

Book Review - Money and Politics: The Democracy We Can't Afford

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Book Review by Dr. Zim G. Nwokora, Griffith University

Money and Politics: The Democracy We Can't Afford, by Joo-Cheong Tham. (UNSW Press, 2010).

The effects of money in politics are topics of heated debate in media and political circles in most liberal democracies. Yet despite, and perhaps because of, this controversy we remain unsure of how money percolates politics and the best ways to reduce its harmful effects. Most of the efforts to investigate these issues, and thereby improve our knowledge of the financing of politics, have focused on the United States. In other liberal democracies there are similarly complex money–politics issues but less has been written about them. Tham's book is a bold attempt to shed light on the significant political finance debates in Australia.

The scope of his study is broad. He looks at a variety of political finance issues, including the disclosure requirements of the Commonwealth and states, the private and public sources of funds for the political parties, election campaign spending by the parties, and the lobbying of officeholders. And, to complement this substantive reach, he draws heavily from the experiences of other democracies as he dissects the Australian context. Yet Tham also drills deep. He covers normative theories of democracy, the entire sweep of recent legislation, analyses numerical data, and details the activities of politicians, parties and financiers. This depth and breadth combine to produce an important book that is a welcome addition to the Australian and comparative literature on political finance.

Tham's thesis is that current funding rules and practices are handicapping Australian democracy. 'The integrity of [Australian] representative government', Tham concludes, 'is under challenge by the current flows of private and public money' (p 256). Equally worrying, these arrangements also threaten the three other goals that a political finance regime should seek to achieve: freedom, fairness and adequate financial support for the parties to perform their democratic functions.

Political integrity, Tham argues, is undermined by (relatively rare) episodes of individual corruption, when private money is exchanged for political favours, and (fairly widespread) institutional corruption, where donors receive generally preferential treatment from elected officials. For Tham an ‘excessive emphasis’ on ‘negative’ freedom, or the freedom from state interference in political expression, has meant that current arrangements neglect the requirements for ‘positive’ freedom, or the actual ability of citizens to engage in political expression. Too much negative freedom has allowed rich corporate donors to exert too much political influence. And their disproportionate resources are unfair to not only ordinary citizens (whose bite-sized contributions make up a small, and diminishing, fraction of the parties’ revenues), but also the smaller political parties, because the corporate financiers of politics are — above all else — keen to back a likely winner, which means funding Labor or the Coalition. Even for the ALP, with its union heritage, corporate donations greatly exceed those from either individuals or trade unions. Indeed it is common practice, Tham tells us, for corporations, especially in highly regulated or government-dominated markets, to split contributions between the ALP and Coalition. These corporations, Tham infers, are ‘hedging their bets’ (p 67).

The perennial losers in this high-stakes betting game are the smaller parties, such as the Greens. Their losses in the marketplace for political money are compounded by public funding rules that are over-generous toward the larger parties. But Australian democracy also suffers because of these anti-competitive practices. Politics, Tham suggests, is awash with cash — probably too much — but the larger parties have colluded to marginalise their smaller rivals.

Tham proposes that to get the system in balance — supporting rather than undermining democratic goals — Australia needs sweeping reforms of its laws and political practices. He summarises these recommendations, handily, in a four-page ‘Reform Blueprint’, which includes contribution limits, spending limits and party funding rules that are fairer to smaller parties and give greater weight to policy innovation and not just election advertising. Additionally, a new requirement for companies and unions to obtain, every three years, specific authorisation for political donations from their shareholders and members would improve the accountability of the shadowy market for political money. To ensure that

election voters know who gets what from whom, Tham recommends tighter disclosure and transparency rules that cover the full range of political financing activities and provide this information before votes are cast in an election. To eliminate conflicts of interest, contributions from companies with government contracts should be banned; it should be mandatory for ministers and shadow ministers to keep records of their meetings with party contributors; and an independent commission should be established to investigate complaints of unethical behaviour by parliamentarians.

There is clearly much to commend about Tham's thorough book. Upon reaching its end, the reader will almost certainly know considerably more about the broad landscape of money politics in Australia and feel much better informed about the key debates in this area.

However his analysis also provokes thoughts and questions that sometimes remain unanswered or only partially answered. These gaps take two forms. First there are those about which Tham can do little. These are the frustrating situations when the data or information that is necessary to prove or reject a hypothesis is simply unavailable. The most glaring example is Tham's 'Arms Race' discussion (pp 181-7), in which he makes observations about campaign spending patterns. Yet, as Tham himself admits, the really big question — how much do parties spend in federal election campaigns — remains largely unanswerable because, since 1996, the parties are no longer required to lodge such returns.

Tham's book also raises other questions, that can be addressed rigorously, but which he answers only speculatively or anecdotally. One example is his discussion of the relationship between public funding of elections and total election spending (pp 132-3). He hypothesises, quite plausibly, that 'election funding fuels increases in campaign expenditure', offers two reasons why this might be true, but no systematic evidence to take us beyond a 'perhaps, maybe' conclusion. And he does not consider other plausible hypotheses that might lead to a different conclusion. That Tham's book provokes more questions than it answers is a minor issue, but his joint goals of analysis (of Australia's current context) and advocacy (of fundamental reforms) can, at points such as this one, pull in opposing directions. We observe, on the one hand, Tham-as-advocate building a strong case for which he marshals

considerable evidence, while Tham-as-analyst raises uncertainties that remain largely unexplored.

Overall, however, the book is comprehensive, consistently clear and generally persuasive. It will be an important benchmark in the study of Australian political finance.