

Business, Politics and Money in Australia: Testing Economic, Political and Ideological Explanations, *Australian Journal of Political Science*, 43(3), 2008

The flow of business money to political parties is a vital issue for Australian democracy. Nonetheless, there has been no systematic study of why Australian businesses contribute to political parties and why they contribute more to one party than to others. I exploit Australian Electoral Commission data on payments to parties by 450 large businesses over seven years at the Commonwealth and State levels. Economic characteristics (income and sector) are important to understanding which businesses make political contributions. However, they are little help in understanding how businesses distribute their cash. This is best interpreted as an interaction of ideological bias and political pragmatism. If Labor has the political advantage businesses tend to split contributions evenly between the ALP and the Coalition. If the Coalition has the political advantage businesses overwhelmingly target their contributions on the Liberal and National parties.

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Big Business, Politics and Money in Australia

The flow of business money to political parties is a vital issue for Australian democracy. Nonetheless, there has been no systematic study of why Australian businesses contribute to political parties and why they contribute more to one party than to others. I exploit Australian Electoral Commission data on payments to parties by 450 large businesses over seven years at the Commonwealth and State levels. Economic characteristics (income and sector) are important to understanding which businesses make political contributions. However, they are little help in understanding how businesses distribute their cash. This is best interpreted as an interaction of ideological bias and political pragmatism. If Labor has the political advantage businesses tend to split contributions evenly between the ALP and the Coalition. If the Coalition has the political advantage businesses overwhelmingly target their contributions on the Liberal and National parties.

Introduction

Australian political parties are hugely dependent on Australian business for their funding. This raises the obvious and important question of why businesses contribute to political parties? If business contributions are motivated by self-interest what does the political system provide in return? Of course, this subject has generated a substantial amount of academic and non-academic discussion. The extant literature tends to be normative, legal and anecdotal.¹ It is normative because it has concentrated on the deficiencies of the system in comparison to liberal democratic values (Young and Tham 2006). It is legal in that it has tended to be written by

¹ The exception is the work of Ramsay et al. (2002) However, they examined the donations at the federal level only over three years. Moreover, they presented a purely descriptive analysis.

lawyers and therefore unsurprisingly has traced the evolution of statute law and its interpretation by the courts (Orr 2007; Tham 2003). The anecdotal nature of the literature is evident in the frequent citation and recapitulation of various scandals and controversies that have been primarily researched by journalists or public inquiries. These contributions are valuable can sometimes be frustrating to read because, by design, they can tell us little or nothing about the overall interaction of parties and business that makes this an important subject in the first place. This article aims to begin to fill that gap by exploiting the huge amount of data generated by the disclosure regime operated by the Australian Electoral Commission (AEC). By systematically studying the relationship between the flow of cash from business to parties and political conditions and firm characteristics it is possible to gain an important insight into how and why businesses contribute to political parties.

Theory

Business contributions to political parties consist of two decisions. Firstly, a business must decide to make a political contribution and then it must decide how to distribute a certain amount of money. It can give all of its money to a political party; it can decide to split it equally between competing parties; or it can decide to bias its payments towards one party, without completely abandoning the competition. Most studies of political finance use one of these decisions as their dependent variable. In this article, I look first at the decision to contribute and then how biased that contribution is.

I take business to refer to a profit seeking privately owned organisation, including both companies and partnerships. Businesses, in this sense, only form a part of the

overall business community, which is active in both politics generally and in the funding of political parties. Thus, I exclude state-owned firms, wealthy individuals and business interest organisations. While these other types of ‘business’ actors are important, they are subject to quite different sets of incentives. The motivations of businesses contributing financially to political parties can be thought of broadly as either pragmatic or ideological (Clawson and Neustadt 1989, 751). Ideological decisions do not survive a cost-benefit analysis and are instead motivated by a long-term commitment to a class interest or even the wider public good. Pragmatic contributions are business decisions motivated by the relatively short-term profit motive of a particular organisation.

Political contributions in Australia, as in several other rich democracies, are widely acknowledged as purchasing political access for businesses. Large contributors can demand one-to-one meetings with ministers at relatively short notice. Smaller contributions often grant business representatives the chance to mingle with politicians at dinners or receptions or attend a privileged advanced presentation of upcoming policy initiatives. Businesses and politicians deny that contributors receive decisions or influence in return for cash. Instead, they merely receive an opportunity to state their case or clarify some misunderstanding. The standard riposte is that

If access is indeed the goal of ... contributions, will [contributors] settle merely for the “opportunity to persuade”? Won’t they expect success in a certain number of instances? Will they be satisfied with an invitation to the gaming table if they lose every spin of the wheel? (Souraf 2003, 409).

Some businesses go further and deny that they gain any benefit from the sale of access. Large companies are harassed by political parties and feel they must make some contribution to fundraising and send some representative to events even if these activities make no difference to their ability to lobby successfully (Bachelard, et al. 2007). While neither of these two ‘defences’ of the access system can be falsified by the pattern of contributions, both have an implication that should be observable in the AEC data. If those who have purchased access have no greater policy success than those who have not, the partisan bias of contributions should not reflect changes in political competition. In other words, contributions should be not follow political power because access does not grant influence over political power. Similarly, if contributions do not even buy access they should not follow political power. Another implication might be that contributions are most likely to be made by the largest firms, which can afford to literally waste money on politicians.

The funding of political parties is located at the interface of politics and the economy. Therefore, I think of pragmatism as rooted in either the political system or the firm. Political pragmatism is a reaction to the supply of political benefits as reflected in the changing conditions of party competition. Economic pragmatism is a reaction to the demand for political benefits as reflected in the particular conditions of a firm’s position in economic competition. I will test the extent to which ideology, political pragmatism and economic pragmatism can explain both the decision to make a political contribution and the decision on the distribution of that contribution amongst political parties.

If businesses react to political conditions, they essentially make calculations depending on which party is in power and which party they think will exercise power in the future: they look at incumbency and polls. These two variables interact with the electoral timetable. The farther away the next election, the more sense it makes to contribute to the governing party and not to the opposition. The closer an election, the more sense it makes to contribute to the party leading in the polls and not necessarily to the incumbent government. The extensive American literature on political finance has tried to summarise the characteristics of individual firms using a wide variety of variables. Only three of these have been consistently significant: size, regulation and reliance on defence contracts (Burris 2001, 371). Instead of trying to proxy the diversity of the economy with one sector, I am able to include dummy variables for the sector of the firm. In contrast to the diversity of different types of business, it is possible to state some clear general hypotheses for the effect of size on the dependent variables. The greater a firm's income, the proportionally smaller becomes the same cash contribution. The cost of political contributions may be so small relative to the income of the business that virtually any policy benefit would justify the expense. Therefore, large businesses are more likely to contribute to political parties. They are also more likely to distribute their contributions across the political spectrum: large firms may not have to choose between political actors because they have the resources to make substantial contributions to all relevant political players. In terms of the ideological logic, there seems to be no alternative to treating it as a residual category. I will infer ideological motivation from a political preference for the traditionally pro-business party that is not explained by measures of political and economic pragmatism.

I assume the Liberal-National coalition is the traditionally pro-business party. It is commonplace to treat the ‘semi-permanent coalition’ of the Liberals and Nationals as one party for many purposes (Sharman and Moon 2003, 241). The Liberals were traditionally, and sometimes almost literally, the party of business. In recent decades, they have distanced themselves from firms and their interest organisations (McEachern 1992). The relationship between the Howard government and business has often been tense and tetchy. Business has been irritated by the government’s regulatory instincts, while the Liberals have doubted the loyalty of the business community. Nevertheless, the Coalition is clearly a centre-right party facing a centre-left party in the Australian Labor Party (ALP). The ALP has a socialist past and still maintains close links with labor unions. In the 1980s and 90s, it was the Labor party which deregulated and globalised the Australian economy (McEachern 1992). Especially in the last decade, both main parties have begun to cultivate their relations with business as part of the fundraising race.

Data

The sample consists of 450 businesses, which featured in the 1000 largest enterprises in Australia in both 1998/99 and 2004/2005.² This research design allows me to examine both the decision to contribute and the decision about how to distribute a given cash amount. The economic variables are income and dummies for twenty-nine sectors. The political variables are an interaction of incumbency and the electoral timetable and an interaction of opinion polls and the electoral timetable. The

² Size is measured by income in billions of Australian dollars as reported in the *Business Review Weekly*. The sample excludes state-owned, non-profit, New Zealand and Papua New Guinean enterprises. Partnerships have been included.

incumbency variable ranges from one for a Coalition government with four years to a mandatory election to eight for a Labor government with four years to a mandatory election.³ The poll variable is the difference between the Labor and Coalition votes multiplied by a range beginning at one for an election year and four for four years until the next election.⁴ Please see Appendix A for descriptive statistics on these variables.

The Australian Electoral Commission reports disclosures of donations and ‘other payments’ to both political parties and entities associated with those parties. Donations are defined narrowly as payments for which nothing was received in return. All analyses in this article are conducted twice, first for donations and secondly for all payments, which includes both donations and other payments. The basic measure of distribution is called bias, calculated as the Labor proportion of a given business’s payments to Labor and the Coalition in a given year. Between 1998 and 2005, there were approximately 25,000 payments to Australian political parties, about 17,000 of which were from around 5,400 businesses. A mere five per cent of firms in my sample made a donation every year, while 15% made a payment, whether donation or

³ The range is narrower for Queensland and the Commonwealth, both of which have three-year parliamentary terms.

⁴ For the Commonwealth and five of the six states, which use the Alternative Vote, I use the two-party preferred voting intentions. Tasmanian elections are held under the Single Transferable Vote (Farrell and McAllister 2006), so I used the first preference voting intention. The source is the Roy Morgan Poll. In a study of the 2004 federal election, Jackman (2005) finds this to be one of the less accurate polls. The reason for using it is its greater coverage of all states, especially Tasmania. I would like to emphasise that the poll variable aims, not to directly predict election results, but to measure attempts by business to predict with parties will control government.

other payment, every year. 61% did not make any donations in the relevant period, while 47% did not make any type of payment during the whole period.

There is a plethora of concerns regarding the transparency of these arrangements, most, but not all, of which are relevant to this study. Some of these criticisms arise from a desire to understand the relationship between parties and particular businesses, with a view to exposing potential corruption and are therefore not vital to the statistical approach being taken here. One important line of criticism is that the disclosure tends to happen after, not during or before, an election campaign. Again, this is not important for this study. The following criticisms are possible sources of error in this study. The cumulative total of payments does not have to be reported. Therefore, there could be many businesses, which have paid large amounts to parties without any disclosure requirements. The definition of associated entity is not wide enough to encompass all activities and organisations that effectively fund party political competition. Similarly, the definition of a donation is too narrow, leaving us with a large category of other payments, which clearly includes both non-political business transactions as well as political contributions. In particular, the type of fundraising in which businesses pay large sums to attend a social event or conference with politicians can legally be reported as an 'other payment'. Finally, the electoral commissions do not have the resources to adequately implement the existing regulations.

These are significant limitations on the validity of the current analysis. However, it is important not to overemphasise them. While it is impossible to estimate the extent to which businesses channel money to parties outside the statutory framework, the sheer

volume of payments disclosed and, in many instances, their size and potential for controversy persuades me that the official data provides a roughly accurate picture of overall business funding of parties. Moreover, it is worth pointing out that, even if Australian requirements are no longer amongst the most demanding of rich countries, the general requirement for disclosure contrasts with the almost total absence of disclosure until recently in some countries such as Ireland and the tendency in the USA to restrict disclosure to campaign finance. Crucially, even if a really large proportion of actual political contributions manage to evade or deceive the disclosure regime, the issue is whether these contributions are systematically different to the disclosed payments in terms of the models being tested in this article. There are no obvious ways in which this might be the case.

This study excludes the territories. The Northern Territory has a different party system, while only one poll of voting intentions has ever been held in the Australian Capital Territory. Moreover, the territories are outliers on several measures of party competition (Sharman and Moon 2003). The territories represent a tiny proportion of both the Australian population and business contributions to parties. The sample contains 22,050 observations: 450 businesses by seven years by seven jurisdictions.

There is a potential sample selection effect in that the variables I use to predict selection into the sample of contributors are similar to those I use to explain the distribution of contributions amongst parties. Unfortunately, models that correct for sample selection in the panel context would place such a demand on the data that it would be impossible to include sectoral dummies. Furthermore, such models have rarely been applied and are not available in standard statistical packages (Dustmann

and Rochina-Barrachina 2007). Therefore, I firstly seek to explain why businesses contribute and then separately explore variations in the political bias of the contributions that businesses make.

Contributions

To investigate the decision to contribute, I employ a pooled logit with Newey-West standard errors to compensate for heteroskedasticity and autocorrelation. I estimate four equations: federal donations, all payments at the federal level, state donations and all payments at the state level. Three sector dummies and a number of observations have been dropped from the federal equations because of a lack of variation in the dependent variable.

The four models suggest that firm behaviour is quite similar whether the federal or the state level is considered and whether contributions are defined by donations or all payments (see Table 1). For all four models, contributions are more likely to be made as elections approach; larger firms are more likely to contribute and 22 to 23 of the 28 sectors are significantly different from the reference category of Wood and Paper. Moreover, as shown in Table 2, the probabilities of contribution for the different sectors are highly correlated across the four models. The different powers of the federal and state governments do not substantially change the frequency with which firms in different sectors contribute to political parties.

[Table 1 about here]

[Table 2 about here]

Holding income at the mean and the electoral timetable at an election year, it is difficult to confidently state which sectors are most likely to contribute to parties. The sectors which have a probability of making a contribution of half a standard deviation or more over the mean in each of the four models are: Advices for Finance, Investment and Insurance; Services of Finance, Investment and Insurance; Wood and Paper. In addition, Textiles and Clothing has a high probability of making federal donations and all payments, while Construction and Personal and Other Services have a high probability of making state donations and all payments. These sectors tend to represent small numbers of firms and their coefficients do not reach statistical significance. The sectors which have a probability of making a contribution half a standard deviation or more under the mean in each of the four models are: Agriculture, Forestry and Fishing and Wholesale Personal and Household Goods. Both are statistically significant in every model. In addition, the following sectors had a low probability of contribution in three of the four models: Electricity, Gas, Water, Mining; Petroleum, Chemicals, Associated Products; Retail, Personal, Household Goods. Again, all were statistically significant.

Bias

The sample values indicate that, in the period under examination, Australian businesses have split their contributions between the two principal competitors, but have tended to be biased towards the Coalition. Labor received on average 43% of a given business's donation in a given year in a given jurisdiction, while it got 48% of all payments. It would be a mistake to interpret these values as indicating a lack of ideological preference amongst Australian businesses without controlling for the

economic characteristics of firms and the political circumstances under which they have contributed to the parties.

Again, i present four models (see Table 3). This time they are estimated by ordinary least squares with Newey-West standard errors. Income is expected to be associated with splitting between the two parties. Testing this hypothesis requires a quadratic specification. Hence the first income variable should have a positive sign, while the second (squared) income variable should have a negative sign. The incumbency and poll variables should have positive signs as they are expected to increase the share of contributions going to Labor. While we expect the 29 sectors to be associated with differently biased contributions, there are no clear hypotheses in one direction or the other.

[Table 3 about here]

There are more differences in the four models of bias than there were in the models of contribution. These differences may reflect the effects of different numbers of observations as much as they reflect different behaviour by businesses making financial contributions to political parties. The two models of bias at the federal level suffer from serious collinearity problems amongst the sector dummies. For this reason, twelve variables have been dropped from the donations equation and nine from the equation for all payments. At the state level, one sector has been dropped from both equations for the same reason. The economic logic is unable to provide an explanation for partisanship. The income variables are only significant in the model for all payments at the state level. Across the four models, between zero and four

sectors are significantly different from the reference category. Only two sectors (Printing and Publishing and Wholesale Personal and Household Goods) are statistically significant in two of the models.

In contrast, the political variables perform better. Incumbency is significant in all equations except federal donations, which is, after all, suffering from a lack of observations. Poll is significant in two equations, the exceptions being the two donations equations. Therefore, I conclude that businesses react to political conditions. They concentrate their contributions on the party in government, reducing the bias as an election approaches. They also direct more money to the party, which is ahead in the polls, increasing the bias as an election approaches.

In order to clarify the implications of these findings, I present graphs of predicted bias under a number of simulated political conditions (see Figure 1). This allows me to uncover the potentially ideological distribution of business contributions that underlies shifts from one party to another in reaction to political circumstances. Firstly, I look at incumbency, contrasting positions of maximum advantage to the two major blocs in Australian politics. Under a Labor government, with four years to the next election, the model predicts that businesses will overwhelmingly opt to split their contributions, albeit with a minor overall bias towards Labor. Under a Coalition government, with four years to an election, the majority of businesses will clearly bias their contributions towards the Coalition. I undertook a similar procedure to uncover the effects of shifts in opinion poll popularity. In an election year, if there is no difference between the parties in the polls, over half of businesses will bias contributions towards the Coalition. Heading into an election with a ten-point lead

the ALP can only expect to share business contributions equally. However, with the same ten-point lead in an election year, the Coalition can expect that over ninety per cent of businesses will bias their contributions towards the Liberals and the Nationals.

[Figure 1 about here]

Essentially, political competition and ideological predilection interact as follows: if Labor has the political advantage, the dominant strategy of businesses will be split their contributions between the ALP and the Liberal-National coalition. If the Coalition has the political advantage, the dominant strategy will be to clearly bias payments towards the Coalition. Australian business combines a pragmatic reaction to changing political circumstances with a massive ideological bias towards the more conservative parties. Without controlling for political competition, it is not possible to come up with a reasonable estimate of the importance of the ideological factor. The sample values indicate a relatively even split between the two adversaries (with a minor preference for the Coalition). However, this is on the basis of a period where the Coalition has only had a mean poll advantage in one out of 49 jurisdiction years (Victoria 1999) and has been in government for only 11 out of 49 jurisdiction years (seven years in the Commonwealth, three in Victoria and one in South Australia). The apparent 'even-handedness' of Australian business has been a reaction to the political dominance of Labor.

Interestingly, current newspaper reports on fundraising in anticipation of the next Commonwealth election suggest that business behaviour conforms very closely to my model. According to my prediction, a clear ALP advantage in the polls in an election

year should motivate business to split its contributions relatively equally between the government and the opposition. *The Australian* reports that, ‘Conservative fundraiser ... Brisbane-based Everaldo Compton said that donors who traditionally funded only the Coalition parties were now taking “an each-way punt”’ (Franklin and Karvelas 2007). Similarly, *The Canberra Times* reports that Liberal Party Honorary Secretary Mark Bethwaite says, ‘[T]he even-handedness of some businesses in supporting both the Liberal Party and the ALP is not something that I applaud’ (AAP 2007). It would be wrong to reify these comments and interpret them as a consistent business strategy. Instead, as I have shown, these comments probably represent a reaction to a particular ephemeral political situation.

Conclusions

The regulatory environment and democratic implications of Australian business funding of parties have been lucidly discussed. However, this is the first systematic attempt to understand the calculations Australian businesses make when considering financial contributions to political parties. Contributions are made according to economic, political and ideological logics. Businesses are more likely to contribute as an election approaches. The economic logic is important in explaining which businesses contribute. The larger the business the more likely it is to contribute. The probability of contribution also varies from sector to sector. In contrast, the economic logic does little to explain the partisan distribution of contributions. This is best explained by an interaction of political and ideological logics. Australian business has a strong underlying ideological predilection towards the conservative coalition of the Liberals and Nationals. Nonetheless, they react strongly to changing political

conditions. If the ALP has the political advantage, in terms of either control of government or a lead in the polls, business tends to be even handed. By contrast, if the Coalition has the political advantage businesses target the vast majority of their money on the Coalition.

The literature is understandably replete with complaints that the existing regulatory regime hampers systematic study, as indeed it does. However, the use of associated entities and the excessively narrow definition of a donation, have not prevented this research from gaining an understanding of the calculations of Australian business in general. The conclusion that the partisan bias of all payments, including donations and non-donations, is highly dependent on political circumstances suggest that most non-donations are actually political contributions and can, in the aggregate, be treated as such for analytical purposes. Further quantitative work is both possible and desirable. The raising of the threshold for disclosure of a payment from 1,500 to 10,000 Australian dollars may undermine the validity of future quantitative work, as this threshold would have excluded many of the payments analysed in this article. In my opinion, an even more desirable complement to this research would be a systematic qualitative study. It is probably only by interviews that political scientists can hope to really understand the mechanics of access in Australian business-political relations. Numerous studies have elicited a remarkable amount of co-operation from senior businesspeople on sensitive political issues in a variety of countries (Heinz, et al. 1993; Kadushin 1995; McMenamin 2004; Useem 1984) and at least one that has managed to obtain frank responses on political access in the USA (Clawson, et al. 1998).

Table 1. Decision to Contribute

| | Federal Donations | Federal All Payments | State Donations | State All Payments |
|---|-------------------------|-------------------------|-------------------------|-------------------------|
| Electoral Timetable | -.348906 (.091085)** | -.198998 (.070773)** | -.27787 (.038373)** | -.133874 (.024941)** |
| Income | .1017 (.0159)** | .1955 (.0245)** | .07 (.000006)** | .1074 (.000006)** |
| Advices for Finance, Investment, Insurance | .186316 (.5909) | .445081 (.560821) | .52823 (.325294) | .639176 (.25991)* |
| Agriculture, Forestry and Fishing | -3.08837 (1.13643)** | -2.4713 (.846569)** | -3.07571 (1.0343)** | -2.61479 (.617027)** |
| Building Materials | -1.16392 (.546154)* | -1.24683 (.491006)* | -.65055 (.328904)* | -.586723 (.25402)* |
| Communication Services | -4.1528 (1.12365)** | -2.68731 (.641647)** | -2.67603 (.65059)** | -1.32488 (.288367)** |
| Construction | -1.6405 (.517865)** | -1.65425 (.467171)** | -.24329 (.28694) | -.262402 (.227196) |
| Cultural, Recreational Services | -2.1357 (.585397)** | -1.35715 (.496815)** | -.933282 (.312057)** | -.852473 (.252251)** |
| Electricity, Gas, Water | -3.7648 (.737462)** | -2.23557 (.489709)** | -2.1665 (.375122)** | -1.17759 (.242171)** |
| Finance, Investment | -2.04098 (.510323)** | -1.58653 (.439437)** | -.759382 (.28418)** | -.353752 (.21969) |
| Food, Beverages, Tobacco | -1.4681 (.491569)** | -1.35635 (.441111)** | -.78187 (.285238)** | -.915328 (.226458)** |
| Health, Community Services | -1.46674 (.60617)* | -1.08457 (.52131)* | -1.5623 (.464236)** | -1.03462 (.303174)** |
| Insurance | -2.42807 (.566272)** | -2.30904 (.502213)** | -1.58455 (.337726)** | -1.15089 (.243632)** |
| Machinery, Equipment | -3.70067 (.643411)** | -2.33009 (.470124)** | -1.7735 (.31278)** | -1.15676 (.22903)** |
| Metal Products | -1.63018 (.590241)** | -1.53631 (.529358)** | -1.47641 (.413283)** | -1.72772 (.332505)** |
| Mining | -3.6771 (.789797)** | -2.42107 (.591277)** | -2.20707 (.390842)** | -1.45126 (.260381)** |
| Other Manufacturing | Dropped | Dropped | -1.67418 (.761434)* | -1.6097 (.55311)** |
| Personal, Other Services | Dropped | Dropped | .275222 (.515983) | .7246 (.384962) |
| Petroleum, Chemicals, Associated Products | -3.01864 (.566409)** | -2.0368 (.466956)** | -1.75578 (.318257)** | -1.5648 (.24088)** |
| Printing, Publishing | -3.53953 (1.10237)** | -1.7587 (.59411)** | -2.10535 (.567571)** | -1.03725 (.307177)** |
| Property, Business Services | -2.5396 (.512138)** | -2.02123 (.440171)** | -.660544 (.275179)* | -.256697 (.214796) |
| Retail, Food | -2.39046 (.658281)** | -2.5007 (.764184)** | -.553583 (.30289) | -1.11558 (.26305)** |
| Retail, Motor Vehicle Services | Dropped | Dropped | -3.63536 (.754231)** | -2.47457 (.353608)** |
| Retail, Personal, Household Goods | -3.92341 (.843821)** | -3.62647 (.713982)** | -2.27005 (.410647)** | -2.38122 (.320644)** |

| | | | | |
|---|-------------------------|-------------------------|-------------------------|-------------------------|
| Services to Finance, Investment, Insurance | -1.22525 (.718522) | -.58748 (.628527) | -.29521 (.405188) | .280568 (.293921) |
| Textiles, Clothing | -.43777 (.649894) | -.54509 (.625858) | -1.35605 (.568474)* | -1.57643 (.466928)** |
| Transport, Storage | -1.84109 (.552503)** | -1.76881 (.493813)** | -1.69879 (.382062)** | -1.45262 (.273785)** |
| Wholesale, Basic Materials | -2.50101 (.560257)** | -2.70245 (.513236)** | -2.37723 (.399749)** | -2.17453 (.284148)** |
| Wholesale, Machinery, Motor Vehicles | -4.44877 (.739524)** | -4.28124 (.651659)** | -3.0168 (.389454)** | -2.30806 (.255424)** |
| Wholesale, Personal, Household Goods | -4.74532 (1.10084)** | -4.17645 (.822083)** | -3.31013 (.56495)** | -2.28706 (.30279)** |
| Constant | .35253 (.486865) | .16756 (.433338) | -1.43453 (.274926)** | -1.12466 (.216926)** |
| Chi2 | 227.40** | 247.38** | 602.52** | 1169.41** |
| Observations | 3031 | 3031 | 18900 | 18900 |

Notes: Coefficients from pooled logit with Newey-West standard errors in parentheses. * Significant at the 0.05 level. ** Coefficient significant at the 0.01 level. No firms in Other Manufacturing, Personal and Other Services and Retail, Motor Vehicle Services made payments at the Commonwealth level. The dummies for these sectors have been dropped along with 119 observations

Table 2. Similarity of sectoral probabilities of contribution

| | Donations | Payments |
|----------------------------|-----------|----------|
| Federal and State | 0.8011 | 0.7847 |
| | Federal | State |
| Donations and All Payments | 0.9548 | 0.9405 |

Note: Entries are correlation coefficients of sectoral probabilities of contributing with income held constant at the mean and the electoral timetable held constant at an election year. N=26 for all correlations, except State Donations and All payments for which N=29.

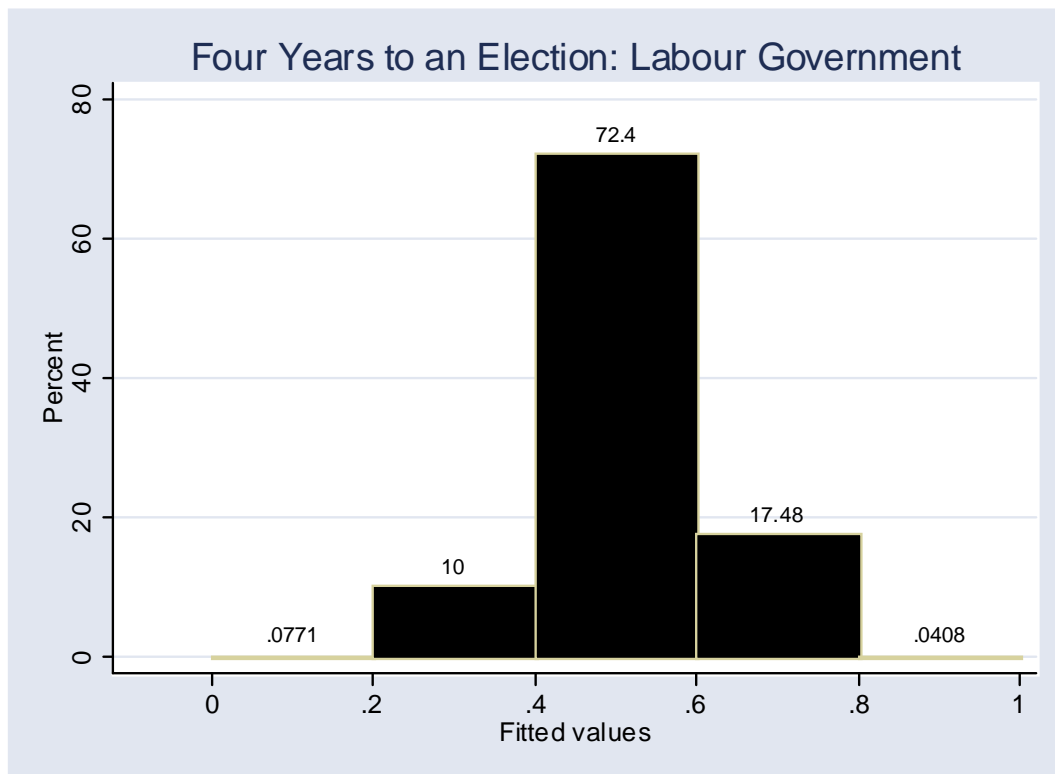
Table 3. Distribution of Contribution

| | Federal Donations | Federal All Payments | State Donations | State All Payments |
|---|-----------------------|-------------------------|-------------------------|-------------------------|
| Incumbency | .018529 (.014477) | .022344 (.009571)* | .028574 (.009554)** | .019151 (.006122)** |
| Poll | .000522 (.001015) | .003374 (.000702)** | .00013 (.000612) | .002639 (.00042)** |
| Income | .0075 (.0205) | -.00972 (.00973) | .0104 (.00708) | .0159 (.00547)** |
| Income2 | -.000001 (.000001) | .000000 (.000000) | -.000000 (.000000) | -.000001 (.000000)** |
| Advices for Finance, Investment, Insurance | .238617 (.242445) | .076535 (.212573) | .074495 (.124184) | -.005616 (.09437) |
| Agriculture, Forestry and Fishing | Dropped | Dropped | -.08942 (.177811) | .009569 (.179046) |
| Building Materials | .083897 (.127889) | .028743 (.109194) | .107769 (.13412) | -.029556 (.107408) |
| Communication Services | Dropped | Dropped | .335666 (.241973) | -.027837 (.116722) |
| Construction | .037522 (.15239) | .176822 (.118464) | .081023 (.109565) | .069078 (.088281) |
| Cultural, Recreational Services | .197926 (.221772) | .269811 (.18248) | .102149 (.115133) | .032927 (.090913) |
| Electricity, Gas, Water | .050122 (.15019) | .17094 (.113318) | .348513 (.2005) | -.005679 (.136721) |
| Finance, Investment | .028757 (.13012) | .098274 (.104768) | .024145 (.11454) | -.101334 (.089766) |
| Food, Beverages, Tobacco | -.085301 (.140739) | -.02853 (.119727) | .008705 (.106912) | -.102891 (.08775) |
| Health, Community Services | Dropped | Dropped | -.052296 (.148467) | -.202955 (.11012) |
| Insurance | .173269 (.13311) | .080246 (.1119) | -.27978 (.16974) | -.215369 (.110592) |
| Machinery, Equipment | -.178 (.180172) | -.03806 (.1369) | -.006914 (.125533) | -.007953 (.098092) |
| Metal Products | Dropped | Dropped | .030429 (.14729) | -.058286 (.127304) |
| Mining | Dropped | -.154822 (.277072) | .1083 (.14239) | -.086378 (.099784) |
| Other Manufacturing | Dropped | Dropped | .588793 (.101739)** | .174404 (.169308) |
| Personal, Other Services | Dropped | Dropped | .192558 (.205487) | .115095 (.132284) |
| Petroleum, Chemicals, Associated Products | -.041443 (.189497) | -.023987 (.142054) | -.026181 (.13) | -.079169 (.099819) |
| Printing, Publishing | .232944 (.32047) | .415369 (.158195)** | -.435036 (.100011)** | .048314 (.117572) |
| Property, Business Services | -.028611 (.15605) | .009277 (.12105) | .007116 (.105584) | .01778 (.08456) |
| Retail, Food | Dropped | Dropped | .02668 (.133374) | .008676 (.105585) |

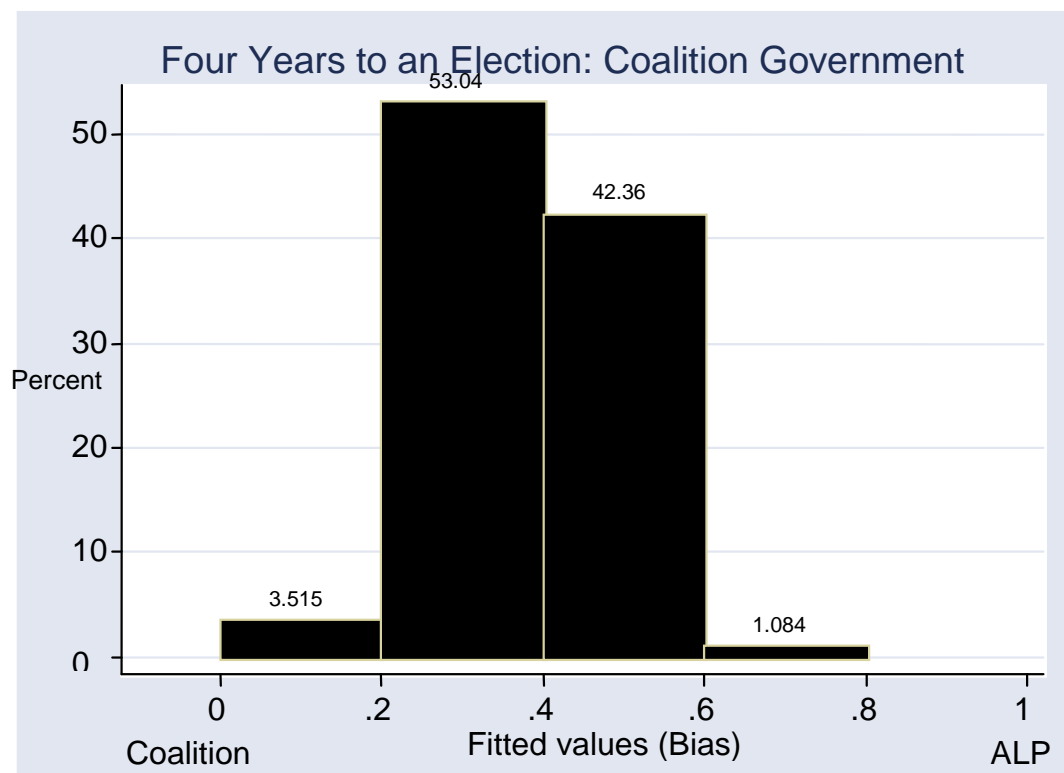
| | | | | |
|--|---------|-------------------------|-------------------------|-----------------------|
| Retail, Motor Vehicle Services | Dropped | .307388 (.149027)* | .100446 (.367271) | .071067 (.22376) |
| Retail, Personal, Household Goods | | .035903 (.280859) | .100157 (.24353) | -.215535 (.172864) |
| Services to Finance, Investment, Insurance | | -.135193 (.171569) | .00449 (.135163) | Dropped Dropped |
| Textiles, Clothing | Dropped | Dropped | -.14771 (.136345) | -.122507 (.143553) |
| Transport, Storage | Dropped | Dropped | .272016 (.134445)* | .043869 (.104678) |
| Wholesale, Basic Materials | Dropped | .547804 (.112078)** | -.02932 (.124154) | -.068665 (.108875) |
| Wholesale, Machinery, Motor Vehicles | | -.296084 (.169903) | -.164448 (.137119) | -.084698 (.23381) |
| Wholesale, Personal, Household Goods | | -.431077 (.141001)** | -.397318 (.126838)** | -.059123 (.27778) |
| Constant | | .316553 (.16253) | .208511 (.119571) | .23113 (.109417)* |
| F | | 8.47** | 50.33** | 78.22** |
| Observations | | 273 | 580 | 721 |
| | | | | 1582 |

Notes: Coefficients from pooled OLS with Newey-West standard errors in parentheses. * Significant at the 0.05 level. ** Coefficient significant at the 0.01 level.

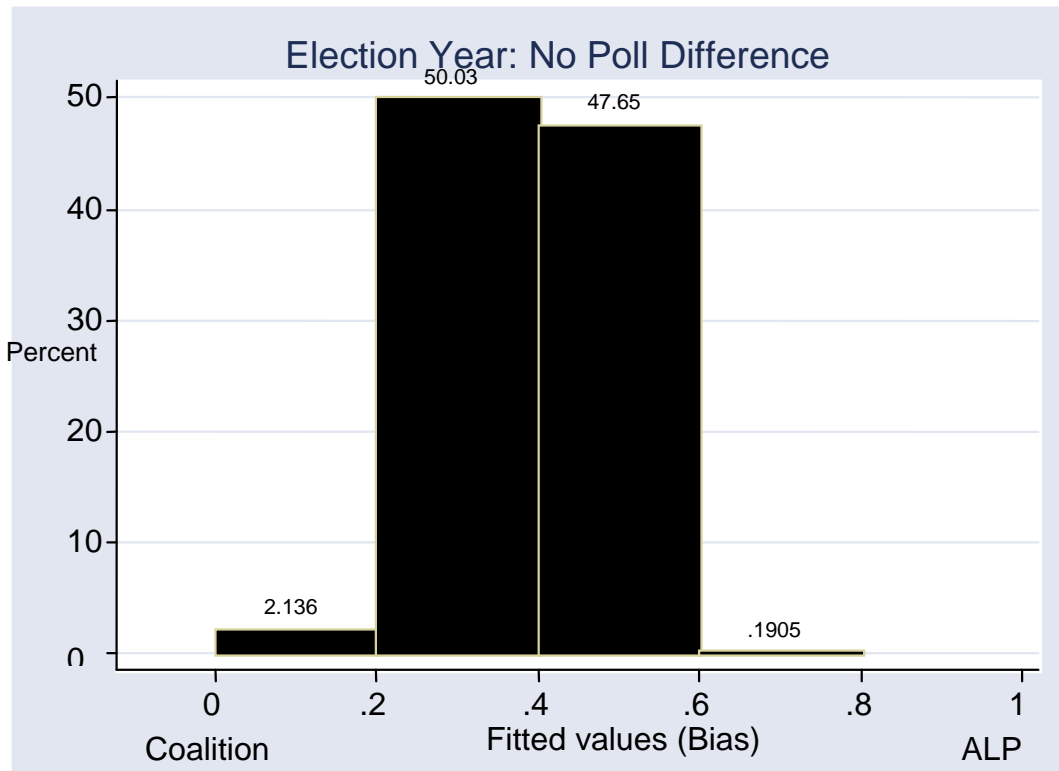
Figure 1: Simulated partisanship of business contributions



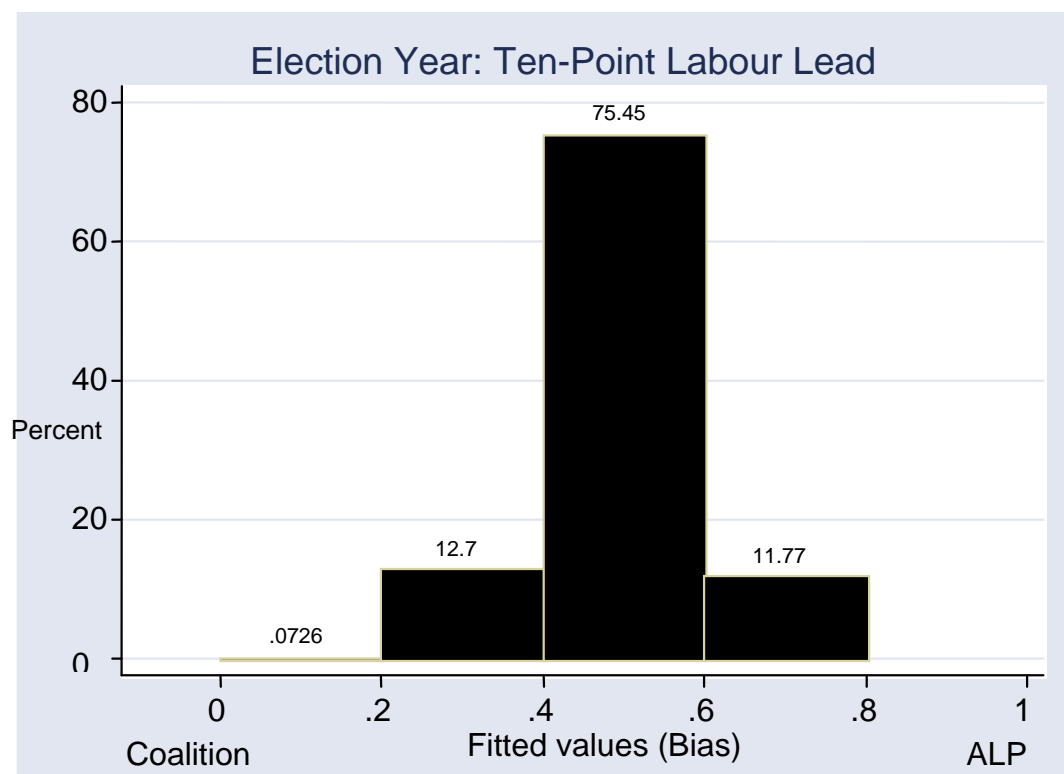
Note: Fitted values from model for all payments at state level in Table N. Incumbency=8 for all observations.



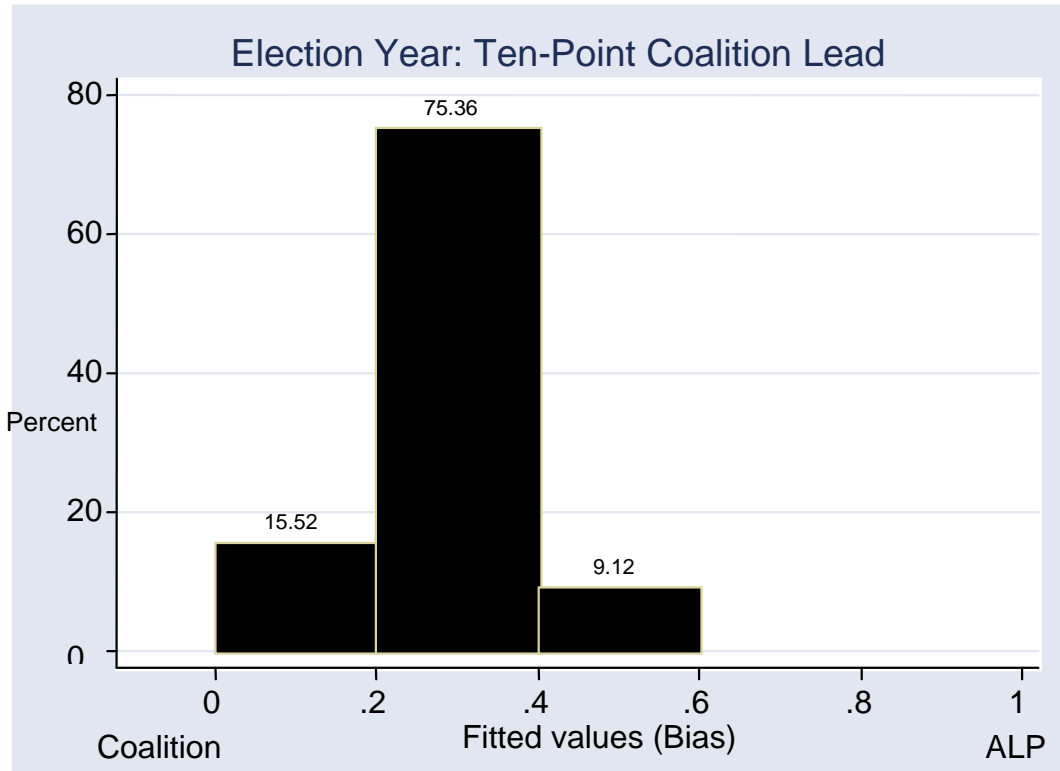
Note: Fitted values from model for all payments at state level in Table N. Incumbency=1 for all observations.



Note: Fitted values from model for all payments at state level in Table N. Poll=0 for all observations.



Note: Fitted values from model for all payments at state level in Table N. Poll=40 for all observations.



Note: Fitted values from model for all payments at state level in Table N. Poll=-40 for all observations.

Appendix A

Table A1: Continuous variables

| | Minimum | Maximum | Mean | S.D. | Obs. |
|-----------------------------|---------------------|---------|-------|-------|-------|
| Income (billions AUS\$) | 0.147 | 40.85 | 1.51 | 3.7 | 22050 |
| Incumbency | 1 | 8 | 5.61 | 1.87 | 22050 |
| Poll | -8.625 | 77.45 | 29.91 | 20.17 | 22050 |
| Bias (Donations) | 0 | 1 | .435 | .412 | 994 |
| Bias (All Payments) | 0 | 1 | .482 | .415 | 2162 |
| | Percentage positive | | | | |
| Contribution (Donation) | | 4.5 | | | 22050 |
| Contribution (All Payments) | | 9.8 | | | 22050 |

Table A2: Firms per sector

| | |
|--|----|
| Advices for Finance, Investment, Insurance | 4 |
| Agriculture, Forestry and Fishing | 4 |
| Building Materials | 9 |
| Communication Services | 5 |
| Construction | 19 |
| Cultural, Recreational Services | 15 |
| Electricity, Gas, Water | 22 |
| Finance, Investment | 27 |
| Food, Beverages, Tobacco | 31 |
| Health, Community Services | 6 |
| Insurance | 18 |
| Machinery, Equipment | 34 |
| Metal Products | 8 |
| Mining | 16 |
| Other Manufacturing | 2 |
| Personal, Other Services | 1 |
| Petroleum, Chemicals, Associated Products | 31 |
| Printing, Publishing | 6 |
| Property, Business Services | 47 |
| Retail, Food | 7 |
| Retail, Motor Vehicle Services | 98 |
| Retail, Personal, Household Goods | 18 |
| Services to Finance, Investment, Insurance | 3 |
| Textiles, Clothing | 3 |
| Transport, Storage | 12 |
| Wholesale, Basic Materials | 20 |
| Wholesale, Machinery, Motor Vehicles | 45 |
| Wholesale, Personal, Household Goods | 20 |
| Wood, Paper | 3 |

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