Political donations and the destruction of democratic scrutiny

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Abstract

Many corporations donate to both sides of politics. One of the reasons they do this is to ensure both major parties in an election have sympathetic policies. When both major parties share a policy stance it is effectively removed from democratic scrutiny. The focus of political campaigns and media interest is on areas of policy conflict, the rest is passed over in silence. Corporations often purchase political silence in order to avoid scrutiny of unpopular activities, such as junk food advertising targetting children or the exploitation of gambling addiction.

Corporations don't give their money away for nothing. There is an understanding (rarely made explicit) that large campaign donations buy political access and favourable consideration in policy development and legislation. Why else would a corporation, which is bound by law to pursue profits, make these donations?

Interestingly, many businesses give money to both sides of the narrow political divide; sometimes different amounts, sometimes exactly the same amount. In the lead up to the 2013 federal election in Australia, for example, Inghams gave the opposing Labor and Liberal parties each $250,000, Westfield gave them each $150,000 and ANZ gave them each $80,000. By my count, over one third of donors (excluding individuals) gave to both the coalition and Labor during 2012/13. This is not unique to Australia but occurs in all democracies. For example, in the Unites States, a Center for Responsive Politics analysis found that 48 out of the 100 biggest non-individual donors to gubernatorial election campaigns donate to both sides.

Donating equally to both sides is clearly not about helping one side win. It's an implied threat: "if you don't treat us well we'll give you less and they'll be ahead." When both major parties have the same policy on an issue, it effectively removes that issue from democratic scrutiny. This is the aim of many political donations from businesses who stand to lose from policy changes that would be popular with the electorate. Only areas of difference between contenders end up being discussion points during elections, the rest is passed over in silence.

Such a big deal is made out of the few policy differences between major parties that during campaigns they can appear to be poles apart. However, the main contenders in most developed democracies are actually very closely aligned with respect to political ideology and policy – particularly economic policy.

Silencing debate

During their last term in office, the minority federal Labor government in Australia were more or less forced by independent MP Andrew Wilkie to attempt to implement restrictions on poker (slot) machine gambling. Prior to the discussion of reforms beginning, gaming industry lobby groups were giving similar amounts of money to both major parties but slightly favouring Labor. As soon as Labor started talking seriously about reform, the donations began to dramatically favour the opposition Liberals. The leader of the Liberal party, Tony Abbott, came out strongly against the reforms and they were eventually abandoned.

During the period in question, surveys showed that a large majority (70-75%) of Australian voters supported poker machine reform to limit the impact on problem gamblers and their families. The voters lost that one as they often do when wealthy industries are lined up against them.

The gambling interests won the game and showed the Labor party that they weren't bluffing. The gaming industry has effectively paid to have the issue taken off the national political agenda. The view of the voting public is no longer relevant.

There are many more examples of this process where corporate and other wealthy entities punish reformists by shifting financial support. The best-documented examples in recent Australian political history are the mining and carbon taxes and the Future of Financial Advice (FoFA) reforms. There has been plenty of coverage of these issues so I won't repeat the stories here.

Once a policy issue is effectively silenced, ongoing donations to both major parties help to entrench major party dominance. Large donations to both the Liberal and Labor parties further marginalise minor parties who may seek to break the silence on policy issues that the corporates or elites have purchased. In Australia, the Greens are strong advocates of poker machine reform so donations that advantage the major parties over the Greens are still worth making for corporates who want this issue out of the spotlight. When it's a two horse race, the outcome is relatively easy to control.

A consequence of this donation-driven approach to politics is that many areas of open political debate between and within major parties are in policy areas that the wealthy elite don't care much about, like same sex marriage or abortion, or represent divisions between corporate interests. Of course, some vestiges of ideological differences remain and show up in areas such as industrial relations and welfare.

Ideology and history

Industrial relations is a good policy area for revealing the complexities that I've so far ignored. In the same way that I have just argued that corporate donations purchase policy and legislative consideration, you could argue that union donations to the Labor party purchase industrial relations policy. However, this would be a gross simplification as the labour movement and the Labor party are intimately entwined in much more than just a monetary sense and industrial relations policy has been at their core from the beginning.

Of course, business interests have also been at the heart of the Liberal party for its entire existence. Have they been corrupted by business interests or was that their platform from the beginning? We can track some of this movement over time and see which parties have shifted and in which direction.

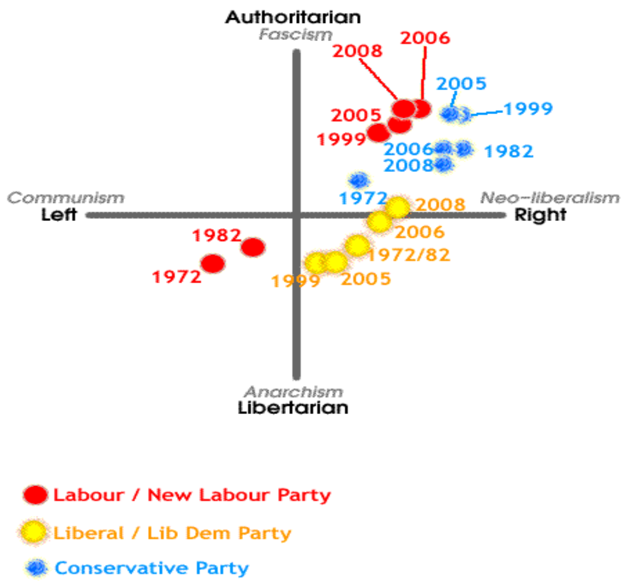

Figure . Shift in Political Compass scores for major UK political parties from 1972-2008.

The political divide between left and right has historically been much greater across the English speaking democracies than it is today. There was a time when the parties of the left were drawn from and represented the working class and the parties of the right were drawn from and represented business. Then businesses started courting the parties of the left and drawing them right. An economic consensus, neoliberalism, emerged during the 70s and 80s that enlisted politicians of all stripes. The Thatcher, Reagan and Hawke/Keating (Australia) governments prosecuted this agenda in their respective countries, irreversibly changing the political economy of the English speaking world. Neoliberalism is essentially pro-business at the cost of democratic control and social cohesion and once it was the consensus position of all major parties, its march was beyond the capacity of democracy to halt. As has been noted by others, neoliberalism is nothing new, it's simply capitalism expressed in the absence of effective labour opposition.

These changes followed the oil shocks of the early-mid 1970s and were the result of extremely effective political opportunism on the part of business lobby groups. The high inflation and low economic growth experienced as a result of the quadrupling of oil prices was just the opportunity the industry groups (particularly the financial industry) needed to push for radical reform. The Nixon administration's abandonment of the gold standard in 1971 had opened up the potential for entire new fields of financial business, the repercussions of which are still being felt today. The extraordinary growth of the financial industry in the intervening four decades began with the collapse of the Bretton Woods agreement in 1971 but was really given strength by the economic reforms of the 1980s and 90s that occurred across the developed world.

Beyond the cash

It's clear that policy formation and the legislative agenda of major political parties is not explained simply by following money trails. However, the money trails are our best portholes into the rest of the opaque process. Who attends fundraising dinners with senior politicians that cost $10,000 a plate? What do they talk about? It's easier to spin a story to voters about why you watered down regulations than it is to tell the bankers whom you mix with socially and professionally why you couldn't help them out. Personal relationships matter to politicians as much as to the rest of us.

Sitting in the middle of this process are the lobbyists and think tanks who invent public rationalisations for policy positions that serve their clients' interests.

> "Among all the things I'm going to tell you today about being a journalist, all you have to remember is two words: governments lie."
> US journalist I.F. Stone to journalism students

Lies are most effective when the liar believes them. The first step in effective lying is to convince ourselves of the lie. This is where the think tanks and lobbyists come in, telling politicians, for instance, that financial regulations have to be eased because compliance is onerous and damaging to the efficiency of business. Too much red tape chokes economic activity. I'm sure many in the current Coalition government in Australia really believed this reason for watering down financial advice regulations but I guarantee the idea originally came from the banks or their lobbyists who simply want to continue to offer advice that is in their own financial interests, rather than those of the customer.

This is a complex and dirty game dominated by political donations, vested interests, personal ambition, class and power. Voters are a part of the game but representing their interests may not be a politician's top priority. Politicians will only act on behalf of voters if no wealthy or powerful group objects – or if the party in question is boxed into a corner by a hung parliament or a combination of marginal electorates and strong community action.

Everywhere that democratic power has existed it has been under siege from wealthy interests. If the people are to recapture and maintain control of their democracies then they must insist on transparency in political financing and be resigned to never ending vigilance and protest. The extent to which corporate interests have removed issues from democratic scrutiny needs to be more broadly understood and communicated. A democracy taken for granted rapidly becomes a plutocracy.

Author Bio

Warwick Smith is an economist, ecologist, philosopher, businessman and writer. He has very broad professional interests including the application of evidence in public policy formulation, political philosophy, taxation economics, environmental economics, and the history and philosophy of economics.

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