Patterns of political donations in New Zealand under MMP: 1996-2019

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Introduction

The issue of political donations in New Zealand is regularly in the news. While the media report on their immediately newsworthy dimensions, no systematic data work has been done on political donations in New Zealand in the Mixed Member Proportional electoral system (MMP) period. The most comprehensive analysis covering the first part of the MMP period and before, which is now somewhat dated but contains a good summary of the existing literature, is in Bryce Edwards's doctoral thesis (Edwards, 2003), especially Chapter Seven, "Party Finance and Professionalisation". Donations are, of course, a subset of sources of Party finance, and it is in this context that Edwards deals with them. He draws eclectically on several sources for his qualitative and quantitative analysis, including largely descriptive work of political scientists, government reports, former politicians' memoirs, historians and media reports, as well as using data on donations from the Electoral Commission. The quantitative information he provides is in simple tabular form, runs to 2002, and does not adjust for changes in the price level over the period. Further drawing on his doctorate, Edwards has proposed and countered ten myths surrounding funding of political parties in New Zealand (see Table 1). Of these ten, the somewhat overlapping (in some instances) myths 1 to 4 and 6 to 8 are most pertinent to political donations and hence to this study.

Table 1: Edwards's ten myths of political donations

Myth One	"Enormous business donations"
Myth Two	"Corporate funding doesn't go the Labour Party"
Myth Three	"Corporate parties like ACT can buy their way into power"
Myth Four	"Poor parties like the Alliance cannot succeed in politics","
Myth five	"Academic studies show money makes a big difference in politics"
Myth Six	"Greater party finance means more votes"
Myth Seven	"Huge amounts of money are spent by political parties"
Myth Eight	"The Labour Party is dependent on union money"
Myth Nine	"Regulating politcal activity is effective "
Myth Ten	"New Zealand parties are not state funded"

Source: Edwards (2007a-j).

In addition to Edwards's study, investigative journalist Nicky Hager's *The Hollow Men* discusses in granular fashion political donations from the neo-liberal right to the National Party in the context of the 2005 National Party election campaign under then-leader Don Brash. More recently another local granular case study involving political donations as an important sub-theme is provided in political scientist Anne-Marie Brady's "Magic Weapons"

paper (Brady 2017), looking at People's Republic of China influence in New Zealand politics. Lastly, legal scholar Andrew Geddis has analysed the current legal frameworks within which donations occur and examined possible policy changes to improve the system (Geddis 2006, 2007, 2008).

These works do not fully outline the history of the legal structures regulating political donations in New Zealand. A brief consideration of these structures is essential background, since donations regulation under MMP arises out of earlier forms of regulation and like much regulation reflects a considerable degree of path-dependence.

The first regulations on political finance in New Zealand were introduced early in New Zealand's democratic history by the Liberal government in 1895. The Corrupt Practises Prevention Amendment Act required Parliamentary candidates to provide a return containing both donations received and campaign expenditure (Corrupt Practises Prevention Amendment Act 1895). Returns contained the name and description of every person or organisation who donated money or received election spending. In addition, total campaign spending by each candidate was capped at £200, a sum equivalent to about $40,000 today.[1] Returns were held by the local Returning Officer for one year. They could be inspected by members of the public for the price of one shilling, which is about $10 in today's money. The section of the Act requiring disclosure of donations and expenditure was imported into the Electoral Act 1902. Despite several amending Acts, the general form of regulation and the £200 nominal spending cap remained in force until 1956.

The Electoral Act 1956 governed electoral law until 1993, the year of the MMP referendum. It continued to require candidates to disclose donations and spending in the same fashion as the earlier acts. Again, returns were to be kept by the government for one year and were available for inspection for a new price of two shillings in 1956, or about $5 in today's money. The 1956 Act also set a new nominal upper bound of £500 on election spending by a candidate, which was about $26,000 in today's money.

Up until 1993, the regulatory focus was on donations and spending by candidates, rather than parties. Under the First Past The Post electoral system, this candidate focus made sense

[1] Where dollar values are adjusted to today's value, these are derived from the Reserve Bank of New Zealand's inflation calculator, where values were deflated to their second quarter 2020 equivalent. See https://www.rbnz.govt.nz/monetary-policy/inflation-calculator.

because of the primacy of local candidates in the composition of Parliament. While the regulatory regime made information on donations of all sizes nominally publicly accessible, information was only kept for a limited time, and there was a price for it. Nevertheless, this declare-everything-and-pay-for-information system remained in place until 1990, when an amendment to the Electoral Act 1956 meant the returns could be accessed free of charge (Electoral Amendment Act 1990). Of course, given the critical direct role MMP gives political parties, a shift of attention of both donations and spending to parties was inevitable.

The purpose of this study is to establish, as far as possible given data limitations, the patterns behind political donations in New Zealand over the period of Mixed Member Proportional Representation (MMP). These facts are primarily examined using publicly available administrative information from 1996 to 2019, collected from political parties and candidates under electoral regulations post-1993 and publicly provided by the Electoral Commission.

The focus here is on donations in national-level politics. In looking at national data, both the data on donations to political parties standing for Parliament and to individual candidates running for Parliamentary seats are considered. The further and important issue of political donations in local body politics is not considered here. Partly, the reason is the practical one of avoiding a dispersed focus. Additionally, donations to candidates running for local government positions are governed under the Local Electoral Act 2001, and the data is less systematically available, making analysis more difficult. The issue of money and influence in local body politics deserves further study, especially given the importance of local government for the administration of the Resource Management Act and building regulation.

Having summarised the pre-MMP legal framework for political donations above, the legal frameworks surrounding political donations in New Zealand over the MMP period from 1996 to 2019 are first considered. This consideration provides both a background to the study and a framework for understanding the rules under which the data are collected and hence interpreting the information over time.

The data on donations is then explored in more detail, exploring the variation in the number and value of donations received and given by different categories of donor and recipient across time.

Four data regimes of political donations under Mixed Member Proportional Representation

The Electoral Act 1993 provides the current legal framework for New Zealand's elections under MMP. From the perspective of understanding the data collected, there have been four regulatory regimes governing political donations since the first MMP election in 1996 (Table 1 summarises). The initial version of the Act required disclosure of election expenses by candidates. However, it did not regulate political party donations. Expenses were capped at $15,000 for candidates (about $25,000 in today's money). The Electoral Amendment Act 1995 introduced major changes to the political donation and election spending regime in time for the 1996 election. It capped the amount a registered party could spend on an election at $1 million ($1.6 million in today's dollars), with an additional spending allowance of $20,000 ($32,000 in today's dollars) for each constituency contested by a party candidate. The Amendment Act also required the secretaries of registered political parties to annually disclose to the Electoral Commission the value of donations made to the party or a party candidate exceeding $1000 in annual sum from a person or organisation. The resulting information was published. The name and address of each donor was declared, unless the donation was made anonymously, in which case their anonymity was declared. This regime lasted only the 1996 year.

The second donations regime was introduced in the Electoral Amendment Act 1996.The new act sharply raised the annual donation disclosure threshold from $1000 to $10,000 ($16,000 today). This second regime lasted for 12 years and ended in 2007.

The third donations regime, commencing in 2008, was introduced by the Electoral Finance Act 2007. The Electoral Finance Act imposed stricter controls on anonymous donations. If any party donation exceeded $1000, the name and address of the contributor had to be disclosed to the financial agent of the political party. If the identity could not be disclosed, the donation had to be returned to the donor or given to the Electoral Commission, less $1000. Despite this change, the Electoral Act 1993's $10,000 public disclosure thresholds for named party donations continued as before. The reporting threshold for candidate donations was set at $1000. A party's financial agent was required to record the identity of all donors giving over $1000, but the identity of these donors only had to be passed on to the Electoral Commission, and therefore released publicly, if a party donation was over $10,000, or a donation to a candidate was over $1000. Additionally, for the first-time controls on overseas

donors were introduced. The Act capped the maximum size of overseas donations at $1000. The new foreign donations rule applied to both candidate and party donations.

The effectiveness of the Act's cap on anonymous donations was offset by the simultaneous introduction of a scheme for donors wishing to anonymously donate above the $1000 cap. The protected donations regime, which is still in place today, allows donors to use the Electoral Commission to act as a neutral conduit to pass large anonymous donations to parties or candidates. Upon receiving a donation, the Commission forwards it to the party in monthly payments. The regime allows major funders of political parties to remain strictly anonymous, reducing concerns that strict anonymity thresholds will reduce parties' campaign funds. Not all funding can be received through this channel though. Individual donors can only donate up to $36,000 per election cycle, and the total amount that a party can receive through the protected donations regime is $240,000, or 10% of a party's maximum permitted party expenses. On the face of it, these constraints are somewhat inconsistent, given no such monetary limits on disclosed donations.

The 2007 Act was repealed in early 2009 by the incoming National-led Coalition Government. However, an amendment to the Electoral Act 1993 was introduced when the 2007 act was repealed. This amendment meant that the donor disclosure requirements for donations over $10,000, and its overseas donation cap of $1000, remained in force temporarily, so there was no change in the data collection regime. Further changes were made in the Electoral (Finance Reform and Advance Voting) Amendment Act 2010, which came into force on 20 December 2010 for 2011. The 2010 amendment created the political donation rules remaining in force today. The threshold for public disclosure of the identity of a party donor was raised to $15,000 per year, the disclosure threshold for donations to an individual candidate raised to $1500, and the maximum donation by an overseas person or entity was raised to $1500. The Amendment also introduced a new requirement that party secretaries report any donation received above $30,000 within 10 days of its receipt to the Electoral Commission. The protected disclosure regime was maintained.

The most significant improvement in information from the introduction of the fourth regime has been the new requirement that parties disclose the total value and number of many party donations received below $15,000. The party secretary must disclose to the Electoral Commission the number and total value of anonymous donations made between $0 and $1500, and the number and total value of anonymous or named donations between $1500 and

$5000, and between $5000 and $15,000. Hence the only donations missing from an aggregate count of party donations are named donations under $1500.

The Electoral Commission also publishes donation and expense returns made by electoral candidates. Within 70 working days after polling closes, all candidates must file a return detailing all donations received over $1500 during the current electoral cycle, including the size of the donation and the name and address of the donor. Goods and services worth more than $300, but donated for less than their reasonable market value, must be declared. The return must capture any donations received during the candidates' campaign, so donations could theoretically date back to immediately after the end of the previous election. This candidate donations data commences for the 2008 election.

Up until 2007, the Chief Electoral Officer was only required to keep every candidate's return from a general election available to the public for two electoral cycles. Once the polling day of the second election had closed, each of those returns were to be destroyed. This section was repealed in late 2007. Today, electoral returns made by candidates dating back to the 2008 election are available electronically on the Electoral Commission's website indefinitely. Initially the details of donors making donations over $1000 to candidates were published, but only the 2008 general election operated under these rules, as the disclosure threshold was raised to $1500 in 2010. In contrast to the disclosure requirements of political parties, the candidate donations regime does not require candidates to publish their donations in bands below the $1500 anonymity threshold. Therefore, anonymous donations to candidates below $1500 have a higher degree of anonymity – individual *and* aggregate anonymity – than donations below $1500 made to parties, as the cumulative value and number of donations made to candidates below $1500 are hidden from the public and the Electoral Commission. This fact must be kept in mind when considering the candidate donations statistics, as there may be significant donation amounts absent from a candidate's donation returns. Lastly, the candidate regime also differs in that candidate returns are not required to be independently audited as party donations are, meaning candidate compliance with the Electoral Act is potentially lower than compliance by political parties.

Table 2: Four regimes of political donation regulation under MMP, 1996-2019				
	Regime I: 1996	**Regime II: 1997-2007**	**Regime III: 2008-2010**	**Regime IV: 2011-2019**
Governing Act	Electoral Act 1993, amended by the Electoral Amendment Act 1995 (No 2)	The Electoral Act 1993, amended by the Electoral Amendment Act 1996 (No 8) which raised the disclosure threshold	Electoral Finance Act 2007, amended law relating to donations	Electoral (Finance Reform and Advance Voting) Amendment Act 2010, amended by the Electoral Act 1993 with regards to political finance
Disclosure threshold for party donations	$1,000	$10,000	All donations are disclosed to financial agent of recipient, but only those above $10,000 disclosed to the Electoral Commission and published	**$**15,000. However, the number and cumulative value of anonymous donations between $0-$1500, and all donations within $1500-$5000 and $5000-$15,000 bands are publicly disclosed
Disclosure threshold for candidate donations	$1,000	$1,000	All donations are disclosed to financial agent of recipient, but only those above $1000 disclosed to the Electoral Commission and published publicly	All donations are disclosed to the financial agent of recipient, but only those above $1500 disclosed to the Electoral Commission and published publicly
Overseas donations	Not legislated for	Not legislated for	Capped at $1000 for parties and candidates	Capped at $1500 for parties and candidates
Anonymous donations	Any size allowed, donations over the disclosure threshold reported	Any size allowed, donations over the disclosure threshold reported as anonymous	Capped at $1000. Anonymous donations exceeding this cap could only be made through "protected donations" scheme	Capped at $15,000 for parties and $1,500 for candidates, although the "protected donations" scheme remains in force for large donations to parties

Source: Various versions of the Electoral Act 1993, Electoral Finance Act 2007, Electoral Amendment Act 1995 and Electoral (Finance Reform and Advance Voting) Amendment Act 2010.

Data

Unit data on nominal current value party donations exceeding the donation thresholds detailed in Table 1 was taken from a cleaned version of the publicly available data on the Electoral Commission website (https://www.elections.org.nz/) for the years 1996 to 2019. Donations data was coded according to year, political party (as six groups: National, Labour, New Zealand First, Green ACT, Small Parties Not Elsewhere Classified), and by nine types of donors (as Private individuals or families, Businesses, MPs/Party Presidents, Party Branches, Community Organisations, Trusts, Unions, Millionaire party founders (of whom there were three: Colin Craig, Gareth Morgan and Kim Dotcom; these three are also a sub-set of private donors), and Anonymous. Data on private individuals or families was coded as male donors, female donors (gender was assigned on the basis of name, and the Google search engine was used in some cases where gender of the first name was not immediately evident to further determine the gender associated with the name; a small number of donors were gender-unidentifiable and consequently coded unknown) and couple donors. Data was also coded on whether the donations came from a unique single donor or a donor who made multiple donations over the annual thresholds at any point over the 1996 to 2019 period.

In addition, the disclosed aggregate data on donations below the threshold, also taken from the Electoral Commission website, was also considered in conjunction with disclosed donations. This data aggregate could only be considered along time and party dimensions.

Lastly, data on donations for candidates was taken from the Electoral Commission website for the 2008, 2011, 2014 and 2017 election periods. It was coded by time period, party affiliation, and male or female gender of the candidate (coding procedures here followed those detailed above for donor gender).

To allow consistent comparisons in real resourcing across time, all donations data was adjusted to constant dollar 2020 values, using June year data from the Reserve Bank inflation calculator (https://www.rbnz.govt.nz/monetary-policy/inflation-calculator).

It may fairly be asked whether the data is complete. There is evidence that it is not. For example, there appears to be some evidence of a large donations to New Zealand First by billionaire Owen Glenn around 2005 or 2006 of $100,000, but such a donation does not show up in the Electoral Commission data (*New Zealand Herald* 2008). How much under-reporting

has gone on is unclear. Equally, there are ongoing suggestions of donors splitting larger donations and potentially farming them out to proxy donors to keep them under reporting thresholds (e.g. *New Zealand Herald* 2008; *Stuff* 2019). How widespread this practice has been is also unclear.

Data analysis of party donations

The approach taken here is to first consider real party donations above the anonymity thresholds by the available covariates. Overall, there were 927 individual donations above the annual disclosure thresholds between 1996 and 2019, averaging just under 39 donors each year. The total amount donated and recorded in the system above the varying individual anonymity thresholds in the 24 years – in other words, what might qualitatively be described as "big donors" – amounts to just under $45 million dollars in those 24 years and averages a little under $2 million per year. These are not, by any standards, vast sums of money. In terms of temporal variation, Figures 1, 2 and 3 demonstrate a general tendency for a higher number, value and average of above-threshold donations in the eight election years covered, compared to the 16 adjacent non-election years.

However, two strong anomalies should be noted in this general election-year driven pattern in terms of total value of donations, one in the 1996 election year and the other in the 2008 election year, where election year donations do not stand out in relation to adjacent non-election years. Both anomalies are almost certainly due in large part to behavioural changes by either or both parties and large donors in response to anticipated regulatory regime changes. There is evidence that in anticipation of the legislative change many donations for the 1996 election occurred prior to this date to avoid public disclosure (Edwards 2003, p. 438). Additionally, the 1996 data covers only part of 1996, as regulations on donation reporting came into force on 1 April 1996. Less than half a million dollars is recorded as donated in 1996, compared to over $700,000 the following non-election year. Equally, in the 2008 election year, donations were $1.2 million compared to $3.3 million in 2007. It seems likely that the pre-election year 2007 bulge was due to anticipation of the 2007 Electoral Finance Act, which became law in December of that year. While, unsurprisingly, the average measured donation is volatile due to the influence of a small number of large donations (most obviously, the 2014 election), the median or middle donation is stable over time.

Figure 1: Number of donations in excess of anonymity thresholds, 1996-2019

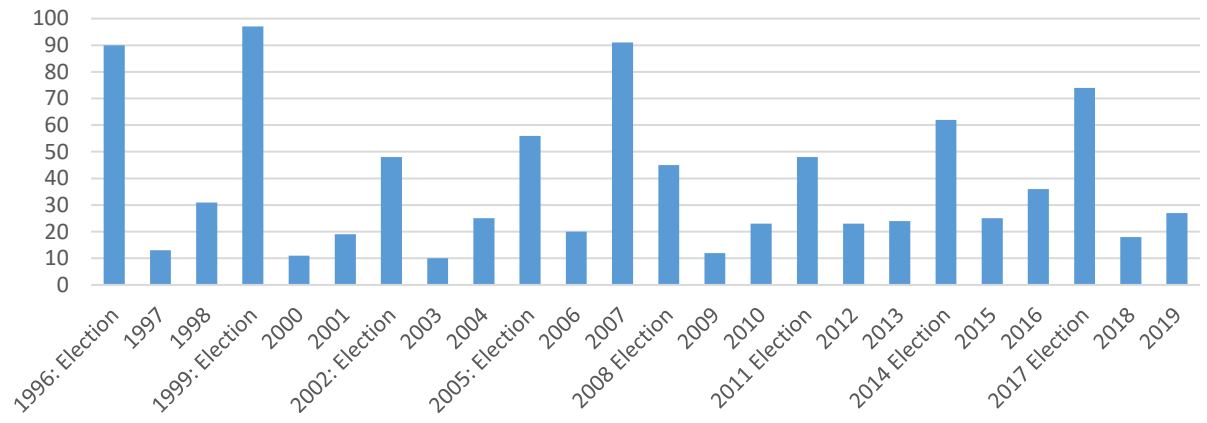


Figure 2: Total value of donations in excess of the anonymity thresholds, 1996-2019

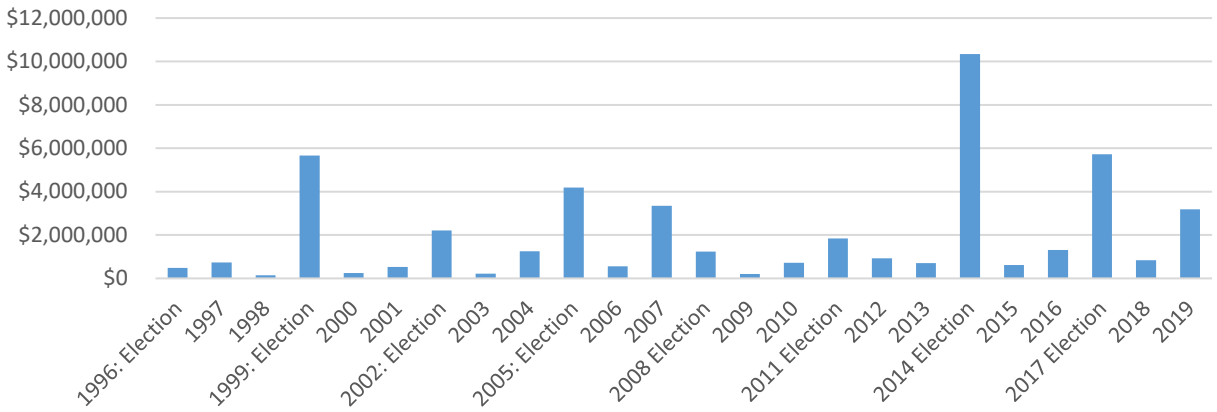
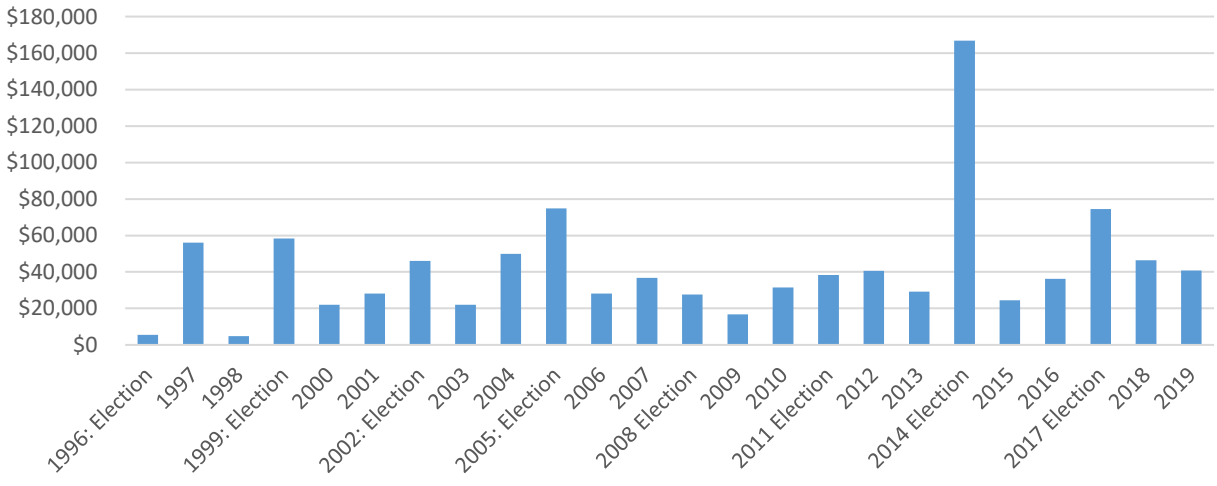


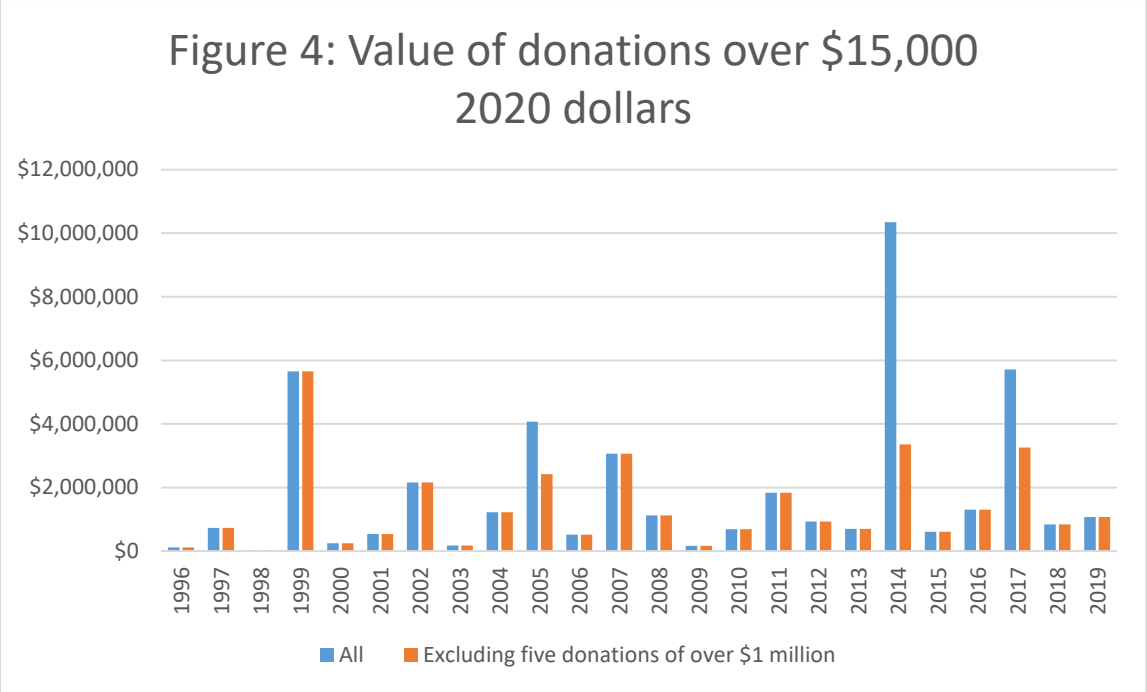
Figure 3: Average value of donations over the anonymity thresholds, 1996-2019



A further large and anomalous trend in the data is the very large spike in the total value and average value of donations in the 2014 election year. There is no spike in the number of donations. The reason for the spike is the large donations from Colin Craig and Kim Dotcom, multi-millionaire donors who conducted a "ram-raid" on the system in 2014.

A further interesting time-related question is the time trend of party-political donations over the MMP period. Have political donations been stable, rising or falling? The raw data above suggest little in the way of strong time trends over the period in terms of the number, value and average value of donations. However, several major challenges face researchers endeavouring to answer this question. The first challenge is that the recorded donations represent the tip of an iceberg of unknown size. The second challenge is that the tipping point for recording individual donations changes from $1000 (1996) to $10,000 (1997) and to $15,0000 (2011) in nominal terms.

To address these challenges, the 927 donations were truncated, dropping data where individual donations were under $15,000 in real 2020 dollars in all years. This truncation of the data set is more likely to be estimating the tip of the iceberg in a consistent fashion over time as the real cut-off is identical over time. Of the 927 donations which were in the original data set, 747 donations remained following truncation. Visual inspection (see Figure 4) revealed no evidence of a time trend for the 24 years between 1996 and 2019, confirmed by a regression of individual donation value against a linear time trend. The correlation with time was very weak ($r=0.21$) and not statistically significant at conventional levels. Dropping the five largest donations as outliers, which was the population of donations exceeding $1 million and which drove the aggregate spike in donations in 2014, turned the weak relationship with time from positive to negative ($r=-0.09$), a relationship which remained statistically insignificant. Similar null results in terms of time trends (not presented here) were found for numbers and average value of these bigger donations. This lack of evidence of a time trend is an important conclusion.



Which parties get donations? What sort of people give them? Table 3 presents the data in a manner which allows these questions to begin to be addressed. The plurality of donations is received by small parties outside the five who have typically been represented in Parliament over the majority of the MMP period – National, Labour, Greens, ACT and New Zealand First. In this sense, these donations are of money which has not been every effective in getting people into parliament or (say in the case of United Futures) keeping them in Parliament in a sustained manner. National receives somewhat more money in big donations than Labour and those donations are somewhat larger on average. The Greens are not too far behind National and Labour in terms of numbers, but have an average donation of about half the value of those to National and Labour. ACT have far fewer donations than the Greens, but their average value, double that of the Greens, pushes their average value up.

In terms of who donates, the bulk of donations come from private donors, with men being much more likely to donate than women, which may reflect greater male control of wealth or greater male need to engage in political displays. Of course, the separate category of Millionaire donors are also entirely male.

Businesses are an important rather than overwhelming source of direct donations, although in this it should be noted that the vast amount of money from private donors and from the Millionaires has been made, typically directly, in business, rather than from wage and salary

employment. Money from trusts effectively concealing individual donors has been of a similar magnitude to business donations, and the average amounts involved have been large.

The plurality of donors by number are politicians – either MPs or the party president. But the total amount from this source is relatively low, since the average donation is on the small side. Large donations from Party Branches, Trade Unions and Community organisations have been, at best, minor sources of big funding. Finally, the majority of large donations come from repeat donors – those who have made a large donation in two or more years.

Table 3: Big donors, big donations: Descriptive statistics of party donations in excess of the anonymity disclosure thresholds, 1996-2019, in real 2020 dollars

	N	Value of above-threshold donations	Average donation
By party:			
National	231	$12,874,196	$55,732
Labour	250	$10,179,265	$40,717
Greens	197	$4,683,571	$23,774
Small parties NEC	140	$13,515,921	$96,542
ACT	75	$3,459,939	$46,133
NZ First	34	$388,918	$11,439
By donor type:			
Total private	222	$11,424,975	$49,955
Man	144	$6,868,631	$47,699
Woman	51	$2,596,366	$50,909
Couple	22	$1,722,610	$80,573
Unclassified	17	$187,368	$11,022
Millionaire	6	$8,286,362	$1,381,060
Business	181	$6,052,921	$33,442
Anon	111	$5,682,837	$52,843
Trust	37	$5,727,806	$154,806
MPs/President	258	$4,706,425	$19,195
Party branches	64	$1,561,660	$24,401
Trade Union	35	$1,362,184	$38,920
Community	13	$196,727	$15,610
By number:			
Multiple donations	516	$23,959,317	$46,433
Single donations	300	$15,276,937	$50,923
Anon	111	$5,865,556	$52,843

For a much shorter period, from 2011 to 2019, aggregated donations data below the threshold is available (again, it is worth remembering the exclusion of named donors below the $1500 threshold in this data), making the size of the donation iceberg much larger (see Table 4). What is the evidence for a time trend in this broader measure of reported donations in this shorter, three MMP election period for the parties represented in Parliament? The answer, again, is there is no evidence that mainstream New Zealand politics is increasingly operating under the weight of growing amounts of big money.

However, these data suggest that larger but individually anonymous donations have flowed disproportionately to the National Party over this shorter period ($14 million compared to $4 million for Labour, for example) and such donations account for two thirds of National's big donations. Another feature of the data is the very small amounts of money which appear to be donated to New Zealand First.

Table 4: Reported donations of the five main parties above and below anonymity thresholds, 2011-2019

Year	Donations below threshold but reported in aggregate	Donations above threshold	Total of previous two columns
Total	$23,907,919	$12,076,384	$35,984,303
By year:			
2011 Election	$3,875,903	$1,790,321	$5,666,224
2012	$1,077,318	$905,732	$1,983,050
2013	$1,514,340	$492,036	$2,006,376
2014 Election	$4,731,710	$2,348,150	$7,079,860
2015	$1,948,487	$567,585	$2,516,072
2016	$2,563,647	$1,167,476	$3,731,123
2017 Election	$5,617,014	$2,911,358	$8,528,372
2018	$943,734	$835,714	$1,779,448
2019	$1,635,766	$1,058,012	$2,693,778
By party:			
National	$14,896,256	$4,425,835	$19,322,092
Labour	$4,108,852	$2,566,280	$6,675,132
ACT	$2,081,581	$1,831,983	$3,913,564
Greens	$1,944,703	$3,187,508	$5,132,211
NZ First	$876,528	$64,778	$941,305

Having considered the bivariate relationships, there is additional value in looking at cross-tabulations of donations to parties by time, and cross tabulations of donor type by party.

Using the same y axis scale for all parties to obtain a more accurate impression of relative scale, Figure 5 shows patterns of disclosed donations by five main parties over time, including reported donations over the threshold and total donations, obtained post-2011 by adding in reported donations under the threshold to those above. There is only one of the major parties where there is unambiguous evidence for rising amounts of donations through time, which is the Green Party, in large part reflecting increasing electoral success and their system of tithing MPs for party funding. The other feature of the data in Figure 5 is the large and rising amount of reported donations beneath the disclosure threshold received by the National Party for the election years 2011, 2014 and 2017. Either there is an exogenous growth in the number of people willing to donate to National, National are getting better at tapping such people, or National is increasingly avoiding the disclosure threshold, by means which can only be speculated on. Of interest in this context is that between 1996 and 2011 National received a large total in excess of $5 million from trusts, an avoidance vehicle designed to preserve large donor anonymity. For reasons which are not clear, National largely abandoned the use of trusts following the 2011 election. It may be that donations previously funnelled to National through trusts above the threshold in aggregate are now, in various ways, coming in under the anonymity threshold.

Figure 5: Party donations above the anonymity threshold and total reported donations

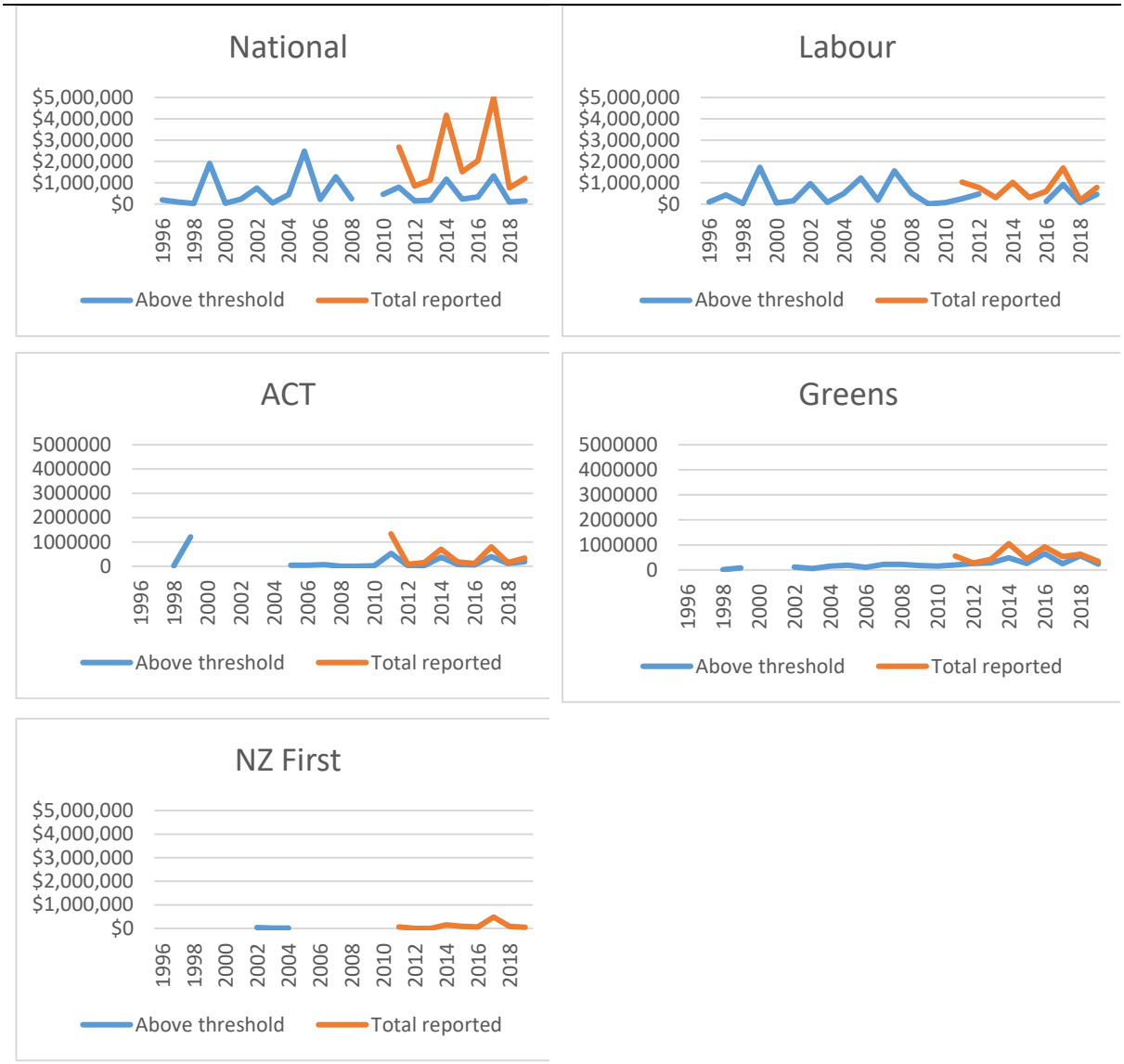


Table 5 shows distinct patterns of big funders for each party. The class origins of both National and Labour parties remain echoed, at least somewhat, in their donor patterns. Across the five main parties, National gets most reported business donations. Labour absorbs virtually the entirety of large trade union donations, which however are not especially large in an environment where trade union coverage of the workforce is low and falling, making money tight. However, Labour still receives significant business funding. In fact, Labour has got more in donations from businesses – about half a million dollars more – than from trade unions. None of the three smaller parties, including ACT which has sometimes been perceived as a tool of the business sector, have been able to generate large business donations to any serious degree. Equally, traditional trade union support for Labour has not flowed, at least in terms of large donations, to the Greens on the centre-left either.

The other feature of large donations to the National and the Labour Party is the very high value of them which are anonymous, either directly under the early regimes (Labour) or via various trusts set up to funnel money anonymously to the party (National). Labour have also concealed the identity of donors via the use of art auctions, crediting the painter for the donation – a form of regulation avoidance (see Wright, Flahive and Pasley, 2017).

Green donations are dominated by MPs, because of their policy of tithing to fund the party. In a very real sense the Greens' donations flow directly from their electoral success, rather than vice versa. Labour's MP contributions are nearly one million dollars – a significant amount – but this reflects a mass donation in 2007 from MPs when the party was in a great deal of electoral trouble before their election loss of 2008. MP donations to other parties are both relatively and absolutely minor.

Table 5: What sorts of donors donate to different parties? Donors, parties and reported donations above the anonymity threshold, 1996-2019

	National	Labour	Greens	ACT	NZ First	Small parties NEC	Grand Total
Individual or family	$3,071,426	$2,680,206	$1,166,017	$1,563,304	$71,579	$2,537,490	$11,090,023
Millionaire founder	$0	$0	$0	$0	$0	$8,286,362	$8,286,362
Business	$3,325,408	$1,758,313	$74,559	$227,985	$223,260	$443,395	$6,052,921
Anonymous	$1,236,109	$2,988,990	$57,400	$1,377,750	$9,954	$195,354	$5,865,556
Trust	$5,133,431	$382,934	$0	$95,029	$12,640	$103,772	$5,727,806
MPs/Party President	$58,387	$1,056,742	$3,296,134	$147,045	$71,485	$322,580	$4,952,374
Party branches	$0	$104,201	$0	$48,826	$0	$1,408,633	$1,561,660
Trade Union	$0	$1,199,584	$73,620	$0	$0	$88,980	$1,362,184
Community	$49,435	$8,295	$15,840	$0	$0	$129,355	$202,925
Grand Total	$12,874,196	$10,179,265	$4,683,571	$3,459,939	$388,918	$13,515,921	$45,101,810

Of the 815 donations where the donor was not anonymous, there were 290 single donors and 132 donors who made multiple donations, for a total of 438 identifiable donors. Over two thirds of named donors were single donors. A near majority of all multiple donors donate only twice, but a small number of donors make a high number of donations. Most multiple donors donated to a single party. But a further feature of the donor data is an opportunity to identify those donors over the donations threshold who have donated to multiple parties. Those who donate to multiple parties can be divided into those who donate to multiple parties across the centre-right of the political spectrum only (defined as National, Act, the Maori Party, New Zealand First), those who donate to the centre-left only (Labour, Greens, Alliance), and those who donate to at least one party on both sides of this political spectrum. This data is shown in Table 6.

The number of donors donating to different parties of the centre-right are six; for the centre-left the figure is seven. Most multi-party donors on the centre-left are trade unions, and there is a mix without strong pattern on the centre-right. The number of cross-spectrum donors is 20. On the other hand, the cross-spectrum donors are dominated by businesses, making up 17 of the total number. The purpose of cross-spectrum donors is probably not to pursue an ideology. Rather their purpose more likely relates to a quid pro quo attempt to gain access to politicians, to endeavour to enhance business profitability in some fashion. It is perhaps not irrelevant here that all such donors are identifiable large businesses, operating with a degree of monopoly in an environment where either government purchasing or government regulation is an important business consideration. Interestingly, of Labour's total of $1.8 million business donations, $1.1 million or nearly two thirds (64 percent), comes from cross-spectrum business donors. So corporate donations to the Labour Party to a large extent do not appear to be an endorsement of their perceived centre-left ideology. For National, a lower amount and smaller percentage of business donations (about $1 million, or 29 percent of their total business donations) came from cross-spectrum donations.

It is, however, noteworthy that there are no cross-spectrum political donations (or indeed any business donations) able to be identified here from large dairy interests, or fertiliser companies, or farmers, despite these being associated with considerable lobby groups, who arguably pursue a substantial vested interest in maintaining the status quo at the expense of the broader community.

Table 6: Multi-party donors and the political spectrum				
Donor	Category	Parties	Number of donations	Total value
		Cross-spectrum		
AMP	Business	National, Labour	2	$ 46,500
Brierley Investments	Business	National, Labour	3	$ 124,000
Clear Communications	Business	National, Labour, NZ First	2	$ 46,500
Contact Energy	Business	National, Labour	8	$ 264,440
Ericsson Communication	Business	National, Labour, Greens, ACT	2	$ 58,400
Fletcher Building	Business	National, Labour	10	$ 237,600
Go Bloodstock NZ	Business	National, Labour	2	$ 105,000
Heartland Bank	Business	National, Labour	2	$ 78,908
Lion Nathan	Business	National, Labour	3	$ 148,500
Natural Gas Corp Management	Private	National, Labour	4	$ 170,900
Owen Glenn	Trust	National, Labour	3	$ 692,946
Road Transport Trust	Business	National, Labour	4	$ 116,500
Saturn Communications	Business	National, Labour, Greens, ACT	2	$ 62,000
Sky City	Private	National, Labour	7	$ 319,520
Susan Zhou	Business	National, Labour	2	$ 73,030
Todd Corporation Ltd	Business	National, Labour	2	$ 112,000
Toll	Business	National, Labour	4	$ 128,500
Tower	Business	National, Labour	4	$ 76,700
Transalta NZ	Business	National, Labour	2	$ 69,750
Westpac	Business	National, Labour	19	$ 506,480
Total cross-spectrum			87	$ 3,438,174
		Centre-left		
E Tu Union	Union	Labour, Greens	2	$157,590
Nation Distribution Union	Union	Labour, Greens, Alliance	3	$68,186
Engineers Union	Union	Labour, Alliance	4	$202,910
Philip Mills	Private	Labour, Greens	4	$214,871
Rail & Maritime Transport Union	Union	Labour, Greens	4	$88,662
Jim Anderton	MP	Alliance, Progressives	7	$132,510

D & G Becroft	Private	Labour, Progressives	3	$74,950
Total centre-left			27	$939,679
		Centre-right		
Bruce Plested	Private	National, Maori	4	$298,643
Christopher & Banks Equity	Business	National, ACT	3	$226,156
Earl Hagaman	Private	National, ACT	2	$128,528
Gallagher Group	Business	National, ACT	5	$259,226
John Banks MP	MP	National, ACT	2	$33,289
Paul Adams	Private	National, Family Party	2	$73,479
Total centre-right			18	$1,019,321

Data analysis of candidate donations

For the 2008, 2011, 2014 and 2017 elections, there are 1903 returns of candidate donations recorded over the period since the prior election (see Table 7). Of these 1903 returns, 1282 candidates had zero donations to declare and 621 candidates had positive donations to declare. The total amount donated and required to be declared was ten million in 2020 dollars, or just over 0.8 million per year covered on average (2006 to 2017). So declared candidate donations are significant in size. However, they are also considerably less on an annual basis than recorded party donations.

Table 7: Declared candidate donations, 2008 to 2017 elections, 2020 dollars

	Total donations	Average	Number of candidate declarations
Total	$10,149,734	$5,333	1903
By election cycle:			
2008	$1,514,802	$2,902	522
2011	$2,146,412	$4,812	446
2014	$3,068,802	$6,366	482
2017	$3,419,719	$7,549	453
By party:			
National	$5,117,825	$20,228	253
Labour	$2,906,910	$10,345	281
Small parties NEC	$1,657,855	$2,078	798
NZ First	$189,244	$1,376	142
ACT	$185,205	$985	188
Greens	$86,514	$359	241
By gender of candidate			
Male	$7,019,303	$5,234	1341
Female	$3,118,633	$5,733	544
Unknown	$11,798	$655	18

More money is going into candidate donations over time under MMP, at least over the subset of time considered here. There is a monotonic increase in total and average candidate donations from 2008 to 2017.The change is meaningful: average candidate donations in 2017 were more than two and a half times greater than they were in 2011.

The National Party obtains a bare majority of candidate donations, and an average amount per candidate nearly twice that of the next highest party, the Labour Party. The other parties' average candidate donations languish well behind the two major parties. While male candidates obtain double the donations of female candidates, this is because of a larger number of male candidates. On average, female candidates report somewhat higher average donations than male candidates.

Donations when parties are in power and when they are not

A comparison of donations to parties when they are in power or not is shown in Table 8. National receives similar amounts of money in and out of power. Other parties tend to be in receipt of more donations in power. For these parties access to power may make it easier to haul in money. It may arise because of a halo effect – donors like to be associated with success. Or it may be thatmoney goes into these parties when they are in power as it buys influence. There is no information to suggest which of these motivations dominates. It will be very interesting to update this table using the data for the 2020 election year.

Table 8: Average annual donations above the anonymity threshold a party is in or out of government,

	Average donations per year when in power	Average donation per year when not in power
ACT	$209,958	$52,672
Green	$404,821	$176,949
Labour	$523,639	$339,190
National	$528,284	$545,646
NZ First	$39,061	$6,489

Protected disclosure donations

Donating under the protected disclosure regime offers an opportunity for donors to make purely anonymous donations – anonymous both from the public and from the recipient parties. In other words, these are purely ideological donations, with donors seeking no other return than to allow the party of their choice to use the funds in a manner which best promotes their political purpose. Between 2011 (when the regime was instituted) and 2019, protected donations were made in four (2011, 2014, 2016 and 2017) of the nine years. In total $691,732 in 2020 dollars was paid out, averaging just under $77,000 annually. Such an amount is absolutely very small and, relative to observed donations, also very small.

In terms of parties, only National Act, New Zealand First and the Conservatives received a protected donation. In other words, such donations were only received by parties on the centre-right of the political spectrum. National obtained the bulk - $425,112 – of these donations, followed by ACT ($162,692), New Zealand First ($93,113) and Conservatives ($10,813).

Discussion

Money has always been involved in New Zealand politics. Indeed, in certain periods in the past, real dollar amounts involved, with a much lower population and economic size, may have been greater than during the MMP period examined here. For example, more than three decades ago in the 1987 election year, one party - Labour - obtained $6 to $8 million dollars in today's values from business donations alone (Edwards, 2003, p. 459, citing Geoffrey Palmer and Jane Kelsey for the lower and higher figure respectively) – a large amount by MMP standards, where business donations in total over 23 years amounted to less than $6 million (one needs to be cautious in drawing these comparisons, however, as the definition of "business" in the Palmer/Kelsey figure is not specified). Taking an earlier example, in 1938 the National Party had an election year budget of $6 million in today's dollars in a much poorer and smaller society. Equally, National are believed to have spent over $5 million in today's dollars on their well-funded 1993 election campaign, much of which was funded by business donations.

Overall, then, relatively small amounts seem to be involved in party and candidate donations to fund New Zealand elections. The consequence of these small amounts, perhaps, is that a comparatively small amount of resources in the right place may buy the donor a considerable amount of influence. For a recent example, the transcript of the conversation between National Party leader Simon Bridges and his colleague Jami-Lee Ross could be interpreted as suggesting that a donation of $100,000 could ensure two ethnic Chinese on the National Party candidate list (Stuff 2018). However, if donations gave these sorts of super-normal returns to donors, it would be expected that donations would be rapidly increasing to take advantage of this very important vector for lobbying. However, there is little or no evidence of strong upward trends in political donations, as least as measured by Electoral Commission returns, which makes us sceptical of the story of high returns to political donations.

Party donations usually peak in election years, which suggests a belief that if money is to be used for influencing politics, it is best applied in proximity to an election. It is unclear whether this temporal arrangement is dictated by the donors, or recipients, but one suspects the former is more likely than the latter.

There is at best weak evidence that amounts of party donations have been systematically growing over the MMP period. The caveats underpinning this uncertain conclusion are that underlying trends are particularly difficult to discern where the donations data is dominated by failed ram raids on the electoral system by three millionaire party founders, and that parties act in ways which may conceal the donations they receive from the public. We know neither the number nor the value of named donations under $1500.

In terms of over-threshold donations, the plurality is received by small parties, largely reflecting the $8 million donated by the three Millionaire founders of ultimately failed political parties. When the broader amount of donations over a shorter period is considered, National receives the plurality of donations, due to a strong performance on recorded but aggregated and hence anonymous donations. We do not know how many of these donations are rendered anonymous by splitting a larger donation up to come in under the disclosure threshold, as has been suggested as practice in the Bridges/Ross affair, but there has been some suggestion that the practice may not have been a unicorn (Newshub 2019).

The plurality of above-threshold donations come from private individuals or families. Where the gender of donations from private individuals can be identified, men are much more likely to be donors than women, even if the three millionaire male donors are excluded from the count.

It is correct that Labour receives significant business funding. But it receives far less than National. In addition, business funding to Labour needs to be caveated by the fact that a significant majority of it comes from businesses who donate across the political spectrum. These businesses are likely pursuing influence rather than promoting an ideology. However, it is important to note that the amounts involved are not large absolutely, or in relation to donations which appear to be more ideologically driven. Nor does there appear to be particular growth in numbers or value of such donations, which suggests there are not super-normal returns to such a lobbying expenditure.

Also in terms of Labour's donations, old class-based patterns still matter in terms of union donations. However, to a large extent due to the very limited power of organised labour in New Zealand, these donations are not especially large.

The fact that the protected donation channel has not been much used is informative. It suggests that most of those who want to donate anonymously, want to be anonymous from the public, but not from the party to which they are donating. In other words, it suggests the dominance of some sort of quid pro quo motivation or a need to be publicly identified as a party supporter behind the bulk of donations, rather than a modest desire on behalf of donors to anonymously support their ideology of choice.

Cross-political spectrum donations, a particularly interesting form, are almost entirely from businesses and go almost entirely to the two dominant parties in the MMP era. Those businesses which do donate across the spectrum also appear to operate in areas of the economy which are subject to significant government regulation. This pattern suggest that businesses are trying to buy something which is not an ideology. Rather, one might speculate, they are buying the ears of one of the two parties which is likely to be the dominant power in the government of the day.

Events of the post-2005 period do not support the notion that parties can buy their way into power and its inverse – that poor parties cannot succeed in politics. The 2014 and 2017 failures of the big spenders Colin Craig, Kim Dotcom and Gareth Morgan confound that notions. Money is neither a necessary nor a sufficient condition for political success. Nevertheless, Craig, Dotcom and Morgan received significant numbers of votes.. While those votes did not get those millionaires into Parliament, simply by funnelling votes away from others they influenced the shape of Parliament and thus had, arguably, an unequal political influence.

Lastly the claim that regulating political activity, including donations, is ineffective, is a complete red herring. No mode of regulation is ever perfect, and one can always find avoidance and evasion. The examination of data on donations is a case in point. Political parties have found creative ways to avoid (legally) and potentially evade (illegally) regulation on donations reporting, including (depending on the constraints imposed by the regulatory regime) through use of trusts, anonymous donations, donation splitting and inter-temporal transfer of donations. Evidence of avoidance and evasion however cannot establish that

regulation is ineffective. It merely establishes imperfection, the inevitable fate of all human creations.

The open question which our study leaves us with is exactly what motivations drive different donors when they make a political donation and what the detailed consequences (if any) are of the donations on decision makers. The answers in terms of motivation, should they come, are almost certainly multiple rather than singular and depend on the donor. In terms of influence, we simply do not know the impact of this one factor amongst the many and varied factors influencing policy choices.

Postscript: 2020 donations data

Full 2020 donations data are anticipated to be made public by the Electoral Commission in May 2021. Given the typical pattern for a large spike in donations in election year, we intend to provide a further update of our analysis once we have this additional data.

There is, however, some 2020 data, in this case of large named donations over $30,000 which must be disclosed within ten days of receipt. So far in 2020, 26 donations have been recorded totalling $1,366,491. The plurality of this 2020 money ($441,060) was received by Labour, with the Greens getting $234,097 (predominantly from MPs via their tithing system), Act $185,700 and National $100,000.

In terms of smaller parties, there were minor echoes of the large millionaire foundation donors in 2014 and 2017 election years, with a large single donation of $200,000 to the One Party and $115,633 going to the Advance New Zealand Party.

Figures 6 and 7 show time series comparison on number and value for the period 1996 to 2020 of donations in excess of $30,000 2020 dollars. Again, as indicated in the main text, there is no obvious time-trend in the data.

Figure 6: Total value of donations over $30,000 2020 dollars, 1996-2020

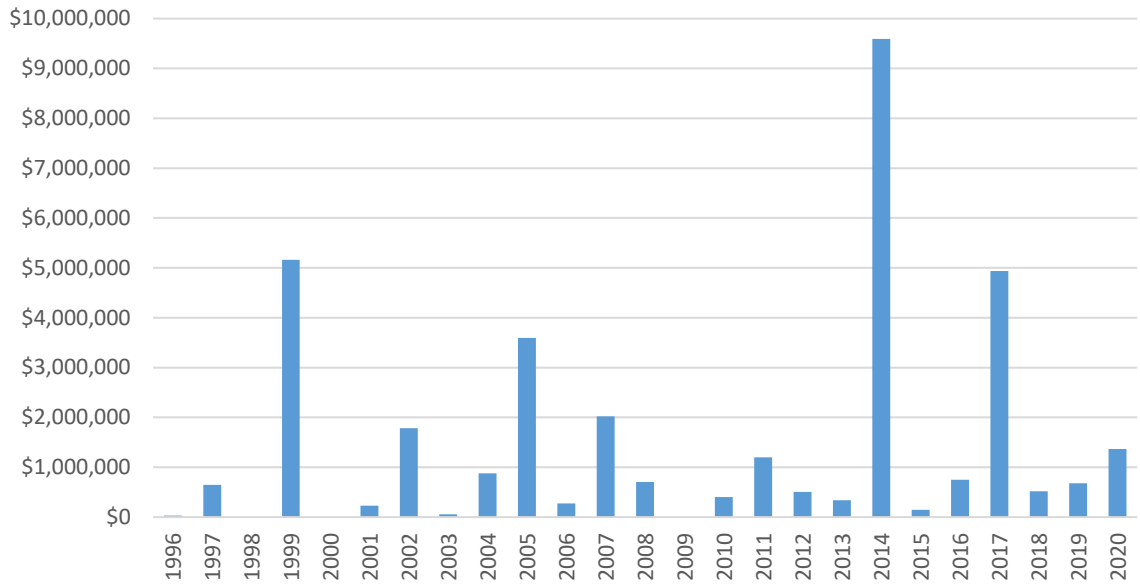
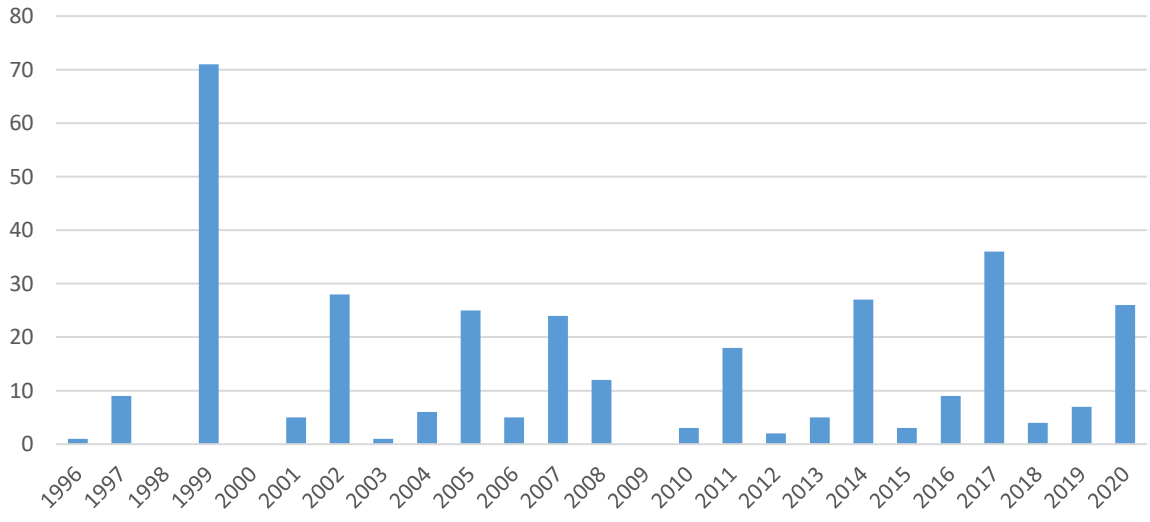


Figure 7: Number of donations over $30,000 2020 dollars, 1996-2020



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