

A dollar democracy or a real
democracy?

Green Party proposals for
campaign finance reform.

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Introduction

The influence of money on politics is one of the greatest threats to democracy and freedom. Political parties need money to run election campaigns but that money can be a source of undue influence on the democratic process. In addition, wealthy non-political-party actors can intervene in the election process by buying advertising and distorting the process in favour of their agenda. Over the decades western democracies have introduced many rules in order to try to limit this influence. As the 1986 Royal Commission on the Electoral System wrote, it is not fair “if some in the community use their relative wealth to exercise disproportionate influence in determining who is to govern and what policies are to be pursued” (p.183).

In New Zealand we have introduced a series of laws in an attempt to reduce the impact of money on democracy. For example parties are required to publicly identify the source of donations over a threshold and are not supposed to declare donations as anonymous when they are not. And parties can't spend their own money on television and radio advertising but may only spend that money allocated by the Electoral Commission. There is a cap on how much parties can spend campaigning during the three month campaign period. Parties can't give voters money or goods in an attempt to convince them to vote for that party.

However, at the last election a number of problems emerged that showed that these rules have a number of loopholes that political parties and non-political parties are exploiting to get around the intent of the laws. The Green Party believes that the problems revealed in the last election campaign have shown that there is a critical and urgent need to reform the laws around election campaign financing. Amongst these problems were:

- An initially secret \$1 million intervention in the campaign by the Exclusive Brethren church campaigning for the National Party and against the Greens and Labour, without the spending falling within National's cap.
- In 2005 alone, the National Party received over \$1.7m in unidentified donations from secretive trusts and Labour received over \$300,000 in anonymous donations
- National's Board being aware of the identity of donors even though their identity was hidden from the public by the use of secretive trusts.
- The \$120,000 illegal broadcasting overspend by the National Party.
- The use of parliamentary funds that led to most parties in parliament being found in breach of the rules by the Auditor General.
- When the expenditure of parliamentary funds is included, both Labour and probably National exceeded the campaign expenditure cap.
- No person or party was prosecuted for any of this.

This paper outlines the Green Party's position on how to respond to these problems. This paper has been informed by what happened at the last election, overseas experience at

campaign finance reform, the academic and non-academic literature in the area and by the current debate and proposals circulating in the public domain.

Green Party proposals

In forming these proposals we have been guided by three principles:

- *Transparency* - voters have a right to know who is funding political parties.
- *Level playing field* - elections should be a contest between different ideas and policies not a contest as to who has the most money.
- *Avoiding state dependency* - political parties should be encouraged to maintain strong memberships and links to the community and not become entirely dependent on public support.

1. An independent inquiry into campaign finance reform

Establish an independent commission of inquiry, or a citizens' assembly (as used recently in Canada), starting in early 2009 to report on and make recommendations as to:

- a) The overall operation of campaign finance rules;
- b) The advisability of partial public funding of political parties; and
- c) Whether the current electoral agencies are properly able to enforce the campaign finance rules, and if not how they should be reorganised and give greater powers.

Rationale

Campaign finance laws need to be constantly reviewed and updated in light of experience and immediately after the next election is the best time to do it. The political parties themselves are not the best ones to lead such a review because they have a vested interest. An independent commission of inquiry, or a citizens' assembly as was used in Canada, is a much better body to run such a review and make recommendations for law changes.

Partial public funding of political parties is a particularly contentious issue so should be dealt with by such an independent inquiry. At the same time they can consider the overall operation of campaign finance rules and whether the agencies overseeing elections should be reorganised and given greater powers.

In the meantime, in order to fix the loopholes in the campaign finance law for the 2008 election, we believe it is necessary to introduce an electoral finance reform bill in time to allow a full select committee process. This bill should exclude the controversial issue of partial public funding of political parties but include the elements detailed below.

2. Donations

a) Anonymous donations

Stop political parties from accepting donations above \$1000 unless the true source of the money is publicly identified. This would need to include rules to make it illegal to split up large donations into lots smaller than \$1000 to avoid disclosure of identity.

Rationale: Anonymous donations are fundamentally corrosive to our democratic system because, as was shown in the last election, some of the parties actually know the identities of their donors. So the public will never know if parties make policy in the interests of these big donors because the public is never told of their identity.

“Disclosure would give valuable information to the voters about the character of the parties. It would as well provide healthy confirmation that political parties are not dominated by big business, unions or overseas interests.” *Royal Commission Report*
~ 100

b) Overseas donations

Ban donations that originate from overseas, with the exception of New Zealand citizens living overseas and entitled to vote.

Rational: Elections are for citizens not non-citizens.

c) Rolling disclosure in the lead up to the election

In the lead up to the election political parties must declare any donation over \$1000 on a weekly basis.

Rationale: The current system allows for donations return in April each year - that is after the election. The public have a right to know who is funding the parties when they go to vote. A similar system operates in the UK.

d) Limits on total donations

No person or entity can donate more than \$35,000 to a political party in any twelve month period. This would need to include rules to make it illegal to split up large donations into lots smaller than \$35,000 to avoid this cap.

Rationale: We want the political parties to have to reach out into the community to fundraise from a large number of people and members rather than be dependent on a handful of large donors who will then have disproportionate influence on their policy. A cap on how much any one individual can donate will make the parties reach out to more people.

3. Spending caps

- a) Maintain the current campaign spending caps on political parties.

Rationale: Spending caps are essential to ensuring that the election is a contest of ideas and policies rather than which party has more money to influence voters by advertising.

- b) Extend the period covered by the spending cap out to the beginning of the election year to account for the fact that the campaign period is actually more than three months.

Rational: Election campaigns extend well outside the arbitrary three month period as currently defined. If we want the cap on spending to work we need to extend the time covered.

“Under MMP the lead up for the campaign is just as important as the campaign itself. It is imperative that National maintain a high level of activity during the next **two years** prior to the commencement of the campaign itself.”
Stephen Joyce, National Party Campaign Manager 2005 in *Hollow Men* p.214.

4. Non political party election activities

- a) Any non-political-party that wishes to get involved in the election campaign must declare their involvement to the Electoral Commission if they spend over \$1000.

Rationale: It is important that there is transparency around which groups are actively involved in the campaign. Groups campaigning secretly cannot be held accountable for their activities.

- b) Any non-political-party may not spend more than \$50,000 on election activities over the course of the election campaign.

Rationale: There needs to be a cap on how much non-party actors can spend otherwise there is the potential for them to overwhelm the capped campaign activities of the political parties with an attack campaign or with a campaign aimed at supporting one party. This is precisely what the Exclusive Brethren did in 2005 and are threatening to do again in 2008.

“It is illogical to limit spending by parties if other interests are not also controlled. Supporters or opponents of a party or candidate should not be able to promote their views without restriction merely by forming campaign organisations ‘unaffiliated’ to any party...Nor should powerful or wealthy interest groups be able to spend without restriction during an election campaign while [the parties] are restricted ” *Royal Commission Report*

5. Clarification of the rules on the use of Parliamentary Services resources

Clarify the rules on the use of parliamentary resources during election year.

6. Partial public funding of parties

a) Maintain the status quo on broadcast funding and time allocation (look into whether parties should be able to use the broadcast allocation for purposes other than broadcasting if they so wish).

Rationale: The rules around broadcasting stop the rash of expensive attack ads that are seen in the United States in particular. They help level the playing field between parties with greater and lesser financial resources.

b) Remove all political appointees (currently Labour and National) from the Electoral Commission when it allocates broadcast funding and time (and the Representation Commission that sets electoral boundaries).

Rationale: The bodies that make decisions over the allocation of broadcast money and electoral boundaries should not include representatives of two of the parties but not others. The simplest response is to remove all of them.

c) Appoint an independent inquiry, such as a commission of inquiry or a citizens' assembly, to investigate partial public funding after the next election.

Rationale: As discussed above, there is not currently sufficient cross party support for partial public funding of parties. However, the case for partial public funding is as strong, or stronger, than when the Royal Commission recommended it 21 years ago.

The case for further partial public funding of parties is that a relatively small investment in political parties is insurance against those parties becoming captured by wealthy vested interests to whom the parties might otherwise turn to fund their campaigns. For a cost of \$3 million per year, we can help make sure that \$52 billion per year in taxpayer funds is spent in the interests of all of us, rather than in the interests of a handful of wealthy backers that funded party campaigns.

“If election and other costs outstrip the capacity of ordinary party members to meet them, parties may be forced to rely on institutional sources, such as corporations or trade unions to fund their activities. We consider that too great a reliance on such sources would be detrimental to our democracy and might, in the long term, lead to corruption of our political process.” *Royal Commission Report*, pp.211-2.

It is important that the level of public funding is not set so high that the parties do not need to go to the community for further funding. Along with upper limits on the total donations that any one person or entity can make, it makes the parties go into the community and seek smaller donations from a large number of people rather than a few large donations.

Ends