	71,981			398,416.44	93,899		
Tasmania	5,944.68	7,653			80,281.37	12,696		
ACT	3,725.07	10,355			7,528.00			
Northern Territory								
TOTAL	622,173.20	397,060			3,784,745.47	735,848		
Australian Greens								
National	11,897.84				33,130.00			
NSW	42,102.03	38,367			213,826.00	92,549		
Victoria	14,018.88	3,317			239,784.00	52,810		
Queensland	60,943.89	58,502			140,401.38	47,379		
Western Australia	78,461.00	55,907			213,981.00	53,101		
South Australia	2,071.35	1,496			4,199.62	27,146		
Tasmania	100,149.00	24,319			396,505.00	19,689		
ACT	20,953.71				58,787.00	16,596		
Northern Territory					21,119.82	5,324		
TOTAL	330,597.70	181,908			1,321,733.82	314,594		
	r	0.9370	0.9335	0.8797		0.9784	0.9735	0.9528
	r2	0.8781	0.8714	0.7739		0.9574	0.9477	0.9078

Electoral Expenditures v Votes

Party Grouping by State	1998 Expenditure ($)	1998 FP Vote	1998 2PP Vote	1998 Seats Won	2001 Expenditure ($)	2001 FP Vote	2001 2PP Vote	2001 Seats Won
ALP								
National	20,294,641.30				25,401,056.94			
NSW	19,910,466.00	1,489,021	1,909,289	22	11,757,092.02	1,380,822	1,498,653	20
Victoria	5,584,901.00	1,261,289	1,521,560	19	6,882,110.00	1,230,764	1,540,613	20
Queensland	7,954,214.40	719,743	907,256	8	4,668,799.57	730,914	942,748	7
Western Australia	1,657,359.00	377,545	515,733	7	1,949,492.95	402,927	525,355	7
South Australia	1,323,820.10	319,267	400,587	3	3,867,271.00	316,362	391,973	3
Tasmania	1,047,890.00	150,384	176,241	5	968,078.63	145,305	177,833	5
ACT	368,602.51	98,588	121,552	2	902,710.18	95,215	123,786	2
Northern Territory	157,116.07	38,469	45,986	1	491,586.53	39,111	47,852	1
TOTAL	58,299,010.38	4,454,306	5,598,204	67	56,888,197.82	4,341,420	5,248,813	65
Liberal Party of Australia								
National	12,255,956.69				17,113,520.00			
NSW	18,229,003.13	1,131,545	1,342,086	18	14,013,515.00	1,272,208	1,499,576	21
Victoria	8,752,480.00	1,053,990	1,225,287	16	11,304,471.00	1,154,493	1,317,417	15
Queensland	4,514,108.26	615,153	809,515	14	2,334,712.00	767,959	900,639	15
Western Australia	2,802,310.35	397,836	527,042	7	3,619,503.84	449,036	559,970	8
South Australia	2,588,003.61	389,382	484,967	9	5,794,535.62	430,441	507,149	9
Tasmania	1,392,323.01	117,377	131,236		884,878.00	114,283	130,185	
ACT	449,365.71	59,424	73,131		868,538.38	65,651	78,880	
Northern Territory (CLP)	866,753.31	36,014	44,951		1,631,260.00	36,961	43,309	1
TOTAL	51,850,304.07	3,800,721	4,638,215	64	57,564,933.84	4,291,032	5,037,125	69
National Party of Australia								
National	494,506.00				958,036.00			
NSW	5,557,030.00	293,126	344,475	9	4,214,237.00	349,372	438,468	7
Victoria	1,327,631.77	77,385	95,834	2	1,333,232.00	91,048	96,985	2
Queensland	3,107,525.96	199,185	244,838	5	1,964,801.35	192,454	210,263	4
Western Australia	731,855.00	13,596			515,290.00	11,052		
South Australia	24,909.58	4,796			44,244.00			
Tasmania								
ACT								
Northern Territory								
TOTAL	11,243,458.31	588,088	685,147	16	9,029,840.35	643,926	745,716	13

Electoral Expenditures v Votes

Party Grouping by State	1998 Expenditure ($)	1998 FP Vote	1998 2PP Vote	1998 Seats Won	2001 Expenditure ($)	2001 FP Vote	2001 2PP Vote	2001 Seats Won
Australian Democrats								
National	2,295,759.00				3,434,857.00			
NSW	554,600.19	154,496			469,752.00	160,706		
Victoria	224,438.00	171,091			200,345.00	184,564		
Queensland	186,154.31	80,003			229,295.15	90,679		
Western Australia	92,147.00	41,364			199,235.65	50,581		
South Australia	225,686.00	93,905	40,437		730,320.76	98,849		
Tasmania	63,096.58	10,024			58,513.14	13,785		
ACT	56,470.00	14,394			139,621.52	16,266		
Northern Territory		4,658				4,795		
TOTAL	3,698,351.08	569,935	40,437		5,461,940.22	620,225		
Australian Greens								
National	40,782.85				1,413,972.46			
NSW	431,333.23	98,647	21,306		529,329.68	180,079		
Victoria	116,056.00	59,383				174,396		
Queensland	91,574.86	47,440			132,239.22	73,467		
GreensWA	215,073.00	52,674			362,141.59	64,939		
South Australia	12,714.61	4,576			90,284.00	34,141		
Tasmania	405,389.00	17,091			105,367.73	24,052		
ACT	51,595.00	8,145			144,568.00	14,335		
Northern Territory	17,976.84	2,753				3,665		
TOTAL	1,382,495.39	290,709			2,777,902.68	569,074		
	r	0.9815	0.9801	0.9773		0.9826	0.9780	0.9796
	r2	0.9633	0.9606	0.9552		0.9655	0.9565	0.9595

Appendix B: receipt and expenditure data

Total Receipts v Expenditure

Party Grouping by State	1993 Expenditure ($)	1993 Income ($)	1996 Expenditure ($)	1996 Income ($)	1998 Expenditure ($)	1998 Income ($)	2001 Expenditure ($)	2001 Income ($)
ALP								
National	2,035,348.34	2,838,122.37	18,104,928.40	18,793,702.21	20,294,641.30	20,329,737.40	25,401,056.94	6,120,139.16
NSW	3,633,432.00	3,586,451.00	7,659,787.00	7,601,057.00	19,910,466.00	23,430,611.00	11,757,092.02	14,074,796.53
Victoria	1,997,939.03	1,989,154.40	4,353,627.28	4,637,304.71	5,584,901.00	7,271,190.00	6,882,110.00	5,386,889.00
Queensland	2,956,299.09	3,505,570.00	7,996,543.66	7,582,420.32	7,954,214.40	7,114,339.20	4,668,799.57	5,801,511.09
Western Australia	1,001,018.00	979,132.00	1,849,749.00	2,010,027.00	1,657,359.00	1,814,645.00	1,949,492.95	2,015,787.98
South Australia	2,092,009.68	2,023,860.94	1,119,500.00	1,159,392.00	1,323,820.10	1,256,089.70	3,867,271.00	3,738,056.00
Tasmania	130,632.00	169,626.00	629,309.00	525,690.00	1,047,890.00	513,404.00	968,078.63	821,711.18
ACT	362,374.81	490,019.70	406,533.89	559,691.91	368,602.51	459,165.03	902,710.18	1,046,977.81
Northern Territory	420,493.04	355,143.77	202,697.09	328,067.77	157,116.07	190,009.23	491,586.53	536,588.87
TOTAL	14,629,545.99	15,937,080.18	42,322,675.32	43,197,352.92	58,299,010.38	62,379,190.56	56,888,197.82	39,542,457.62
Liberal Party of Australia								
National	8,605,402.02	7,740,979.70	12,531,647.00	15,578,243.75	12,255,956.69	12,448,516.45	17,113,520.00	20,185,380.00
NSW	3,015,091.89	2,535,527.04	9,049,787.71	9,310,014.23	18,229,003.13	16,188,023.79	14,013,515.00	13,971,822.00
Victoria	2,515,712.00	2,509,935.00	11,366,998.00	11,468,244.00	8,752,480.00	10,268,600.00	11,304,471.00	12,083,690.00
Queensland	1,378,666.00	1,179,711.00	3,104,466.00	4,383,423.00	4,514,108.26	3,847,214.68	2,334,712.00	2,934,878.00
Western Australia	1,602,272.25	1,659,912.18	3,838,566.38	4,138,450.79	2,802,310.35	3,011,890.55	3,619,503.84	4,026,641.76
South Australia	2,622,249.61	2,419,863.28	3,274,628.21	3,655,750.71	2,588,003.61	2,894,770.99	5,794,535.62	5,275,247.21
Tasmania	212,361.63	205,005.23	1,614,389.18	1,669,896.77	1,392,323.01	1,221,541.92	884,878.00	925,865.00
ACT	170,347.49	214,819.22	605,621.44	598,660.83	449,365.71	510,214.51	868,538.38	981,883.57
Northern Territory (CLP)	852,326.00	1,044,559.18	664,044.83	425,795.16	866,753.31	782,459.80	1,631,260.00	1,557,141.00
TOTAL	20,974,428.89	19,510,311.83	46,050,148.75	51,228,479.24	51,850,304.07	51,173,232.69	57,564,933.84	61,942,548.54
National Party of Australia								
National	1,101,892.00	781,685.00	42,527.00	47,500.00	5,557,030.00	569,927.00	958,036.00	887,626.00
NSW	974,428.00	1,457,151.00	3,975,310.00	3,969,301.00	5,557,030.00	5,139,162.00	4,214,237.00	4,911,480.00
Victoria	734,200.91	1,066,090.66	2,018,595.42	2,038,514.31	1,327,631.77	1,349,608.51	1,333,232.00	1,247,434.00
Queensland	1,388,177.13	1,767,700.95	3,445,007.81	3,973,456.99	3,107,525.96	2,995,493.12	1,964,801.35	2,019,589.02
Western Australia	34,515.00	287,544.00	472,542.63	565,830.10	731,855.00	458,620.00	515,290.00	427,336.00
South Australia	68,855.00	62,756.00	30,665.88	34,150.69	24,909.58	22,522.95	44,244.00	40,714.00
Tasmania			33,914.44	24,040.08				
ACT								
Northern Territory								
TOTAL	4,302,068.04	5,422,927.61	10,018,563.18	10,652,793.17	11,243,458.31	10,535,333.58	9,029,840.35	9,534,179.02

Total Receipts v Expenditure

Party Grouping by State	1993 Expenditure ($)	1993 Income ($)	1996 Expenditure ($)	1996 Income ($)	1998 Expenditure ($)	1998 Income ($)	2001 Expenditure ($)	2001 Income ($)
Australian Democrats								
National	62,869.00	109,101.00	1,464,315.00	3,134,501.00	2,295,759.00	3,355,333.00	3,434,857.00	3,427,148.00
NSW	185,052.69	206,952.49	822,458.57	621,418.77	554,600.19	533,910.64	469,752.00	507,116.00
Victoria	47,213.00	65,894.00	520,118.00	369,327.00	224,438.00	197,230.00	200,345.00	235,103.00
Queensland	45,316.07	58,760.65	322,006.09	232,665.02	186,154.31	208,598.96	229,295.15	246,873.55
Western Australia	305.00	10,763.00	169,622.00	122,458.00	92,147.00	89,484.00	199,235.65	179,295.42
South Australia	271,747.69	246,096.05	398,416.44	356,011.47	225,686.00	243,476.00	730,320.76	785,573.20
Tasmania	5,944.68	11,831.32	80,281.37	71,916.00	63,096.58	62,896.00	58,513.14	68,772.96
ACT	3,725.07	4,694.14	7,528.00	10,090.00	56,470.00	56,820.00	139,621.52	148,149.95
Northern Territory								
TOTAL	622,173.20	714,092.65	3,784,745.47	4,918,387.26	3,698,351.08	4,747,748.60	5,461,940.22	5,598,032.08
Australian Greens								
National	11,897.84	12,960.22	33,130.00	35,006.00	40,782.85	47,497.97	1,413,972.46	1,466,397.20
NSW	42,102.03	45,597.50	213,826.00	265,305.00	431,333.23	343,799.91	529,329.68	923,141.22
Victoria	14,018.88	21,116.35	239,784.00	246,731.00	116,056.00	114,147.00	0.00	798,192.38
Queensland	60,943.89	74,767.99	140,401.38	164,264.87	91,574.86	116,835.44	132,239.22	170,863.12
Western Australia	78,461.00	106,027.00	213,981.00	290,382.00	215,073.00	240,901.00	362,141.59	473,339.00
South Australia	2,071.35	3,399.65	4,199.62	8,379.72	12,714.61	13,901.88	90,284.00	108,965.00
Tasmania	100,149.00	148,665.00	396,505.00	407,620.00	405,389.00	382,816.00	105,367.73	105,045.86
ACT	20,953.71	22,265.09	58,787.00	77,897.00	51,595.00	54,162.00	144,568.00	165,550.00
Northern Territory			21,119.82	32,206.81	17,976.84	17,903.77		
TOTAL	330,597.70	434,798.80	1,321,733.82	1,527,792.40	1,382,495.39	1,331,964.97	2,777,902.68	4,211,493.78
r		0.9947		0.9978		0.9954		0.9473
r2		0.9895		0.9956		0.9908		0.8975

Appendix C: declared donation and expenditure data

Declared Donations v Expenditure

Party Grouping by State	1998 Expenditure ($)	1998 Donations ($)	2001 Expenditure ($)	2001 Donations ($)
ALP				
National	20,294,641.30	3,389,500.00	25,401,056.94	1,469,849.00
NSW	19,910,466.00	3,214,518.00	11,757,092.02	
Victoria	5,584,901.00	1,659,631.08	6,882,110.00	1,085,920.00
Queensland	7,954,214.40	4,113,827.05	4,668,799.57	2,208,871.76
Western Australia	1,657,359.00	957,246.32	1,949,492.95	481,380.00
South Australia	1,323,820.10	520,102.71	3,867,271.00	880,852.07
Tasmania	1,047,890.00	334,375.34	968,078.63	256,247.00
ACT	368,602.51	325,695.91	902,710.18	547,484.32
Northern Territory	157,116.07	170,156.31	491,586.53	118,250.00
TOTAL	58,299,010.38	14,685,052.72	56,888,197.82	7,048,854.15
Liberal Party of Australia				
National	12,255,956.69	12,082,344.28	17,113,520.00	5,840,646.00
NSW	18,229,003.13	3,061,681.13	14,013,515.00	2,256,524.00
Victoria	8,752,480.00	2,275,551.00	11,304,471.00	4,252,710.00
Queensland	4,514,108.26	499,908.93	2,334,712.00	162,055.70
Western Australia	2,802,310.35	813,600.03	3,619,503.84	648,668.28
South Australia	2,588,003.61	570,640.00	5,794,535.62	7,870.65
Tasmania	1,392,323.01	524,567.92	884,878.00	
ACT	449,365.71	35,234.81	868,538.38	
Northern Territory (CLP)	866,753.31	210,900.00	1,631,260.00	
TOTAL	51,850,304.07	20,074,428.10	57,564,933.84	13,168,474.63
National Party of Australia				
National	494,506.00	413,500.00	958,036.00	617,000.00
NSW	5,557,030.00	1,636,573.00	4,214,237.00	465,074.00
Victoria	1,327,631.77	72,000.00	1,333,232.00	82,500.00
Queensland	3,107,525.96	234,085.50	1,964,801.35	
Western Australia	731,855.00	367,461.80	515,290.00	
South Australia	24,909.58		44,244.00	
Tasmania				
ACT				
Northern Territory				
TOTAL	11,243,458.31	2,723,620.30	9,029,840.35	1,164,574.00
Australian Democrats				
National	2,295,759.00	141,969.00	3,434,857.00	132,000.00
NSW	554,600.19	304,338.79	469,752.00	
Victoria	224,438.00	143,998.00	200,345.00	6,593.00
Queensland	186,154.31	138,198.17	229,295.15	
Western Australia	92,147.00	75,417.00	199,235.65	
South Australia	225,686.00	206,223.00	730,320.76	112,318.22
Tasmania	63,096.58	35,188.00	58,513.14	
ACT	56,470.00	45,409.00	139,621.52	
Northern Territory				
TOTAL	3,698,351.08	1,090,740.96	5,461,940.22	250,911.22

Declared Donations v Expenditure

Party Grouping by State	1998 Expenditure ($)	1998 Donations ($)	2001 Expenditure ($)	2001 Donations ($)
Australian Greens				
National	40,782.85	8,000.00	1,413,972.46	157,902.88
NSW	431,333.23	130,392.00	529,329.68	
Victoria	116,056.00	8,401.00		4,500.00
Queensland	91,574.86	43,334.68	132,239.22	2,000.00
Western Australia	215,073.00	34,254.40	362,141.59	28,200.00
South Australia	12,714.61		90,284.00	
Tasmania	405,389.00	23,530.00	105,367.73	
ACT	51,595.00	20,729.00	144,568.00	2,000.00
Northern Territory	17,976.84	4,000.00		
TOTAL	1,382,495.39	272,641.08	2,777,902.68	194,602.88
	r	0.9068		0.8966
	r2	0.8222		0.8039

Appendix D: receipt and vote data

Total Receipts v Votes

Party Grouping by State	1993 Income ($)	1993 FP Vote	1,993 2PP Vote	1993 Seats Won	1996 Income ($)	1996 FP Vote	1996 2PP Vote	1996 Seats Won
ALP								
National	2,838,122.37				18,793,702.21			
NSW	3,586,451.00	1,714,512	1,898,256	33	7,601,057.00	1,453,542	1,700,239	20
Victoria	1,989,154.40	1,272,974	1,381,417	17	4,637,304.71	1,190,404	1,355,503	16
Queensland	3,505,570.00	710,374	884,426	13	7,582,420.32	639,510	765,019	2
Western Australia	979,132.00	381,143	445,462	6	2,010,027.00	347,583	398,755	3
South Australia	2,023,860.94	358,707	436,650	4	1,159,392.00	326,678	391,516	2
Tasmania	169,626.00	143,621	167,780	4	525,690.00	137,607	159,853	3
ACT	490,019.70	95,993	110,055	2	559,691.91	91,477	105,323	3
Northern Territory	355,143.77	43,578	43,578	1	328,067.77	36,994	42,003	
TOTAL	15,937,080.18	4,720,902	5,367,624	80	43,197,352.92	4,223,795	4,918,211	49
Liberal Party of Australia								
National	7,740,979.70				15,578,243.75			
NSW	2,535,527.04	1,127,291	1,176,605	8	9,310,014.23	1,229,423	1,389,055	19
Victoria	2,509,935.00	1,102,965	1,185,675	17	11,468,244.00	1,106,556	1,190,874	19
Queensland	1,179,711.00	571,226	689,821	7	4,383,423.00	757,621	865,238	17
Western Australia	1,659,912.18	474,743	522,580	8	4,138,450.79	440,647	465,403	8
South Australia	2,419,863.28	421,687	485,892	8	3,655,750.71	460,246	524,445	10
Tasmania	205,005.23	129,132	139,239	1	1,669,896.77	138,087	150,057	2
ACT	214,819.22	61,535	69,796		598,660.83	78,109	84,592	
Northern Territory (CLP)	1,044,559.18	35,207	35,207		425,795.16	38,302	42,630	1
TOTAL	19,510,311.83	3,923,786	4,304,815	49	51,228,479.24	4,248,991	4,712,294	76
National Party of Australia								
National	781,685.00				47,500.00			
NSW	1,457,151.00	346,191	432,580	8	3,969,301.00	443,542	521,349	10
Victoria	1,066,090.66	137,470	136,757	3	2,038,514.31	128,091	142,853	2
Queensland	1,767,700.95	269,152	251,888	5	3,973,456.99	306,986	292,884	6
Western Australia	287,544.00	2,345			565,830.10	13,333		
South Australia	62,756.00	2,878			34,150.69			
Tasmania					24,040.08	1,218		
ACT								
Northern Territory								
TOTAL	5,422,927.61	758,036	821,225	16	10,652,793.17	893,170	957,086	18

Total Receipts v Votes

Party Grouping by State	1993 Income ($)	1993 FP Vote	1,993 2PP Vote	1993 Seats Won	1996 Income ($)	1996 FP Vote	1996 2PP Vote	1996 Seats Won
Australian Democrats								
National	109,101.00				3,134,501.00			
NSW	206,952.49	99,817			621,418.77	240,255		
Victoria	65,894.00	101,185			369,327.00	203,892		
Queensland	58,760.65	74,278			232,665.02	129,244		
Western Australia	10,763.00	31,791			122,458.00	55,862		
South Australia	246,096.05	71,981			356,011.47	93,899		
Tasmania	11,831.32	7,653			71,916.00	12,696		
ACT	4,694.14	10,355			10,090.00			
Northern Territory								
TOTAL	714,092.65	397,060			4,918,387.26	735,848		
Australian Greens								
National	12,960.22				35,006.00			
NSW	45,597.50	38,367			621,418.77	92,549		
Victoria	21,116.35	3,317			369,327.00	52,810		
Queensland	74,767.99	58,502			232,665.02	47,379		
Western Australia	106,027.00	55,907			122,458.00	53,101		
South Australia	3,399.65	1,496			356,011.47	27,146		
Tasmania	148,665.00	24,319			71,916.00	19,689		
ACT	22,265.09				10,090.00	16,596		
Northern Territory					32,206.81	5,324		
TOTAL	434,798.80	181,908			4,918,387.26	314,594		
	r	0.9301	0.9465	0.9078		0.9414	0.9658	0.9571
	r2	0.8650	0.8959	0.8241		0.8862	0.9328	0.9161

Total Receipts v Votes

Party Grouping by State	1998 Income ($)	1998 FP Vote	1998 2PP Vote	1998 Seats Won	2001 Income ($)	2001 FP Vote	2001 2PP Vote	2001 Seats Won
ALP								
National	20,329,737.40				6,120,139.16			
NSW	23,430,611.00	1,489,021	1,909,289	22	14,074,796.53	1,380,822	1,498,653	20
Victoria	7,271,190.00	1,261,289	1,521,560	19	5,386,889.00	1,230,764	1,540,613	20
Queensland	7,114,339.20	719,743	907,256	8	5,801,511.09	730,914	942,748	7
Western Australia	1,814,645.00	377,545	515,733	7	2,015,787.98	402,927	525,355	7
South Australia	1,256,089.70	319,267	400,587	3	3,738,056.00	316,362	391,973	3
Tasmania	513,404.00	150,384	176,241	5	821,711.18	145,305	177,833	5
ACT	459,165.03	98,588	121,552	2	1,046,977.81	95,215	123,786	2
Northern Territory	190,009.23	38,469	45,986	1	536,588.87	39,111	47,852	1
TOTAL	62,379,190.56	4,454,306	5,598,204	67	39,542,457.62	4,341,420	5,248,813	65
Liberal Party of Australia								
National	12,448,516.45				20,185,380.00			
NSW	16,188,023.79	1,131,545	1,342,086	18	13,971,822.00	1,272,208	1,499,576	21
Victoria	10,268,600.00	1,053,990	1,225,287	16	12,083,690.00	1,154,493	1,317,417	15
Queensland	3,847,214.68	615,153	809,515	14	2,934,878.00	767,959	900,639	15
Western Australia	3,011,890.55	397,836	527,042	7	4,026,641.76	449,036	559,970	8
South Australia	2,894,770.99	389,382	484,967	9	5,275,247.21	430,441	507,149	9
Tasmania	1,221,541.92	117,377	131,236		925,865.00	114,283	130,185	
ACT	510,214.51	59,424	73,131		981,883.57	65,651	78,880	
Northern Territory (CLP)	782,459.80	36,014	44,951		1,557,141.00	36,961	43,309	1
TOTAL	51,173,232.69	3,800,721	4,638,215	64	61,942,548.54	4,291,032	5,037,125	69
National Party of Australia								
National	569,927.00				887,626.00			0
NSW	5,139,162.00	293,126	344,475	9	4,911,480.00	349,372	438,468	7
Victoria	1,349,608.51	77,385	95,834	2	1,247,434.00	91,048	96,985	2
Queensland	2,995,493.12	199,185	244,838	5	2,019,589.02	192,454	210,263	4
Western Australia	458,620.00	13,596			427,336.00	11,052		
South Australia	22,522.95	4,796			40,714.00			
Tasmania								
ACT								
Northern Territory								
TOTAL	10,535,333.58	588,088	685,147	16	9,534,179.02	643,926	745,716	13

Total Receipts v Votes

Party Grouping by State	1998 Income ($)	1998 FP Vote	1998 2PP Vote	1998 Seats Won	2001 Income ($)	2001 FP Vote	2001 2PP Vote	2001 Seats Won
Australian Democrats								
National	3,355,333.00				3,427,148.00			
NSW	533,910.64	154,496			507,116.00	160,706		
Victoria	197,230.00	171,091			235,103.00	184,564		
Queensland	208,598.96	80,003			246,873.55	90,679		
Western Australia	89,484.00	41,364			179,295.42	50,581		
South Australia	243,476.00	93,905	40,437		785,573.20	98,849		
Tasmania	62,896.00	10,024			68,772.96	13,785		
ACT	56,820.00	14,394			148,149.95	16,266		
Northern Territory	0.00	4,658				4,795		
TOTAL	4,747,748.60	569,935	40,437		5,598,032.08	620,225		
Australian Greens								
National	47,497.97				1,466,397.20			
NSW	343,799.91	98,647	21,306		923,141.22	180,079		
Victoria	114,147.00	59,383			798,192.38	174,396		
Queensland	116,835.44	47,440			170,863.12	73,467		
Western Australia	240,901.00	52,674			473,339.00	64,939		
South Australia	13,901.88	4,576			108,965.00	34,141		
Tasmania	382,816.00	17,091			105,045.86	24,052		
ACT	54,162.00	8,145			165,550.00	14,335		
Northern Territory	17,903.77	2,753				3,665		
TOTAL	1,331,964.97	290,709			4,211,493.78	569,074		
	r	0.9025	0.9841	0.9760		0.9366	0.9504	0.9567
	r2	0.8145	0.9684	0.9525		0.8773	0.9033	0.9153

Appendix E: declared donation and vote data

Declared Donations v Votes

Party Grouping by State	1998 Donations ($)	1998 FP Vote	1998 2PP Vote	1998 Seats Won	2001 Donations ($)	2001 FP Vote	2001 2PP Vote	2001 Seats Won
ALP								
National	3,389,500.00				1,469,849.00			
NSW	3,214,518.00	1,489,021	1,909,289	22	0.00	1,380,822	1,498,653	20
Victoria	1,659,631.08	1,261,289	1,521,560	19	1,085,920.00	1,230,764	1,540,613	20
Queensland	4,113,827.05	719,743	907,256	8	2,208,871.76	730,914	942,748	7
Western Australia	957,246.32	377,545	515,733	7	481,380.00	402,927	525,355	7
South Australia	520,102.71	319,267	400,587	3	880,852.07	316,362	391,973	3
Tasmania	334,375.34	150,384	176,241	5	256,247.00	145,305	177,833	5
ACT	325,695.91	98,588	121,552	2	547,484.32	95,215	123,786	2
Northern Territory	170,156.31	38,469	45,986	1	118,250.00	39,111	47,852	1
TOTAL	14,685,052.72	4,454,306	5,598,204	67	7,048,854.15	4,341,420	5,248,813	65
Liberal Party of Australia								
National	12,082,344.28				5,840,646.00			
NSW	3,061,681.13	1,131,545	1,342,086	18	2,256,524.00	1,272,208	1,499,576	21
Victoria	2,275,551.00	1,053,990	1,225,287	16	4,252,710.00	1,154,493	1,317,417	15
Queensland	499,908.93	615,153	809,515	14	162,055.70	767,959	900,639	15
Western Australia	813,600.03	397,836	527,042	7	648,668.28	449,036	559,970	8
South Australia	570,640.00	389,382	484,967	9	7,870.65	430,441	507,149	9
Tasmania	524,567.92	117,377	131,236			114,283	130,185	
ACT	35,234.81	59,424	73,131			65,651	78,880	
Northern Territory (CLP)	210,900.00	36,014	44,951			36,961	43,309	1
TOTAL	20,074,428.10	3,800,721	4,638,215	64	13,168,474.63	4,291,032	5,037,125	69
National Party of Australia								
National	413,500.00				617,000.00			
NSW	1,636,573.00	293,126	344,475	9	465,074.00	349,372	438,468	7
Victoria	72,000.00	77,385	95,834	2	82,500.00	91,048	96,985	2
Queensland	234,085.50	199,185	244,838	5		192,454	210,263	4
Western Australia	367,461.80	13,596				11,052		
South Australia	0.00	4,796						
Tasmania								
ACT								
Northern Territory								
TOTAL	2,723,620.30	588,088	685,147	16	1,164,574.00	643,926	745,716	13

Declared Donations v Votes

Party Grouping by State	1998 Donations ($)	1998 FP Vote	1998 2PP Vote	1998 Seats Won	2001 Donations ($)	2001 FP Vote	2001 2PP Vote	2001 Seats Won
Australian Democrats								
National	141,969.00				132,000.00			
NSW	304,338.79	154,496				160,706		
Victoria	143,998.00	171,091			6,593.00	184,564		
Queensland	138,198.17	80,003				90,679		
Western Australia	75,417.00	41,364				50,581		
South Australia	206,223.00	93,905	40,437		112,318.22	98,849		
Tasmania	35,188.00	10,024				13,785		
ACT	45,409.00	14,394				16,266		
Northern Territory		4,658				4,795		
TOTAL	1,090,740.96	569,935	40,437		250,911.22	620,225		
Australian Greens								
National	8,000.00				157,902.88			
NSW	130,392.00	98,647	21,306			180,079		
Victoria	8,401.00	59,383			4,500.00	174,396		
Queensland	43,334.68	47,440			2,000.00	73,467		
Western Australia	34,254.40	52,674			28,200.00	64,939		
South Australia		4,576				34,141		
Tasmania	23,530.00	17,091				24,052		
ACT	20,729.00	8,145			2,000.00	14,335		
Northern Territory	4,000.00	2,753				3,665		
TOTAL	272,641.08	290,709			194,602.88	569,074		
		0.8967	0.9391	0.9467		0.7888	0.9057	0.9042
		0.8041	0.8818	0.8962		0.6222	0.8202	0.8176

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