Political donations, party funding and trust in New Zealand: 2016 to 2021

Simon Chapple, Cristhian Prieto Duran & Kate Prickett

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AUTHOR

Simon Chapple, Cristhian Prieto Duran & Kate Prickett

INSTITUTE FOR GOVERNANCE AND POLICY STUDIES

School of Government

Victoria University of Wellington

PO Box 600

Wellington 6140

New Zealand

For any queries relating to this working paper, please contact igps@vuw.ac.nz

Foreword

In association with Colmar Brunton, in 2016, 2018, 2019, 2020 and 2021 the Institute for Governance and Policy Studies (IGPS) surveyed 1,000 New Zealanders to obtain information on their interpersonal and institutional trust.

Why does trust matter? Trust – in other people as well as in social institutions – is an important ingredient in promoting constructive human interactions and hence create positive sum-games, where all parties can benefit. A world without trust risks a descent into a Hobbesian dilemma, where life becomes more nasty, brutish and short, and which requires higher levels of external coercion and enforcement.

When the then IGPS Director Michael Macaulay made the decision to first collect the survey in 2016, he envisaged regular data collection every two years. When the survey was run again in 2018, we found unanticipated rises in trust in various dimensions of government. As Director, these changes led me to decide to run the survey at higher frequency, since trust could clearly shift quite radically in short periods.

This report is an overview of all five surveys conducted so far and has a focus on political donations and political party funding.

We are very grateful for the work that Colmar Brunton has done. I also wish to acknowledge Michael Macaulay for initiating this survey. I also thank my colleague Conal Smith and my co-authors Kate Prickett and Cristhian Prieto Duran for their ongoing and extensive help with this publication. Finally, our thanks go to all those who participated in our surveys.

Dr Simon Chapple

Director, Institute for Governance and Policy Studies

Political party funding and donations

As in several previous surveys, in 2021 the Institute's survey included a special module – a suite of questions on political party funding and party donations. The proximate motivations for including this special module were: (1) the announcement of the newly elected Labour government in 2020 that they were undertaking a review of the Electoral Act, which includes regulation of political party funding; (2) high-profile scandals across the political spectrum over a number of years regarding political funding; and (3) commitments in the Institute's charter to research issues of political funding and vested interests.

Under the pre-1993 first-past-the-post electoral system, political parties had little formal acknowledgement in the electoral legislation. To illustrate this point, the 1956 Electoral Act mentions "party" four times in a party-political context (and nine times in total). The rights the Act gave to political parties were comparatively minor, in terms of rights to party designation on ballot paper next to local candidates' names, and the right to wear a party emblem into the ballot box. With the 1993 Electoral Act, which established the current system of Mixed Member Proportional Representation (MMP), political parties became a central institution via a new legal right to be represented by the proportional party vote, providing their vote share exceeded 5 percent. The party list, distributed to voters prior to the election by parties, became a crucial vehicle for deciding which candidates became party MPs.

Further context for consideration of political party funding comes in terms of secular changes in parties themselves. Over time, parties have become increasingly reliant on money disconnected from large numbers of people – a phenomenon which one commentator has described as the "hollowing out" of New Zealand politics.[1] A substantial party membership gives parties access to members' time and membership fees to fund activities, including election campaigns and policy development. It also makes it more difficult for small groups to capture the direction of a party and ensures that parties are more likely to reflect the concerns of a broad and representative number of New Zealanders.

[1] Liam Hehir "Political Parties Benefit from having a Broad Base of Members", *Stuff*, 30 October 2018. See: https://www.stuff.co.nz/national/politics/opinion/108177857/political-parties-benefit-from-having-a-broad-base-of-members, accessed 8 November 2021.

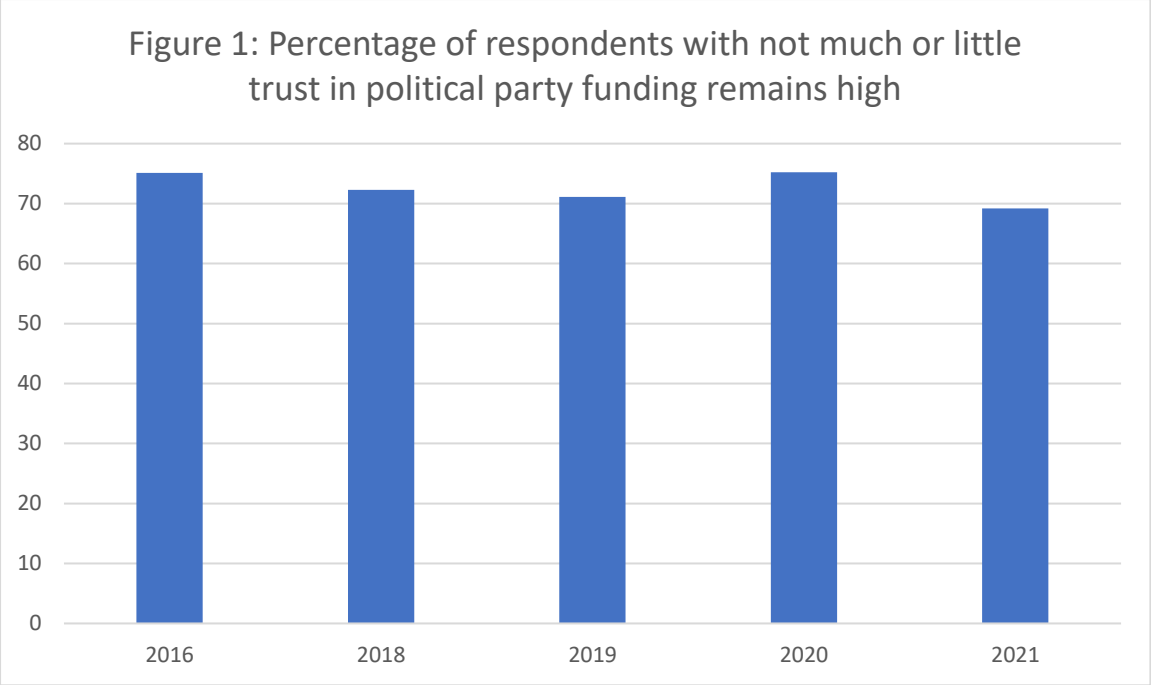
Data on participation in political party membership in New Zealand over time is scarce and only of indicative quality. In the mid-1950s, when the New Zealand population was in the vicinity of 2.1 million, National may have had about 250,000 members. In the mid-1970s, with the impetus of Rob Muldoon and his "Rob's mob", membership approached a local peak of 200,000 with a population of about 3.1 million. By 2002 it had fallen to about 25,000 with a population of 3.9 million.[2] The best most recent guess is that National Party membership is in the vicinity of 20,000 in 2018 with a population of 4.8 million.[3] These are very large absolute and relative falls in membership. Labour Party membership data is patchier. Current (2018) membership is thought to be around half that of National, at about 10,000.[4] Labour Party membership may have peaked in the mid-1980s as a response to what was perceived as the dangers of Muldoonism.

This section presents the overall results of the special module on political party funding, contextualised in terms of the overall survey. Since 2016, the survey has been collecting data on public trust in the way political parties are funded. The results are shown in Figure 1 in terms of the percentage of respondents who have "little" or "not much" trust in the way political parties are funded. Two conclusions arise from this time series pattern over 2016 to 2021. First, in all surveys, respondents express a high level of distrust in the way political parties are funded. Second, there is no clear time trend in the data. Given the number of media scandals surrounding political funding across the political spectrum over the period of the survey, the relative stability of the results over time are perhaps surprising. Their inter-temporal stability may, perhaps, be explained by the fact that the high levels of distrust are approaching an asymptote, where high trust in political party funding is at an irreducible minimum.

[2] See https://teara.govt.nz/en/graph/33893/national-party-membership-1938-2002, accessed 3 August 2021.

[3] Hehir, *op cit*.

[4] Hehir, *op cit*.



Since the introduction of proportional representation from 1996 – a system where the make-up of parliament is primarily driven by New Zealanders' party votes – political parties have become a far more important institution in our representative democracy. Since 2020, we have asked our respondents about their trust in this core institution. In 2020 only 5.9%, and in 2021, 8.8% of New Zealanders had either "complete" or "a lot" of trust in political parties (these were the top two categories on a five-point trust scale). This result placed political parties as the second least trusted entity, above only bloggers/online commentators. The question arises as to why this core institution is trusted so little.

We then turned our attention to a more detailed consideration of public views of party funding. We drilled into the public's views on who should be able to donate to New Zealand political parties. Table 1 shows that the only group for whom most Kiwis – a large majority – support as having a right to donate to political parties are citizens and those with residency. Explicit support for a right to donate by any group is always less than half of those asked, and is a plurality only for community groups and New Zealand businesses.

Interestingly, more Kiwis support local businesses and business associations having the right to donate than trade unions, even though business donations are higher than donations by trade unions. Also, unsurprisingly, there is very little support for the proposition that foreign businesses should be able to donate into the New Zealand political system (they currently cannot donate).

Table 1: Who should be able to donate to New Zealand political parties? Strong support only in the case of individual citizens and residents

	Yes	No	Don't know/prefer not to say
New Zealand citizens and residents	74.8%	13.9%	11.3%
Community groups	47.5%	36.1%	16.4%
New Zealand businesses	45.9%	36.3%	17.7%
Business associations	38.2%	42.6%	19.2%
Trusts	34.1%	42.9%	23.0%
Trade unions	29.5%	50.1%	20.3%
Churches and religious groups	25.0%	60.6%	14.4%
Foreign-owned businesses	13.7%	74.1%	12.2%

We then asked about the maximum amount of money that people should be able to donate, with the results being shown in Table 2. Currently, New Zealand's Electoral Act sets no maximum cap for annual political party donations. However, caps on party donations do exist in several other jurisdictions, including Canada and Ireland. In Ireland, the current maximum cap on annual donations to a political party is €6,349 (roughly $11,800 NZD currently) and in Canada it is $1,200 CAN (roughly $1,370 NZD currently) plus inflation since 2014.[5] There is no such donations cap, by way of contrast, in Australia, the United Kingdom or the United States.

[5] Data used here on Ireland and Canada was taken from the *Political Finance Database*, 22 July 2021. See: https://web.archive.org/web/20140425143124/http://www.idea.int/political-finance/index.cfm, accessed 8 November 2021.

The 1986 *Report of the Royal Commission on the Electoral System*, written well before MMP, came out against a cap on private donations.[6] In this context, and by way of contrast to the Royal Commission, Table 2 shows that over 82% of New Zealanders in our survey support Electoral Act reform in the direction of introducing a donations cap, with only 17.6% of people in support of the status quo – no cap whatsoever. Support for a maximum party donations cap around Irish style levels (<$10,000) exceeds 69% of Kiwis, and for the lower Canadian style cap (<$1,000) is over 43% of Kiwis.

Table 2: How much is the maximum people should be able to donate? A donation cap is favoured by a large majority

Nothing	11.6%
<$100	8.4%
<$1,000	23.7%
<$10,000	25.6%
<$20,000	13.2%
No cap	17.6%

We also asked a related question: what is the maximum people should be able to donate to political parties anonymously? The results of this exercise are shown in Table 3. Currently, only those donating more than $15,000 annually to a political party lose anonymity. For annual donations below this amount, anonymity is maintained.

In terms of some pertinent international comparisons, New Zealand's anonymity threshold is extremely high. For example, in Ireland the current threshold is €100, or about $170 NZD; in the United Kingdom the anonymity threshold for annual party donations is £500 (about $980 NZD); and the anonymity threshold in the United States is $200 (about $290 NZD). However, in Australia the threshold is similarly high to that in New Zealand, at over $12,000 AUD.[7]

[6] Royal Commission on the Electoral System, *Report of the Royal Commission on the Electoral System: Towards a Better Democracy* (Wellington: Government Printers, 1986).

[7] Data was again taken from the *Political Finance Database*, 22 July 2021. See https://web.archive.org/web/20140425143124/http://www.idea.int/political-finance/index.cfm, accessed 8 November 2021.

The 1986 Royal Commission also proposed an anonymity threshold for New Zealand which in today's currency amounts to about $6,800 – somewhere between what we and Australia have now and the low Irish, UK and US levels.[8]

There is strong support in our survey for setting a much lower anonymity threshold than currently and at a much lower level than recommended by the 1986 Royal Commission. Nearly two-thirds (64.4%) of Kiwis favour an anonymity threshold at or below United Kingdom levels, and over 40% favour a threshold at or below Irish levels.

Table 3: How much is the maximum people should be able to donate anonymously? There is strong support for a much lower anonymity threshold

Nothing	28.5%
<$100	11.0%
<$1,000	24.9%
<$10,000	16.3%
<$20,000	7.0%
No cap	12.2%

We asked a further series of questions on Kiwis' attitudes to various dimensions of democracy in New Zealand political parties (Tables 4 to 7). Currently, the approach to regulating democracy in New Zealand political parties is light-handed. Section 71 of the 1993 Electoral Act provides some very minimal guidelines on party democracy in terms of a "requirement for registered parties to follow democratic procedures in candidate selection". A key democratic issue in an MMP environment is the candidate's ranking on the party list, and there are no democratic requirements here. The lack of stronger guidelines may be a significant reason why relatively few Kiwis are members of political parties and why high levels of distrust of political parties exist amongst the public. Overall, the results show that only small pluralities of Kiwis favour democratic processes in political parties. A further feature of these revealed attitudes is that a relatively high proportion of people don't know or prefer not to say in all cases, suggesting a lack of strong opinion in the issues.

[8] Royal Commission, ibid, p. 189.

Table 4: Should the party leader be chosen by members' votes? A small plurality supports members for voting leaders	
Yes	39.0%
No	30.8%
Don't know/prefer not to say	30.2%

Table 5: Should party lists be determined by members' votes? A small plurality supports party democracy on this dimension	
Yes	39.1%
No	31.8%
Don't know/prefer not to say	29.1%

Table 6: Should local candidates be elected by local party members' votes? A small plurality supports party democracy on this dimension	
Yes	40.6%
No	32.2%
Don't know/prefer not to say	27.2%

Table 7: Should the party president be elected by members' votes? A plurality supports party democracy on this dimension	
Yes	44.1%
No	28.4%
Don't know/prefer not to say	27.5%

Our final question in the special module was related to the transparency of party finances with respect to public scrutiny. We asked whether the public supported an annual disclosure by parties of their finances. Compared to support for various dimensions of party democracy, Table 8 shows that there was overwhelming support for financial transparency, with both "no" and "don't know/prefer not to say" responses plummeting into the single figures, and over 85% support for annual public financial disclosure. Hence, if moves are to be made to

increase the very low trust in political parties which our survey has revealed, increasing financial transparency must be high on the list of to-do's.

Table 8: Should there be annual public disclosure of party finances? A large majority supports financial transparency

Yes	85.3%
No	6.0%
Don't know/prefer not to say	8.7%

Trust in institutions and concepts: 2016–2021

Our attention now turns to the regular trust questions asked in our survey. The results are reported in Tables 9 and 10, with institutions ranked from highest trust to lowest trust in Table 9, and concepts ranked from highest trust to lowest trust in Table 10. Both tables show considerable variation in trust in institutions and concepts, and some changes over time.

In the broadest sense, Table 9 shows quite large rises in trust for institutions which began the survey in 2016 with initially high levels of trust. For example, trust in both the police and judges/courts (together, part of the justice system) have risen by about 10 percentage points or more over the period. Trust in medical practitioners has also grown strongly (note that this growth is a pre-COVID-19 phenomenon). At the low end of the spectrum, growth in trust has been far more muted, or non-existent, for bloggers, the media and big business.

Table 9: Trust in institutions over time, institutions ranked from highest trust to lowest trust in 2021, % with "lots" or "complete trust"

	2016	2018	2019	2020	2021
Medical practitioners	54.3%	58.1%	65.8%	70.0%	70.0%
Police	51.4%	55.8%	64.5%	65.2%	61.2%
Judges/courts	33.2%	40.2%	49.5%	52.4%	52.8%
Schools and colleges	36.0%	36.8%	45.2%	46.9%	47.9%
Universities	32.2%	30.5%	44.1%	44.8%	45.4%
Small businesses	28.6%	29.2%	36.4%	37.7%	41.8%
Charities	27.3%	25.3%	33.2%	33.1%	33.2%
Churches	24.2%	21.2%	25.4%	25.5%	23.5%
Government ministers	9.1%	13.2%	13.0%	12.0%	17.9%
Local government	11.4%	14.8%	17.5%	16.8%	17.9%
MPs	18.2%	21.9%	20.8%	7.9%	13.9%
Corporations/large businesses	10.2%	9.9%	10.7%	12.3%	13.4%
TV/print media	8.6%	8.0%	10.0%	11.5%	12.3%
Political parties	N/A	N/A	N/A	5.9%	8.8%
Bloggers/online commentators	4.5%	4.9%	3.9%	3.8%	3.7%

Table 10 shows that trust in concepts has also changed over time in some cases. Previous surveys revealed a large rise in trust in several dimensions of government between 2016 and 2018, which we have previously attributed to a change in government in 2017. We have hypothesised a "saw tooth" pattern to trust in governments – a government gets in, people give it the benefit of the doubt, and trust is slowly eroded over time until an election occurs which throws the untrusted government out, and the saw tooth commences again with a sharp rise in government-related trust. The short time series so far is consistent with this pattern, with a strong rise in trust, for example, in the government to do what is right between 2016 and 2018, followed by a slow decline between 2018 and 2020. The saw tooth pattern than seems to have been interrupted by the "rally round the flag" phenomena of the responses to COVID-19, with a rise in trust between 2020 and 2021 of a similar order of magnitude to that experienced between 2016 and 2018. How trust in the various central government concepts develops as New Zealand emerges out of COVID-19 is of great interest.

Table 10: Trust in various concepts, percentage with "a reasonable amount" or "a great deal" of trust

	2016	2018	2019	2020	2021
The government to do what is right for New Zealand	46.5%	64.7%	62.5%	60.8%	73.9%
The government to deal successfully with national problems	45.0%	58.0%	58.6%	58.9%	69.1%
Neighbours to make informed choices about the future of your local area	65.9%	63.7%	65.2%	61.7%	63.7%
The government to deal successfully with international problems	44.8%	49.8%	53.9%	52.6%	58.8%
Your local MP to do what is right for you and community	50.1%	54.7%	53.5%	52.7%	58.6%
New Zealand citizens' interests are equally and fairly considered by government	38.0%	49.3%	50.2%	47.8%	54.8%
New Zealanders to make informed choices about the future of the country	53.5%	52.0%	54.0%	49.2%	53.3%
Local government to deal successfully with local and community problems	49.1%	50.8%	50.9%	50.0%	49.7%
In the way in which political parties are funded	24.9%	27.7%	28.9%	25.0%	30.8%

Corruption

Lastly, we asked a simple yes/no question: whether corruption is widespread in government (from 2019) and in business (from 2020). These final results are shown in Table 11. The results suggest that there is a substantial minority of New Zealanders – about one-third or more – who believe that corruption is widespread in both government and business. The data suggest the perception of business corruption is slightly higher than that for government corruption, and that these perceptions have been ameliorated somewhat in 2021, with the fall in corruption perceptions of government being twice as strong as that for corruption perceptions of business.

Table 11: Is corruption widespread in government and business? Proportion answering yes

	2019	2020	2021
Government	32.6%	34.7%	28.4%
Business	N/A	37.8%	34.6%

Methodology

The surveys are designed to provide a representative picture of the New Zealand population. The questions for the survey were developed by the IGPS and adapted from trust surveys run in various countries overseas.

Data collection was conducted by Colmar Brunton. A total of 1,000 New Zealanders aged 18 years or over were interviewed online, randomly selected from Colmar Brunton's online panel.

In terms of the panel, Colmar Brunton has an agreement with the Flybuys loyalty programme to recruit their members. Flybuys is one of the biggest loyalty programmes in New Zealand, with around 2.5 million members, about two-thirds of the New Zealand population over age 18. When Colmar Brunton started their panel in 2006–7, they went to programme members with an offer to join. From there on, every year Colmar Brunton runs a recruitment campaign approaching a random selection of members who are not on it to join the panel. The number of people approached depends on how many are needed for each of the age/gender/ethnicity or other demographic segments. In addition, every new member joining the programme gets a welcome email which also has a link to join the Colmar Brunton panel. Further, any person can join the panel through Colmar Brunton's website. Once they show an interest, Colmar Brunton asks them to register with the programme and return with a membership number to enter the panel.

Quotas were applied at the sampling and selection stage for this survey. Results were also weighted to be representative of New Zealand by age, gender, ethnicity and region.

Not all New Zealand households have internet access. 77 percent of households had internet access in the most recent 2013 Census, meaning the survey cannot be said to be truly representative of all groups. Having said this, we believe that the results provide a reasonably good picture of the population and allow us to identify trends and changes over time.