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RESEARCH ARTICLE

New old ways of financing the party: exploring the commercial activities of modern political parties

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Abstract
The party–money nexus has long excited concerns about corruption and undue influence. However, much of the scholarship in this area has focused on the funding parties receive from external donors or the state. One area of party financing that is underexplored is that of party-controlled commercial enterprises. We examine the nature and scale of the commercial activities engaged in by the two major governing Australian parties: Labor and the Liberals. We find that while commercial activities are long-standing practices, they have diversified over time, becoming more sophisticated and professionalized. Importantly, some of these activities have become decoupled from the proper purposes of parties. The upscaling of party fundraising practices introduces new tensions for parties – both normatively and practically.

Keywords: political parties; party financing; party fundraising; associated entities; Australia

Introduction

Much of the party finance literature has emphasized three main sources of funding: private donors (McMenamin, 2013), member and institutional subscriptions (Scarrow, 2004), and public funding (Nassmacher, 2009; Koß, 2011). One type of party finance that remains comparatively underexplored is parties' commercial revenue, even though such activities constitute a long-standing income source for many established parties. Commercial income can be distinguished from more slightly passive forms of income generation, such as membership fees, donation income, and state subventions. Commercial income arises from expressly for-profit activities administered by the party, either directly or indirectly. Commercial activities include the sale of goods and services, pay-to-attend events and income earned from material assets, gifts, and investments.

The dearth of scholarship on parties' commercial activities is not surprising. As far as we can ascertain, parties' commercial ventures have historically made a comparatively modest contribution to their overall income. These activities have by and large been uncontroversial because they have generally been aligned with the proper purposes of parties in that the enterprise has broadly been consistent with parties' linkage roles. However, there are grounds to suspect that both assumptions are now outdated. The literature notes the high cost of elections (Mendilow, 2012) and professionalized party administration (Panebianco, 1988). These escalating costs have occurred against the backdrop of state-backed efforts to regulate the quantum of corporate money circulating in democratic politics (van Biezen, 2011) as well as reported declines in membership income (van Biezen *et al.*, 2012). While public funding contributes on average more than half of total party income in most European democracies, there remain significant divergences in the generosity of these schemes, party dependence on this funding source (van Biezen and Kopecký, 2017: 86) and emergent evidence that state funding in some settings is in decline (Ignazi and Fiorelli, 2022).

The high expenditure environment confronting parties, and efforts to regulate party finances (Norris and Abel van Es, 2016; Mendilow and Phélippeau, 2018), prompt questions about how parties are adapting to these constraints and what other sources of revenue they are cultivating in response. Commercial income is one source of funding that parties might have greater scope to expand unilaterally. Few democracies ban parties from engaging in commercial activities[1] (Falguera *et al.*, 2014), even if there might be requirements for parties to disclose these activities. In examining the changing fundraising contexts and activities of parties, we pose three questions:

- RQ1: What types of commercial activities do contemporary parties engage in?
- RQ2: How much revenue do these enterprises generate?
- RQ3: What challenges and opportunities do these enterprises present to parties?

We explore these questions in Australia, where parties' commercial enterprises are reasonably visible to researchers because of disclosure requirements contained in electoral law. Since 1983, the federal financial disclosure regime has required kindred party organizations, known under the law as associated entities (AEs), to declare their relationship to their related party.[2] With each subsequent iteration of the disclosure rules, more of these entities are revealed.[3]

We examine the commercial activities of Australia's two major governing parties: the Australian Labor Party (Labor) and the Liberal Party (Liberals). Labor, a center-left party, was established in 1915 by agreement of the state branches which emerged between 1891 and 1903. The Liberals, a center-right party, was created in 1946 from various precursor conservative and liberal parties. Labor and the Liberals are the country's most established and successful office-seeking parties. Moreover, consistent with developments in similar democratic jurisdictions, both parties have contributed to ongoing increases in campaign spending (Anderson and Tham, 2014).

Our paper first situates parties' commercial activities within their broader finance portfolio and in relation to our cases. Second, we analyze the data to ascertain how much revenue commercial activities return. Third, we deepen the analysis with illustrative case studies of several commercial activities to explicate the risks and benefits that such activities pose to parties. Our findings suggest that parties' commercial activities are complex. While some commercial activities reflect the professionalization of older fundraising practices, other ventures, such as investment portfolios, suggest a newer approach to party financing. We further find that these more innovative commercial strategies do not always align with the purposes of parties in that the commercial activity is disconnected from parties' linkage functions.

Parties and money

Money is a wicked problem for parties. Ongoing fundraising requires a permanent party organization, but the cost of maintaining a permanent party organization is steep, and to raise funds, parties must also expend them. The annual costs of maintaining an office, salaries, and fundraising can amount to millions of dollars for established governing parties, consuming a high

[1]IDEA's Political Finance Database reports that the majority of countries permit parties to engage in commercial activities (57.8%), compared to countries where it is either fully (24.4%) or partially banned (6.7%). Established democracies, especially, have not sought to ban parties from engaging in commercial activities but this is less true for democratizing and autocratic states.

[2]287H of the Commonwealth Electoral Act (1918).

[3]For an historical overview of Australian campaign finance regulation see Orr (2006) and Tham (2010).

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proportion of their annual expenditure over and above the cost of contesting elections. While fundraising for elections typically increases close to an election, the cost of maintaining a party organization is ongoing. To put this into perspective, the Canadian Conservative and Liberal parties spent 40% and 74% of their respective multi-million annual budgets on party administration in 2020, a non-election year. The proportion of the UK Conservatives' 2021 annual budget spent on central party organization totaled 82%, while for UK Labour, it consumed 83% of their financial resources (Conservative Party 2021a, 2021b; Liberal Party of Canada, 2021; Labour Party, 2021).

Four legal financing streams are generally available to parties: private donations, membership dues, public funding, and commercial enterprises.[4] The extent to which parties rely on any one of these is shaped by party-specific attributes (age, size, electoral strength, ideological orientation) and the institutional permission structure of the setting in which they operate. Each type of party financing generates different risks and reward pay-offs for parties, as indicated in Table 1.

Private donation income is the original form of election financing. At the inception of modern representative politics, and prior to the advent of political parties, candidates were self-funded and/or relied on donations from plutocratic sponsors. As democracy expanded, political groupings established permanent organizations, with the cadre party being the 'first form of party organization endowed with a system of money collection' (Mulé, 1998: 53). The establishment of party structures and processes, although nascent initially, facilitated administrative capacity, which in turn facilitated revenue collection, making possible the regular tithing of elected members (Overacker, 1932: 102). As party organizations consolidated under the mass party model, the systematic collection of donations from businesses and firms became administratively rational. In settings where donations were not specifically prohibited, it quickly emerged as the dominant form of financing, taking the form of cash transfers, bequests/legacies and also in-kind support.

With the advent of mass parties, the use of membership contributions emerged as a strategy to raise funds in the absence of wealthy benefactors willing to support the party's candidates. Membership contributions spread the 'burden' of financing the party 'over the largest possible number of members, each of whom contributes a modest sum' (Duverger, 1954 [1972]: 63). Membership fees were typically collected by local branches, a share of which was remitted to the central party organization (Harrison, 1963: 665). Duverger (1954 [1972]: 63) declared that membership fees should and could replace the 'capitalist financing of electioneering with democratic financing'. This sentiment persists, with membership fees often regarded as a virtuous form of party financing because it does not 'imply a direct pay-for-service relationship' (van Biezen, 2003: 17). But while membership subscriptions helped to finance mass parties in the formative decades, by the 1960s, membership fees were rarely sufficient to meet parties' expenditure requirements (Heidenheimer, 1957; Scarrow, 2007).

Falling membership income and concern about the unhealthy dependencies between business and parties justified direct public subventions since the 1960s (van Biezen and Kopecký, 2017). Such schemes, while varying in type and generosity, have enjoyed a mixed reception. On the one hand, public funding offers parties a secure source of funding that, in theory, alleviates their dependence on corporate donors, including bolstering the electoral competitive prospects of new and smaller parties (Casas-Zamora, 2005; van Biezen and Kopecký, 2007). On the other hand, public funding weakens the incentive for parties to maintain strong connections with civil society

[4]Legal forms of party finance can be broadly contrasted with 'illegal' party finance: donations that contravene law; money received from illegal sources; unauthorised use of public resources for partisan purposes; and the exchange of money in return for favours (Pinto-Duschinsky, 2002: 71). Nevertheless, the distinction, as Pinto-Duschhinsky observes, is more complicated because 'conventional definitions of political corruption . . . . often do not apply to corrupt political financing in the same way. 'The reason, he notes, is that parties as offenders might not be in public office and/or because the corrupt use and purpose is generally not strictly for private gain but rather for the gain of a political party or of a candidate'. See also Power, 2020: chapter 2.

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Table 1. Party financing types

	Rewards	Risks
Private donations	Encourages party linkages with interests within the electorate.	Volatile, subject to fluctuations in the economy.
Cash transfers		Unequal distribution of donation income across parties, affecting patterns of inter-party competition.
Bequests		External interests wielding disproportionate influence over the party, including improper connections, real or perceived.
Gifts in-kind		
Membership income	Encourages an active party culture.	Focuses the party's attention to members and institutional affiliates at the expense of building grass roots links with voters.
Individual dues	Reduces dependence on corporate and other large private donations.	Volatile, subject to fluctuations in membership levels, the relative affluence of members, and number of elected members.
Institutional dues (affiliated organizations)	Individual dues perceived as normatively desirable.	Preferencing institutional interests over individual members owing to the uneven size of their respective financial contribution.
Elected member contributions (party tax)		
Public funding	Reduces party dependence on private sources.	May reward established parties and thwart new and small parties.
Parliamentary subsidies	Depending on the generosity of the eligibility threshold test, provides income to smaller parties.	Deepens citizen resentment toward parties.
Electoral subsidies		Shifts power from the local/state membership and supporters to the central party bureaucracy and its national organs, where such money is often remitted.
Administrative subsidies		
Indirect subsidies		
Commercial income	Independent revenue stream not subject to either the vagaries of the electoral cycle or the party's legislative status.	Exposes parties to conflicts of interests, real or perceived.
Investment vehicles	Dual purpose applications (e.g., base mobilizing and income generation).	Subject to start-up and other transactional costs.
Businesses		Vulnerable to the unpredictability of national and international market forces.
		Generate intra-party tension, including conflict between party administrators and party legislators over control of the entity.

through grassroots engagement. Public funding may also engender unhealthy party system effects (Katz and Mair, 1995) although evidence of this is mixed (Casas-Zamora, 2005; Scarrow, 2006; van Biezen and Rashkova, 2014).

A fourth revenue stream available to parties in many settings is commercial income, defined broadly for our purposes as income derived from the sale, purchase, and/or production of goods and/or services, including income earned from investments. Reliance on commercial income became more prominent with the advent of mass parties. Revenue was required to finance both elections and also service and maintain a party machine. In the case of class mass parties that lacked affluent voters and a pipeline to corporate money, the need to generate income via other means was especially acute.[5] This gave rise to a range of commercial enterprises, such as recreational clubs, insurance societies, newspapers, shops, banks and lotteries. It could further include revenue from 'lectures, sales of literature and badges' (Weyl, 1913: 181), gambling (Harrison, 1963: 674) and property holdings and investments (von Beyme, 1985), including interest earned on money held in party bank accounts.

Multiple purposes were typically attached to parties' commercial ventures. Foremost, party ancillary business activities were intended to generate revenue (Mulé, 1998). But these activities also formed part of a broader strategy to create and reinforce the 'collective identities' of members and potential adherents by supplying services and activities. In some cases, certain commercial activities, such as party publications, were intended to 'counteract the propaganda' of a hostile conservative press (Loveday *et al.*, 1977: 43–44), especially for social democratic and non-establishment parties. Moreover, some commercial activities enabled parties to solicit money from interests that might otherwise balk at giving directly to the party (Heidenheimer, 1957: 375).

Given the multiple purposes served by parties' commercial activities, it is perhaps unsurprising that these strategies mostly generated only modest income.[6] For instance, Heidenheimer (1957: 375) observed that the commercial ventures of Germany's Christian Democratic Union were never lucrative, while Hughes (1963: 651), writing on Australian parties in the 1960s, noted that 'few' parties had 'substantial incomes' from commercial activities.

Election norm-setting bodies, such as the Institute for Democracy and Electoral Assistance (IDEA), contend that opportunities for parties to engage in commercial activities are critical when there is a 'lack of funding available to political parties, the unwillingness of many private interests to support them and limited public resources available' (Falguera *et al.*, 2014: 48). Commercial ventures can offset shortfalls in membership revenue as well as party dependence on big donors (von Beyme, 1985; Scarrow, 2007: 197). Commercial activities can also potentially minimize parties' exposure to corruption by affording them internal capacity to generate money, rather than rely on external donors (Falguera *et al.*, 2014: 48). Similarly, commercial income is more insulated from the vagaries of the electoral cycle or the legislative position of parties, even if not from market forces.

While the risk calculus associated with commercial activities varies depending on the nature of the enterprise, all pose certain hazards for parties. Such activities typically require investment of otherwise scarce party funds and personnel. Should the enterprise fail, it will result in financial loss. As commercial enterprises expand in focus and professionalize, they can also present an existential challenge for parties by distracting them from other important linkage activities, especially when scarce party resources are channeled into the management of commercial enterprises. Commercial activities might also affect internal party dynamics by emerging as sites of intra party disagreement. This includes the potential to bring party legislators and party administrators into conflict. While party administrators might be more willing to ride the

[5]This strategy was not confined to social democratic parties. One of the UK Conservatives' lucrative sources of funding before it was outlawed was the sale of honours to businesspeople (Mulé, 1998).

[6]von Beyme (1985: 199) recounts that some parties relied heavily on such activities, citing the example of the German Communists, who in 1978 derived 28% of their revenue from events and publications.

financial peaks and troughs of party-owned commercial entities, party legislators, who crave certainty around campaign funding, may view such enterprises as risky and speculative.

Similarly, commercial activities can expose parties to legal and reputational jeopardy, as it 'increases the risk of conflicts of interest and blurs the line between political and commercial interests' (Falguera *et al.*, 2014: 47). Van Biezen (2003: 19) shares this concern, warning that 'economic activities which have little to do with the raison d'être of a party are highly sensitive and problematic'. Moreover, certain classes of commercial activities, such as investment portfolios, can present a challenge when the party in office pursues legislative or regulatory action that is favorable toward one or more of its own investments. The complex legal structures typically associated with commercial entities, such as investment vehicles, might be used to obscure the identity of private donors and/or circumvent regulatory restrictions on private donations.

Notwithstanding the risks that commercial income presents, we anticipate that party commercial activities are more central in the context of a competitive funding environment and rising administrative and campaign costs. More particularly, we anticipate that party commercial income is focused primarily on generating income as against serving other 'linkage' goals, such as encapsulating the base. Further, party commercial vehicles are more highly professionalized, and administered by partisan financial and legal 'experts', although operationally distant from the party.

Evolution of party finance in Australia: labor and liberal parties

A full understanding of Australia's main parties' financial arrangements is hampered by poor party record-keeping, the intrinsic secrecy of parties and the absence of clear (and adequately enforced) disclosure laws. The picture is further complicated because of the federalized nature of party organization, with much of party fundraising activity occurring at the subnational level (Starr, 1977: 115).

An historical constant in party financing is membership subscriptions. Membership fees were initially collected by local branches, a proportion of which was remitted to subsidize the costs of election campaigns and state organizations. Eventually, responsibility for collection shifted to the state divisions. But membership income was never sufficient to meet party expenses (Whitington, 1961; Hughes, 1963). In Australia, neither Labor nor the Liberals cultivated membership income to the same extent as mass parties in similar settings (Jupp, 1968; Nassmacher, 2009: 37), necessitating other revenue sources.

The preponderance of Labor income was derived from institutional memberships, specifically affiliated unions (Hughes, 1963). These fees were collected by local branches and state divisional offices before being collected exclusively by the latter. The Liberals rejected institutional memberships, relying on private donations raised by state finance committees composed of persons with strong business connections (Whitington, 1961; West, 1965: 52–53; Aimer, 1974: 105).

In earlier decades, both parties were engaged in commercial-styled activities, albeit on a small scale. State Labor divisions organized social events to raise funds for elections. Party clubs provided spaces for members to meet and socialize and formed part of the myriad organizations that constituted the broader labor movement (Turner, 1965). Liberal divisions raised money via events as well as through the sale of merchandise. Beginning in the 1930s and 1940s, the property and business portfolios of the state divisions of both parties began to swell, with the acquisition of hotels, commercial buildings and radio stations. However, neither party derived 'substantial incomes' from such sources (Hughes, 1963: 653).

Chronic revenue shortfalls and the escalating costs of campaigning placed growing pressures on both parties in the 1960s and 1970s. These challenges were particularly acute for federal party organizations. While federal Labor received regular contributions from its state branches (Weller

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and Lloyd, 1978), it was not until the early 1960s that the party was able to finance a permanent national office. Even then, 'raffles and complex round robin type collecting schemes' were used to meet expenditure shortfalls (Watson, 1973: 344). The situation for the federal Liberals was more fraught; state divisions resisted transferring funds to the national organization and sought to frustrate their national counterpart's access to corporate donors (Overacker, 1932: 223; West, 1965: 238).

In response, federal Labor pursued corporate donations, which constituted a growing revenue source from the 1970s (Watson, 1973: 344). During this period, both parties' fundraising activities professionalized more generally, although the Liberals were more advanced because of their early adoption of paid professional organizers (Hughes, 1963: 651). Member bingo nights, fetes, and dances gave way to high-priced, exclusive 'dinners and other diversions' affording participants opportunities to mingle with party elites (Starr, 1977: 121). By the late 1990s, such activities were highly professionalized and transformed into political fundraising forums targeted primarily at the business community. They also proved useful for concealing donations because membership subscriptions and attendance at fundraising events did not need to be disclosed (Transcript of Public Hearings, 2017: 3.52).

The 1980s marked two important changes to parties' financing. The first was the introduction of state funding in the form of federal election funding and tools of trade allowances paid to parliamentary parties in 1984 (Murphy, 2016: 108–109). Up until that time, state support was indirect, with central party divisions tithing elected members' salaries and leveraging parliamentary entitlements allocated to MPs for election purposes (Loveday et al, 1977). Election funding established a reliable source of income that could be collected by state central party offices. It also proved central, with estimates that 50% to 70% of parties' total income was derived from both direct and indirect public funding (Gauja, 2013: 130).

The second development was the growing emphasis on investment vehicles. Investment vehicles emerged as useful legal devices to consolidate and quarantine income derived from assets, such as bequests, large donations and property (rents and liquidations). The use of investment portfolios and trusts has a complicated lineage. Some of these vehicles have nefarious origins, designed to circumvent disclosure requirements. Administered at arm's length from the party by partisan appointed directors, such vehicles accepted donations, which were then aggregated into the fund's capital. The income from the invested capital was then donated to the party, with the original source of the donation hidden (Somes, 1998: 179).

While the search for finance is unceasing, the methods and strategies used by parties have changed, with much of the activity centralized in central party organs, less ad hoc, and more professionalized.

Method and approach

We draw most of the data from the Australian Election Commission (AEC) financial disclosure registry. While relatively detailed, these data have limitations, stemming from incorrect reporting from relevant organizations as well as inaccurate coding and transcription (Edwards, 2018; Ratcliff and Halpin, 2021). Further, the AEC register of AEs is arguably incomplete, as it is partly reliant upon self-nomination by qualifying organizations. Entities that might or should be considered associated with a party do not always disclose their relationship (Gosford, 2014). Conversely, some now-registered AEs categorically reject that they are an AE (Taylor, 2016). At the time of writing, there were 180 AEs recorded in the AEC's *Transparency Register* (Australian Electoral Commission, 2022).

The Australian regulatory framework captures organizations as varied as unions, think tanks, advocacy networks, investment vehicles and trusts. As we are interested in the commercial ventures of political parties, we limit our examination to those AEs primarily engaged in

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commercial activity. Hence, we exclude affiliated unions or other kinds of interest groups on the grounds that the primary purpose of such entities is not the generation of income for their linked party. Party think tanks are excluded on similar grounds (Miragliotta, 2021).

For commercially oriented AEs, we examine four annual reporting periods, spanning two-and-a-half decades: 1998–1999, 2001–2002, 2010–2011, and 2019–2020. These time periods were selected due to (i) 1998–1999 being the earliest reporting year for which data are available, (ii) each reporting year coinciding with a federal election, and (iii) the latter three periods being spaced roughly a decade apart, which allows us to identify notable changes among commercial AEs and related party financing.

Financial flows between AEs and parties in annual returns are categorized as either a 'donation' or 'other receipt'. The former refers to a 'gift' under law; that is, a transfer of money or property without exchange for something of equal value. The latter category is an opaque collection spanning receipts of investment returns, fundraising dinners, and payments for services. Where relevant, we maintain this distinction in analysis, but it is not always helpful – for example, when considering total flows from a party's associated investment vehicle – and thus, we occasionally collapse the two categories.

The data analysis proceeds in three stages. First, we classify all active AEs as a commercial or other entity, where 'active' is defined as having made a financial transfer of any kind to an affiliated party. Each commercial AE is then coded based on the type of commercial activity in which it engages, producing a typology of party-affiliated commercial entities. These cover professionalized fundraising organizations, trusts and investment vehicles, and commercial businesses. We employ an iterative, deductive, team-based coding approach from which categorization emerges by consensus (Cascio *et al.*, 2019). Coding is based on publicly available information for each AE, including organization and party websites, media reports, parliamentary Hansards and financial disclosure data. Second, we conduct an exploratory mapping of political party and AE financial disclosures, generating data showing the quantum and types of party commercial activity. Third, we analyze four case studies, illustrating our types of commercial AEs and key differences across parties. Specific cases are selected not only on size of financial contribution, but also on ability to access public information about the entities themselves (something that is not equal across AEs).

Party commercial activities: a typology (RQ1)

To parse the commercial activities that parties engage in, we have identified and categorized commercially oriented AEs affiliated with Labor and the Liberals (RQ1). Fifty-nine AEs with a clear commercial orientation have financed one of Australia's major parties in at least one of the reporting periods examined (see online Appendix Table A1 for full list). The majority (43 of 59) of AEs affiliate with the Liberals, either at the federal or subnational level. However, as our mapping in the next section shows, this discrepancy is not necessarily due to greater Liberal commitment to generating funds through commercial activity. Rather, Labor tends to concentrate efforts in fewer and better-resourced entities relative to highly local organizations established by the Liberals.

Among these 59 entities is considerable diversity in operation, structure, and form of commercial activity. Yet, there are clear similarities allowing for categorization. From the coding and classification technique outlined above, three distinct types of commercial entities emerge: professionalized fundraising organizations (e.g., pay-to-attend events), investment portfolios (including trusts) and businesses providing goods and/or services.

Businesses are entities that earn income from goods or services. Such entities often have a separate legal and business identity. Businesses constitute the smallest subset owing to the costs associated with their creation and maintenance.

Professional fundraising vehicles are entities that raise money by organizing paid events generally hosted by the party. Some such entities are internal to the national or subnational

Table 2. Party receipts from commercially oriented AEs, 1998–2020 ($)

	1998–1999	2001–2002	2010–2011	2019–2020
Liberal				
Federal	500,000	1,825,000	566,100	550,000
NSW	3,326,291	100,000	1,809,000	0
Vic	1,585,000	530,304	5,047,504	4,407,493
Qld	0	161,335	4,234,282	2,026,289
WA	0	51,363	200,000	27,938
SA	22,000	76,942	30,000	0
Tas	113,000	27,500	0	0
ACT	27,364	90,925	0	0
NT	0	0	0	0
Total	*5,573,655*	*2,863,369*	*11,886,886*	*7,011,720*
Labor				
Federal	1,300,000	2,485,000	4,263,749	752,038
NSW	3,636	0	1,000,000	0
Vic	0	173,906	824,000	223,557
Qld	3,376,703	940,000	1,320,000	1,180,008
WA	0	0	0	0
SA	32,643	1,125,549	331,655	67,535
Tas	5,000	0	0	0
ACT	277,917	459,064	624,712	743,522
NT	24,870	0	0	0
Total	*5,020,769*	*5,183,519*	*8,364,116*	*2,966,660*

division of the party, with an office in party headquarters and staffed by party personnel. However, others are established by party politicians to raise money for campaigns and other political activities in their electoral division.

Investment portfolios are vehicles that generate income from party-owned financial assets, such as stocks and bonds, real estate or any other type of asset. Parties' investment portfolios are often placed in a trust to render these assets and the investment decisions taken in relation to them at arm's length from the party.

Commercial activity: mapping flows, quantum, and type (RQ2)

How much revenue do parties' commercial entities generate and what is the relative contribution commercial funds make to financing parties (RQ2)? Table 2 shows considerable fluctuation in total party receipts stemming from commercially oriented AEs, with clear variation between and within parties. As the data provide snapshots of four disclosure years over two decades, any inferences relating to temporal change must be made cautiously. Rather, what is more interesting is: one, the nominal amount of party financing derived from commercial activity; two, the discrepancy between Liberal and Labor; and three, the concentration of commercial AE receipts in specific state party branches.

Commercial AEs generate substantial donations and other receipts for both parties – near A $11.9 million for the Liberals in 2010–2011. Indeed, the Liberal's commercial affiliations tend to produce greater funding. Yet, this observation does not necessarily hold across all jurisdictions. For instance, federal Labor consistently attracts far greater commercial AE transfers than its federal Liberal counterpart. In contrast, the Liberals show a cluster of commercial AE funds in their Victorian and Queensland subnational divisions.

It is intuitive that subnational branches in the more populous states would be affiliated with, and attract higher funding from commercial AEs; yet this is not consistently the case. For instance, one small subnational division of Labor (ACT) has received regular commercial funds through its ownership of bars and restaurants with gambling facilities (see Canberra Labor Club (CLC) case study below).

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Table 3. Commercial receipts/total party receipts by jurisdiction, 1998–2020 (%)

	1998–1999		2001–2002		2010–2011		2019–2020	
Jurisdiction	Labor	Liberal	Labor	Liberal	Labor	Liberal	Labor	Liberal
Federal	6.4	4.0	9.9	9.0	11.5	1.6	8.0	4.2
NSW	0	20.5	0	0.7	6.4	8.1	0	0
Vic	0	15.4	2.4	4.4	5.2	26.8	2.3	32.8
Qld	47.5	0	16.2	5.4	16.6	34.2	15.2	19.5
WA	0	0	0	1.3	0	2.7	0	0.9
SA	2.6	0.8	30.1	1.5	12.6	0.6	3.3	0
Tas	1.0	9.3	0	3.0	0.0	0	0.0	0
ACT	60.5	5.4	43.8	9.3	57.6	0	34.1	0
NT	13.1	0	0	0	0	0	0	0
Party	8	10.9	8.5	4.6	10	11.3	5.4	12.2

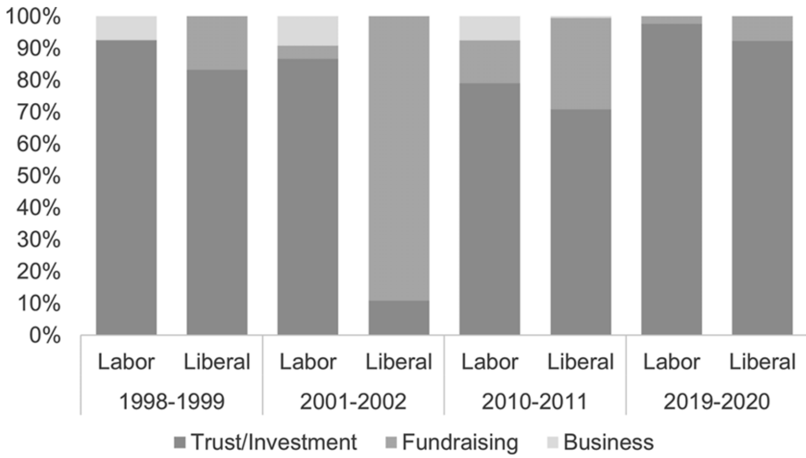

Figure 1. Commercial AE party receipts by commercial AE type, 1998–2020 (%).

But what role do receipts from commercial AEs play in total party financing? Table 3 suggests that the answer varies significantly across and within parties. The table presents the proportion of total party receipts constituted by commercial AE funds for each party division in the four reporting periods examined. Overall, party commercial activity generates roughly 10% of Liberal and 8% of Labor funds, although the aggregated averages differ markedly to some dependencies at the subnational level. Shaded cells highlight instances where the share of party finance contributed by commercial AEs for a branch rises above the total party average.

Proceeds of party-affiliated commercial ventures represent significantly larger shares of party financing for several state and territory branches. Not only does this reinforce the implications for inter-branch power dynamics noted above, but it amplifies both the potential rewards and risks of commercial party income detailed in Table 1. Conflicts of interest and potential for both perceived and actual corruption, broadly defined (Warren, 2006; Power, 2020: ch. 2), are arguably more likely to emerge when such high proportions of party funding are derived from business and investment ventures.

It is principally through investment vehicles that parties benefit from commercial income. Figure 1 aggregates total commercial AE receipts for each party over four reporting periods but distinguishes between the types of commercial activity delineated in our above typology. Except

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for the Liberals in 2001–2002, where professionalized fundraising (mostly by the federal branch) comprised the majority of commercial funds, all other instances show the predominance of investment proceeds. This is despite investment vehicles comprising just 22 out of 59 active commercial AEs.

Of these 22 investment vehicles, a handful of large entities represents a disproportionately large share of party finances. For example, for the A$4.1 million direct donations to federal Labor in 2010–2011, all of which were sourced from trusts and investments, there were just two donors: John Curtin House (JCH) Ltd and Labor Holdings Pty Ltd, both of which center on real estate. Similarly, one organization, Cormack Foundation, contributed nearly 90% (A$2.5 million) of investment vehicle donations ($A2.8 million) to the Victorian Liberals in 2010–2011.

Professional fundraising is significant, especially for the Liberals. The Liberals' fundraising efforts, while professionalized, are also more decentralized, with a series of local, often electoral division-level 'Clubs' contributing the majority of networking and fundraising proceeds. These are mostly affiliated with the Victorian Liberals, but not exclusively; several well-resourced Clubs are also associated with other subnational divisions. Labor has far fewer dedicated organizations, with most funds garnered through large fundraising entities. In contrast, as can be seen in Fig. 1, Labor parties benefit from higher commercial AE business receipts, much of which are derived from a very small number of entities.

Commercial entities in action (RQ3)

We next turn our attention to the third research question, examining the issues posed by parties' commercial activities through analysis of six exemplar entities. We evaluate a commercial business, a fundraising organization and an investment body for both Labor and Liberal parties. These are emblematic and descriptive cases (Burnham *et al.*, 2008: 94), in that they illustrate the opportunities, risks and dependencies between parties and the different classes of commercial entities. The examples selected are also some of the most lucrative commercial entities of each category.

Businesses

Parakeelia

Parakeelia is a database software company registered in 1989 by the then federal Liberal treasurer (Wiese Bockmann, 2004). Wholly owned by the Liberals, its company directors are usually prominent Liberal figures. Since 1997, the company's registered address has been the federal Liberal headquarters in Canberra.

Parakeelia describes its principal activity as 'database management and market research'. Its business model is predicated on the sale of its Feedback software to Liberal parliamentarians, access to which is paid for from their parliamentary allowance (Bradley, 2016). In 2015, the average annual subscription charge was $2,500, although charges for individual parliamentarians varied. An examination of Parakeelia's financial accounts by the national auditor, the Australian National Audit Office (ANAO, 2016), in 2009–2010 and 2014–2015 found that a third of its income was derived from the sale of software to Liberal MPs (A$885,000) as well as to other conservative parties, although it is unclear whether the export business continues.

Parakeelia's activities are broadly consistent with the proper purposes of parties to the extent that the database facilitates communication between the party (politicians) and constituents. However, the company's business model raises several challenges. The more substantial of these relate to allegations that the data are collected by taxpayer-funded party staff, which are then (re) purchased by MPs using taxpayer funds (Bradley, 2016). Parakeelia's profits are then transferred to the party, whether as payment for office accommodation or for nebulous 'cash flow' purposes.

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Transfers to the Liberals can be significant, with reports that the company sent just under a million to the party, a fifth of which was a loan that the Liberal party organization reimbursed (Robertson, 2017).

Parakeelia also courts financial risks for the party. In 2020–2021, the company disclosed receipts of A$780,000 and debts of A$1.5 million. While the company's business structure creates legal distance from the party, the Liberals sometimes provide direct subsidies to Parakeelia, for example, approximately A$620,000 in 2014–2015. The ANAO (2016: 6) concluded that 'the company would not have generated profits over the period without the subsidies' paid by the party.

Canberra labor club

Labor established the CLC in 1979. Its principal activity is the management of four licensed club premises and hotel accommodation in the nation's capital, the ACT. The CLC's relationship to Labor is articulated in its stated objectives, the manner of the appointment of the company's board members (Lawson, 2018) and its financial transfers to the party and its associated trusts.

The CLC is the modern incarnation of the social clubs that were a feature of many social democratic parties. Beginning in the 1970s, the organizational form of these clubs changed in Australia, facilitated by the liberalization of liquor licensing laws along with the legalization of automated gambling 'poker' machines (Beer, 2009: 12). During these years, social clubs transitioned into commercial businesses, with a much stronger focus on commercial profit over its more classical integrative role. The CLC exemplifies this commercially oriented turn, even if elements of the old style of party social clubs survives through its member subscriber model and program of community outreach (CLC, 2021: 18). The extent of the CLC's commercialization is evidenced in its earnings and the scale of its activities. In 2021, the CLC's reported assets were A $81 million, with annual revenue income of A$31 million. In addition, the company manages and develops commercial properties, including property development.

A controversy surrounding CLC is its dependence on automated gambling machine revenue. Approximately 61% of the CLC's revenue was derived from gambling in 2021. This creates several vulnerabilities for Labor. First, the party is profiting from an industry that is linked to significant social and economic damage (Murray, 2022). Second, Labor has been susceptible to claims that it is financially beholden to the gambling industry (Ting *et al.*, 2022). Third, the company raised another kind of conflict of interest when it received taxpayer subsidies to surrender some of its gaming machine licenses in 2021 (Lindell, 2021).

Quite apart from ethical and reputational tensions, there are also financial risks. This was highlighted during the COVID – 19 pandemic when government lockdowns forced the closure of the CLC's venues. In the 2020 period, the CLC reported a significant downturn in revenue. Compared with its pre-pandemic period receipts (A$53 million), CLC revenue declined by half (A $26 million). While revenue rebounded in 2021, it was significantly less than the CLC's pre–2019 revenue (A$30 million), encumbering the organization with 'an excess of current liabilities over current assets' of A$5.9 million as at June 2021 (CLC, 2021: 31).

Fundraising and networking vehicles

Enterprise victoria

Enterprise Victoria (EV) is a 'fundraising and events platform' for the Victorian division of the Liberals (Independent Broad-Based Anti-corruption Commission [IBAC], 2020: 3988). Registered in 2011, the EV website describes the entity as a 'business and professional engagement forum' that creates the 'opportunity for senior Liberals to consult with business leaders' (Enterprise Victoria, ND). The entity hosts upward of 50 events in any calendar year. Its business model is based on tiered annual memberships, with corporate memberships ranging from A$14,000 to A $60,000 per annum in 2020. Membership entitles the subscriber to attend different events over the year commensurate with their membership status. However, some events were offered outside the 'package inclusions' at an additional cost (IBAC, 2020: 3994).

The entity's focus on engagement with 'members, donors, corporates [and] individuals' (IBAC, 2020: 3988) is broadly consistent with a party's linkage functions. But the high costs of memberships and their corporate focus render the engagement opportunities exclusive. The forum has also invited concerns that it is used to circumvent the party's obligations under subnational political finance laws. Following tightening of the subnational finance regime in 2018, EV stopped transferring revenue into the party's Victorian account and instead deposited the receipts into a federal campaign fund (IBAC, 2020: 3991; Millar, 2020).

Progressive business

Progressive Business (PB) is the equivalent Victorian Labor fundraising vehicle that has operated since 1999. As explained by one former executive officer, it acts as a 'conduit between a membership base and the elected Victorian party' in order to 'raise philanthropic funds for operational expenses' (IBAC, 2020: 4038) Like EV, it is a membership model that provides opportunities for access to senior Labor figures at paid events held 'weekly to monthly' (IBAC, 2020: 4038). Since its inception, it has been a major donor to state Labor, generating more than A $20 million income, of which A$8 million was donated to the party as at 2021 (Millar and Schneiders, 2021).

PB's corporate focus is reflected in the name of its events ('boardroom lunches' and 'business forums'), the price of entry (ranging from A$1,000 per member to A$500,000), and number of invitees at any event (12 people to several hundred people) (IBAC, 2020: 4041). This raises concerns, as with equivalent forums, of privileged access to party decision-makers. PB has also exposed the party to potential legal jeopardy. A senior subnational Labor minister was reported to have attended a corporate function with a 'probity auditor' organized by PB. In another instance, the anti-corruption agency investigated allegations that a businessperson used the forum to influence government decision-making (Millar and Schneiders, 2021). While no impropriety was confirmed in either case, the party was exposed to reputational harm because of the optics of the relationship between party and elite interests that the forum invites.

Investment entities

John Curtin House Ltd

John Curtin House Ltd (JCH) is a federal Labor investment vehicle. JCH was incorporated in 1975 and has been registered as an AE since 1998. The company is controlled by the national secretariat and its directors are appointed by members of Labor's national executive. Investment decisions are overseen by the board in consultation with an independent wealth management firm. Its net assets in 2021 totaled A$7 million. The two largest sources of revenue were derived from property sub-leases and 'software levies', which is income received from annual levies paid by federal Labor parliamentarians (JCH, 2021: 18).

JCH is one of federal Labor's most reliable donors. However, financial transactions between Labor and JCH are two-way. Transfers consist of 'loans, donations and rent' received from the party for their use of office space leased by JCH. The company is also provided with certain administrative services by the party and is charged a management fee for these services. JCH's most important role is that of party banker. JCH provides 'cash transfers', or loans, to the party, with the expectation that they will be repaid once the party receives its public funding dividend.

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These cash transfers vary by year but between 2020 and 2021, they amounted to A$2 million (JCH, 2021: 18).

JCH created controversy for the party in the 1990s following allegations that it charged a federal government instrumentality above market rent for use of a JCH property while Labor was in office (Cleary, 1993). A royal commission found no illegality (Coultan, 2004); however, critics argued that the party was profiting indirectly, even if lawfully, by renting its leaseholds to the public sector. This situation raises questions about conflicts of interest when such entities profit from the state, especially when the affiliated party is in office.

Cormack foundation

The Cormack Foundation (Cormack) is a Liberal investment vehicle, reported to hold A$90 million in assets (Lacy, 2022). Cormack was established in 1988 from the sale of a radio station license awarded to a precursor party. In 1986, the radio station was sold for A$18.76 million and A $15 million was placed in a trust for the benefit of the Liberals, with the entity's board of directors drawn from Liberal elites.

Although a substantial financial benefactor of the Liberals, Cormack's ownership and control has been contentious. The party discovered that it had limited control over the money held by Cormack because of the manner of the trust's establishment. The trust's arrangements went largely unnoticed until 2016, when the Liberals objected to Cormack awarding several small donations to minor right wing parties. When the board of Cormack refused instruction from the Liberals about transfers, the disagreement resulted in legal action. The dispute led to the state Liberals receiving no donations from Cormack between 2017 and 2018, and the state division reducing its staff and re-mortgaging its headquarters. The legal action was public and costly for the Liberals and Cormack (Baxendale, 2019), with the judgment in the case establishing that Liberal ownership and control of the entity were much weaker than the party understood (25% control versus 66%).

Cormack has sought to expand its holdings from what has traditionally been a portfolio long on blue-chip local equities, by weighing into two funds. The new additions to the portfolio, while yielding dividends, have gone backward in value since the start of this calendar year, eroding $1.2 million from its capital base (Lacy, 2022: 14).

Discussion and conclusion

This study has examined the changing commercial activities of political parties in Australia and highlighted the normative and practical implications. The data and illustrative cases indicate that traditional fundraising techniques and functions have professionalized. There is a stronger corporate focus and greater reliance on investment vehicles to generate income. Investment vehicles especially suggest a distinct decoupling from the dual-purpose orientation that had historically informed much of parties' lawful financing activities. It is from these investments that parties – at least in the Australian case – receive the majority of commercially generated funds.

The nexus between parties and sources of funding has always been fraught, but these developments suggest new complexity. In some cases, the risks observed are simply 'old' risks refreshed, but more sophisticated. In other cases, they constitute a new set of risks that are unexplored in the literature and potentially under-appreciated by regulatory agents. Indeed, the accumulation by (some) parties of significant assets, investments, and business operations poses a challenge to the central aims underpinning party finance regimes of maintaining a 'level playing field' for party competition and upholding political equality (Hopkin, 2004; Kölln, 2016; Orr, 2016). While this article adopts the party as the focus of analysis, party commercial activities have implications for party systems dynamics and democracy more broadly.

Through the illustrative cases, we identified at least five different types of 'party' risk: financial, legal, organizational, ideological and reputational. Two of these risk themes – financial and legal – are well understood. The financial risks include the possibility of the party sustaining revenue loss due to poor investment decisions and/or the vagaries of domestic and global markets. Conflict between the party and the entity can also undermine the party financially if the entity withholds transfers to the party, as occurred with Cormack. These dynamics are especially latent when the entity is either partially or fully autonomous. Further, investment and commercial activities can have high transactional costs and spillovers arising from start-up and maintenance, including costs associated with ensuring the entity's regulatory compliance (see also Gauja *et al.*, 2020). This has occasionally required political parties to prop up AEs financially. Legal jeopardy can arise from party efforts to use their commercial entities to avoid legal scrutiny, while party politicians are more susceptible to anti-corruption investigation for wrong-doing, real or perceived, because of the opportunities for interaction with corporate elites that some of their commercial vehicles invite.

A third set of risks is organizational in nature. Party intra-organizational dynamics can be affected depending on who controls such entities and the revenue generated. This has the potential to nurse tensions across multiple layers of the party: the party and the entity; different organizational wings of the party; and factional/ideological rivalries. For parties operating in devolved and federated settings it might even impact the relationship between the subnational party divisions. Our data, for example, point to concentrations of commercial activity in particular jurisdictions, for instance, in Queensland for Labor and in Victoria for the Liberals. This can result in the privileging of the strategic and electoral interests of financially prosperous divisions over other party divisions.

A fourth set of risks is associated with ideological and/or policy impacts. Broadly speaking, certain commercial activities might come with ideological risks when a party accepts funds from industries that engage in practices that are antithetical to the putative normative policy core of the party. Moreover, the ideational alignment of certain interests around commercial entities might also be used to drive specific policy or ideological agendas. If parties are contested sites of ideology, then those who exert control over lucrative commercial entities also have financial leverage to advance or stymie certain agendas. While the shadowy nature of party financing and party hierarchies makes peering into these dynamics difficult, the case of Cormack is instructive of the ways in which the interests of the entity and the party leadership can come into ideological (and strategic) conflict.

A fifth type of risk, reputational harm, concerns the damage that can be caused to a party's standing because of the nature of the commercial activities that are involved, as was the case of the CLC and its dependency on gambling machines. Reputational harm includes the appearance of impropriety, real or imagined, owing to the party-affiliated enterprise profiting from taxpayers' money, as in the case of Parakeelia.

More importantly, perhaps, the nature of these commercial activities often has a weak connection to the normal purpose of parties. Commercial activities do not always align with party linkage activities (e.g., investment vehicles) and, when it does, such as the fundraising forums, the high cost of membership precludes most voters, undermining political equality and inclusivity of political processes. The more professionalized and financially critical commercially generated income becomes, the greater the risk that it will infuse parties with a more corporate logic, further distancing them from the representative democratic project.

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