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Motives of corporate political donations: Industry regulation, subjective judgement and the origins of pragmatic and ideological corporations

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Abstract

What motivates corporate political action? Are corporations motivated by their own narrow economic self-interest; are they committed to pursuing larger class interests; or are corporations instruments for status groups to pursue their own agendas? Sociologists have been divided over this question for much of the last century. This paper introduces a novel case - that of Australia - and an extensive dataset of over 1,500 corporations and 7,500 directors. The paper attempts to understand the motives of corporate political action by examining patterns of corporate political donations. Using statistical modelling, supported by qualitative evidence, the paper argues that, in the Australian case, corporate political action is largely motivated by the narrow economic self-interest of individual corporations. Firms' interests are, consistent with regulatory environment theory, defined by the nature of government regulation in their industry: those in highly regulated industries (such as banking) and those dependent on government support (such as defense) tend to adopt a strategy of hedging their political support, and make bipartisan donations (to both major parties). In contrast, firms facing hostile regulation (such as timber or mining), and those without strong dependence on state support (such as small companies) tend to adopt a strategy of conservative partisanship, and make conservative-only donations. This paper argues that regulatory environment theory needs to be modified to incorporate greater emphasis on the subjective political judgements of corporations facing hostile regulation: a corporation's adoption of

conservative partisanship or hedging is not just a product of the objective regulation they face, but also whether corporate leaders judge such regulation as politically inevitable or something that can be resisted. Such a judgement is highly subjective, introducing a dynamic and unpredictable dimension to corporate political action.

Introduction

Why do corporations make political donations? And when corporations do donate, do they follow a particular pattern? Are there factions and political blocks within big business, and if so, what motivates the different political tendencies? These questions have animated generations of sociologists, political scientists, and political pundits. Explanations have tended to focus on a few main solutions, with subtle variations within these approaches. Generally we can think of three main explanations: narrow corporate self-interest theories, which argue that political action is largely motivated by the self-interest of individual corporations, interest generally routed in industry or nationality; broader corporate class-interest theories, which argue that corporate political action is largely motivated by the class interests of corporations in general, whether this be in political stability or lower corporate tax rates; and status group interest theories, which argue that corporate political action is motivated by the self-interest of one or another status group – such as managers or the upper-class - who occupy the highest decision-making positions in a corporation.

There are compelling arguments for all three theoretical perspectives. Advocates of each perspective with point towards, respectively, oil companies opposing laws to address climate change (consistent with narrow corporate self-interest theories); business associations putting forward policies that sacrifice short-term profitability for longer term stability (consistent with corporate class interest theories); and companies who, when their directors have attended one particular private school, are more likely to donate to conservative parties (consistent with status group interest theory).

While one can point to such arguments and examples, the task of political sociologists to attempt to identify which, if any, of these theoretical perspectives is more or less consistent with the evidence in any particular country or jurisdiction This paper

examines a unique and extensive dataset of corporate political behavior from a relatively understudied but relevant jurisdiction, Australia. The paper argues that, in the Australian case, the narrow corporate self-interest theories generally, and regulatory environment theory in particular, provide the closest match to the available evidence. I argue that narrow corporate self-interest largely divides corporations according to the type of government regulations which their industry faces. Corporations in Australia are divided into those who face relatively heavy and settled regulation – who tend to adopt a strategy of bipartisan hedging in their political donation (and presumably lobbying) – and corporations in industries facing either little regulation or hostile regulation that is resisted by business – who tend to adopt a strategy of conservative partisanship in their donation behavior.

In contradiction to the other major theories, the analysis finds very little evidence, at least in the Australian case, for differences in donation strategies based on status groups – such as upper-class schooling or membership of businessmen's clubs – and or corporate class interest – such as coordination amongst interlocked directors.

I argue that while regulatory environment theory is compelling, it's scope needs to be widened to take better account of subjectivity. In particular, when explaining the behavior of corporations that face hostile regulation, it is important to incorporate an understanding of the subjective political judgements that drive corporate political action. When corporations face hostile regulation, what matters is not just the regulatory environment, but also the assessment by those leading a corporation, about whether such regulations are 'inevitable' or whether they can be resisted. This judgement about inevitability or resistance is highly subjective and introduces a dynamic, unpredictable element to corporate political donation strategies which is not implied by a mechanical application of regulatory environment theory.

This paper contributes to the literature in four main ways: with a dataset of unprecedented breadth (1,500 corporations and 7,500 directors) and depth (government boards, think tanks and business associations, rich lists, schooling and club membership); with a testing of virtually all major theories of corporate political action; through the analysis of a unique, insightful, and understudied case, Australia; and through arguing for the importance of regulatory environment theory, with an widening of scope to incorporate subjective political judgement.

Given the spatial constraints of an article, and the author's belief in the need for greater understanding of a largely neglected, yet seemingly powerful, theoretical framework, this paper has chosen to focus on being a theoretical and empirical evaluation of regulatory environment theory. While this paper provides substantive consideration of alternative theoretical frameworks, this consideration is less extensive that that given to regulatory environment theory. As such, the paper is best read as a theoretical and empirical argument for regulatory environment theory, with the strongest conclusions, at this stage, being drawn about the Australian case study. More tentative conclusions should be drawn about other theoretical approaches and other national contexts.

Theories of Corporate Class Interest

Theories which conceptualise corporate political action as driven by class interest are some of the most studied in the sociological literature. The two most important of these theories are class cohesion theory and inner circle theory.

Class cohesion theory. Class cohesion theory argues that social connections between corporations, particularly interlocking directorates, are mechanisms by which the corporate community develops cohesive political action. A prediction of class cohesion theory is that corporations sharing a director will show similar political behavior, and it

generally argued that this is a mechanism by which broad class consensus is achieved amongst the corporate community. The evidence for class cohesion theory is mixed. Mizruchi (1992) finds that corporate political donations are not cohesive through shared directorships, but are cohesive through shared directorships through bank boards, suggesting corporations in structurally equivalent positions display similar political behavior. Burris (2005: 271) finds much stronger effects, with effects of shared directorships, and also indirect effects at distances of up to four or five intermediaries.

Inner circle theory. Inner circle theory argues that directors and corporations that are tied to the rest of the corporate community – via interlocks and membership of business policy groups – tend to adopt a 'class-wide' perspective (as against the parochial perspective of an individual corporation) (Useem 1978, 1984). This 'class-wide' perspective gives rise to two types of political behaviors: first, directors and corporations with a 'class-wide' perspective tend to be in the leadership – the forefront – of changes in business political opinion. They tend to be the first group to move when a policy shift takes place in the corporate community (Useem 1978: 228). Second, directors and corporations with a 'class-wide' perspective tend to be more liberal/moderate in their political outlook. This liberal perspective arises from a sensitivity to the long-term interests of the corporate community and the escaping from a narrow, short-term profit orientation (Useem 1984: 114).

Recent studies show that the evidence for inner circle theory is mixed. Martin (1995) found that companies with a Washington, DC, government affairs office were significantly more likely to lobby in favor of national health reforms that included employer mandates, suggesting more socially networked firms were indeed more liberal.

More recent studies (Schuler 1996; Caldeira et. al 2000) however, found little relationship.

Burris (2001) argues that his research shows that while the most interlocked corporations tend to be more politically moderate in their donations, the most interlocked directors are actually more politically conservative in their donations than the average director. He argues that highly interlocked corporations' donation behavior is more a reflection of their location in highly regulated (such as banking and transport) or defense industries. In contrast, centrally-located directors' donation behavior (as individuals, not corporations) reflects their increased class socialization due to their central social role in the business community.

Bond (2004) finds that corporations whose boards contain a large number of executives from other corporations have a decreased propensity to donate to the Conservative Party. Bond also finds that those corporations whose executive directors sit on a large number of external boards tend to be more likely to donate to the Conservative Party. Interlock studies in Australia have tended to not directly measure the effect of interlocks on political behavior (Wheelwright 1957; Rolfe 1967; Murray 2001; Alexander 1998; Carroll and Alexander 1999; Alexander 2003).

Theories of Status-Group Interest

Theories which conceptualize corporate political action as driven by status-group interest fall into two main categories: elite theories and managerialist theories.

Elite theory. Elite theory argues that the politics of corporations reflect the extra-corporate social connections of their directors, particularly directors' personal wealth, their upper-class schooling, membership of exclusive businessmen's clubs, and listing in social registers (Bond 2007; Bond 2004; Domhoff 1998; Mills 1999 [1956]). The mechanism of

action is thought to be a class socializing effect: personal wealth and membership of upper-class institutions subjects directors to the influence of the norms and values of conservative upper-class communities.

Recent studies, particularly in the United Kingdom, show substantial support for elite theory. Bond found that in one year, 50 percent of corporate donations to the Conservative Party in the UK came from a small subset of corporations that are defined by their directors' schooling and club membership (Bond 2003; Bond 2007; Bond, Glouharova, and Harrigan 2010). In the United Kingdom, Bond et. al. (2010) also found that listing in social registers is strongly correlated with directors' membership of the conservative Business for Sterling group. In the United States, Burris (2001: 373) found that listing in the *Social Register* has a strong pro-Republican partisan effect on donations by corporate directors.

Similar effects have been found for director wealth: In the UK, Bond, et. al. (2010) found that extremely rich directors (listed in the *Sunday Times Rich 1000*) are more likely to affiliate to the conservative Business for Sterling. In the US, Burris's (2000) found that the 'old wealthy' (those who inherited their fortunes) are associated with greater donations to the Republican Party, whereas the 'new wealthy' are associated with greater donations to the Democratic Party.

Managerialist theory. Managerialist theory argues that dispersed stock ownership increases the power of managers, and these managers are less committed to profit maximization, and, thus, more open to moderate/liberal political policies (Galbraith 1967: 314-24, Burris 1987: 734). This theory predicts that publically, listed corporations (with dispersed stock ownership) are likely to be more moderate/liberal than privately owned corporations (with a small number of controlling owners interested in profit

maximization). Empirical research in this area is mixed. In Australia, Ramsay, Stapledon, and Vernon (2001) found that publically listed corporations (those listed on the stock exchange) tended to be relatively more bipartisan in their donations (71% to the Coalition), while Proprietary Companies (private companies) tended to make larger proportions of their donations to the Coalition parties (83.4% of donations to the Coalition). In the US, Burris (1987: 738) found no evidence of the effect of manager control on corporate political partisanship.

Theories of Narrow Corporate Self-Interest

The academic literature has four main theories of corporate political action that can broadly be classified as theories of narrow corporate self-interest: Legitimacy tariff theory, core-periphery theory, theories of conservative heavy industry, and regulatory environment theory.

Legitimacy tariff theory. Legitimacy tariff theory hypothesizes that corporations which are foreign-owned will be less likely to engage in publically observable political actions (such as political donations, but not lobbying), so as to avoid the appearance of impropriety associated with foreign involvement in domestic politics (Mitchell, Hansen, and Jepsen 1997; Hansen and Mitchell 2000; Hansen, Mitchell, and Drope 2004).

Core-periphery theory. Core-periphery theory (also called corporate liberalism theory) predicts that large, oligopolistic, and/or capital intensive corporations will be progressive/liberal because they are interested in long-term stability and are profitable enough to make material concessions to other interest groups (Kolko 1964; Weinstein 1981; Domhoff 1967; Burris 1987; Burris and Salt 1990).

Theories of conservative heavy industry. Theories of conservative heavy industry make the exact opposite prediction to core-periphery theory: they argue that large

companies are generally conservative because they have higher fixed costs, little interest in the domestic market, and are the target of populism (Burris and Salt 1990: 342).

Regulatory environment theory. Regulatory environment theory argues that variations in the regulatory environment of a corporation's industry is the most powerful influence generating differences in corporations' donation strategies. (Handler and Mulkern 1982: 29; Burris 2001; Burris and Salt 1990; Burris 1987; Edsall 1984: 107-40; Useem 1984: 160-71; Himmelstein and Clawson 1985).

Regulatory environment theory argues that political corporations can largely be divided into two types: ideological corporations and pragmatic corporations. Ideological corporations adopt a strategy of 'conservative partisanship'. The goal of these corporations is to alter the outcome of elections in favor of conservatives. They aim to move the political center of gravity to the right. This is the natural tendency of corporations, they argue, unless other forces drive them towards pragmatism. Pragmatic corporations adopt a strategy of 'accommodation' to the existing composition of the state. Their aim is to secure and maintain a high degree of access to elected officials. They tend to have important political and economic interests to maintain, and prioritize maintaining these over any longer term, or larger class, goals of conservative forces.

The most elaborate version of regulatory environment theory articulates five regulatory environments which determine whether a corporation adopts either an ideological or pragmatic strategy (Handler and Mulkern 1982: 29-32). I overview and update these for the Australian context in Table 1.

Environment 1 (industries with cooperative regulation) is found in industries with long-standing, industry-specific regulation by the state, such as finance, utilities, transport, and communication. Companies in this sector aim to maintain access to regulators through

a strategy of accommodation, such as bipartisan donations in Australia, or donations to incumbents in the US. Hansen and Mitchell (2000: 894) found that regulation correlated with increased Political Action Committee (PAC) contributions, while Burris (2001: 371) and Burris and Salt (1990) found that regulated corporations showed a marked reduction in propensity to donate to conservative (Republican) candidates.

Environment 2 (industries dependent on contracting and industry protection) is found in industries with either large sales to the government (such as defense contractors), or with a heavy dependency on the government for protection (such as tariffs). These corporations aim to maintain (and possibly extend) sales and protection through a strategy of accommodation similar to corporations in environment 1. Hansen and Mitchell (2000: 894) find that both defense contracts and government contracts correlate with corporate PAC contributions in the US. Burris (2001: 371) and Burris and Salt (1990) find that, consistent with regulatory environment theory, defense corporations, they show a dramatically reduced propensity to donate to conservative (Republican) candidates.

Environment 3 (industries hostile to economy-wide regulation) is found in industries which are in conflict with economy-wide regulatory agencies concerned with environmental protection, equal opportunity, occupational health and safety, and general labor conditions (Handler and Mulkern 1982: 29-32). Industries in this category are generally associated with environmental and labor violations: chemicals, petroleum refining, paper and wood production, metal manufacturing, electoral equipment, motor vehicles, mining, and textiles (Burris 1987). These corporations aim to stop these regulations through conservative partisanship. Hansen and Mitchell (2000: 894) found that highly polluting industries showed a marked increase in PAC contributions, but there have been no quantitative examinations of the impact of environment 3 on political partisanship.

Environment 4 (industries targeted for specific hostile regulation) found in industries which are in conflict with the government over specific hostile industry regulatory action. Industries in this category are nationally and historically specific. In the late 1970s and early 1980s in the US, the oil and petroleum industry was an archetypical example of this type of industry (Handler and Mulkern 1982: 29-32). In mid-2000s Australia, a more appropriate example maybe the tobacco industry, with the widespread regulation of advertising, packaging, and large government sponsored anti-smoking campaigns. Like companies in environment 3, the motive of these corporations appears to be to stop hostile regulations through conservative partisanship.

Environment 5 (industries with little contact with the state) is found in industries which face little or no state regulation, make few sales to the state, and require few state protections (in the form of tariffs or similar measures) (Handler and Mulkern 1982: 29-32). Examples of an environment 5 industries might be, first, a service sector industry such as retail, that is dominated by small firms producing for the local market; or, second, a manufacturing sector, such as light manufacturing, which is dominated by small firms producing largely for export markets that require little state intervention to maintain market access. Corporations in such industries have very few pressures on them to accommodate to the existing composition of the state and, thus, are expected to act according to their conservative ideological disposition, and display conservative partisanship.

[TABLE 1 about here]

The setting: corporate political donations in Australia

Australia is an industrialized liberal democracy of just over 23 million people, with the 12th largest national economy in the world. The Australian political system has a number of characteristics that make it a particularly useful case study of business politics,

in particular: relatively strong political donation laws, a strong political party discipline (unlike the US), and significant corporate political donations to both major parties (unlike the United Kingdom (UK)).

Australia's political donation laws give us confidence that the reported donations are a relatively accurate measure of corporate political preferences. During the period of this study (2005/6), the laws regulating political donations in Australia were seen to be relatively robust. Laws require that all payments (not just campaign donations) to parties and their associated entities must be reported (McMenamin 2013: 71). Both donors and recipients are required to declare payments, though donors are except from this requirement should they consider that they received adequate consideration (i.e. the donor considered the payment as an exchange for goods or services, not a gift). Until 2006, the limit for disclosure of individual donations was $1,500. The system in Australian is, however, not perfect. It is claimed that the Australian Electoral Commission lacks the resources to contest party or donors classification of payments. It is also claimed that certain large party foundations existing to channel anonymous donations to the parties and that it is possible for corporations to circumvent disclosure laws through making multiple small donations to different state branches and from shelf-companies (McMenamin 2013: 72-3).

Australia's strong party discipline gives us confidence that the political donations made reflect party political preferences, as against simply being donations to individual candidates, often based on the candidate's incumbency (as in the US system). The two major parties (the Australian Labor Party and the Coalition[i]) are characterized by party discipline in the form of strong parliamentary whips, internal preselection of candidates,

and party supervision of political donations (McKeown and Lundie 2002; McAllister 1991: 207).

Because there are major political donations by corporations to both Australian parties, these donations provide us with an insight into both conservative and more moderate corporate political action. Corporate donations provide between one-third and half of both major parties' income, and 17,000 out of a total 25,000 donations between 1998 and 2005 (McMenamin 2012: 74).[ii] In this respect, Australia is similar to the United States and is in contrast to the United Kingdom. McMenamin (2012: 84) argues that the reason the center-left party (Labor) in Australia is the recipient of corporate donations is largely a result of its shift towards the political center in the 1980s, and Labor's specific fundraising appeals to business since this time. In contrast, in the United Kingdom, there are virtually no donations from business to the Labour Party. Only 5.3% of British Labour Party funding came from business in 2007 (£1.1 million of £20.9 million total donations) (Rowbottom 2008). In addition, in recent years (since 2004), in the UK there has even been a substantial shift away from corporate donations to the Conservative Party, and towards donations by individuals (Rowbottom 2012: 12). While the UK case study allows us – at least up to 2004 – to study the relationship between corporate politics and conservative political parties, the Australian case allows us to also study the relationship with center-left politics.

Table 2 shows a simple two by three classification table which attempts to capture these unique aspects of the Australian case study, as compared to the United States and the United Kingdom.

[TABLE 2 about here]

Data and Methods

A list of the largest 2000 Australian enterprises and their approximately 7,500 directors (holding 10,000 director positions) in February 2006 was obtained from IBISWorld (which compiles the yearly *Business Review Weekly Top 1000 Enterprises*) (IBISWorld 2006). The directors and corporations were then matched against a range of social, economic, and political datasets. [iii]

The primary unit of analysis is a subset of the IBISWorld Top 2000 Companies: the 1,575 for-profit corporations that have headquarters in Australia. Excluded are 425 enterprises: 284 government-owned enterprises, 86 non-profit corporations, 87 New Zealand-based corporations, and two Papua New Guinea-based corporations. Foreign-owned corporations headquartered in Australia are included in the analysis.

Table 3 contains an overview of the main variables.

[TABLE 3 about here]

Variables.

Political donations. Political donation data was downloaded from the Australian Electoral Commission (AEC) website on 3rd March 2006 (AEC 2006). Donation data was collated on the Australian financial year, so the most recent available data was the 2004/2005 financial year.

Regulated industry. Location in a highly regulated industry was coded as a binary variable. Regulated industries are categorized using Burris's classification (1987) and

matched against the two-digit Standard Industry Codes in the IBISWorld Dataset. The classification system used is listed in Table 4.

[Table 4 about here]

Anti-regulation industry. 'Anti-regulation' industries (Burris 1987) can be broadly characterized as industries in which (1) there is an attempt by the government, by other social groups, or by one or more political parties to regulate the industry and (2) the companies in the industry oppose this regulation. Burris classifies the following industries as anti-regulation: chemical, petroleum refining, paper and wood, metal manufacturing, electrical equipment, motor vehicle manufacture, mining and textiles (Burris 1987: 736). The classification system used is listed in Table 5.

[Table 5 about here]

Defense[iv] contractor. This was measured as membership of the Australian Industry Group Defence Industry Council (Ai Group DIC). The Ai Group DIC included 9 of the 10 companies involved in the Top 30 Projects of the Australian Defence Force (Defence Portfolio 2006), as well as 6 other defense corporations.

Government-owned enterprises, boards and committees. I estimated a corporation's involvement in government decision making by calculating the number of directorship of government-owned corporations held by the directors of that corporation. The government-owned corporations are the 284 listed in the IBISWorld largest 2000 enterprises. This includes 32 federal government bodies (including postal, taxation and scientific boards, the Reserve Bank, the Australian Broadcasting Corporation, and the Export Finance Corporation), 143 state government bodies (including workers' compensation insurance, health, road, energy, rail and water authorities, and superannuation funds), and 75 local government bodies (almost all local councils). 136 for-

profit corporations have one or more directors who serve on these government boards. Almost all of this overlap is at the federal and state level.

Who's Who. *Who's Who in Australia* is used as a measure of social status (similar to social registers in the US), and as a source of information on the school attendance and club memberships of directors (Crown Content 2005a; 2005b). 59.1% of the Australian directors have an entry in *Who's Who*. This sample compares favorably to previous studies: for example, 33.7% of Useem's (1984) UK sample and 30.3% of Bond's (2007) UK sample were found in directories.

Clubs and schools. I reduce the measure of clubs and schools to two variables. For schools, I measure the number of directors of the corporation who were educated at one of 15 exclusive private schools.[v] This list was obtained by comparing the 3,000 secondary schools in Australia on a range of socio-economic and status measures (Write Response 2006). The major method for choosing these schools was (1) quantitative analysis, such as comparisons of school fees, analysis of frequency of appearance in *Who's Who* biographies of upper class individuals, and lists of reciprocal sporting arrangements between schools (such as rugby union competitions); and (2) qualitative writings, such as histories, biographies, and newspaper reports, which gave insights into the status hierarchies between the various private schools in Australia. These two methods converged on a very similar set of 15 exclusive private schools. On reason that this set of 15 schools was chosen, instead of more conventional classification such as simply 'private school' is that private schools in Australia educate upwards of 10% of the population, which while exclusive, does not capture the type upper class elite institution traditionally identified by power elite research: traditionally we are looking for the educational institutions of the top one or two percent of the population. The variable is 'number of exclusive school graduate directors/total number of directors'.

For clubs, a list of the most prestigious 11 businessmen's clubs was identified via a similar method of comparing club members on a range of socio-economic and status measures.[vi] The main method for selection of the most prestigious 11 businessmen's clubs was by analysis of (1) clustering in two social networks developed from quantitative data on the clubs, and (2) qualitative writings, such as histories and newspaper reports, which gave insights into the status hierarchy between the clubs. The network analysis of clubs was conducted on, firstly, the network of reciprocal membership arrangements (which clubs allowed other club members from out-of-state to use their facilities); and, secondly, the network of shared memberships held by those listed *Who's Who* who held two or more club memberships (since people of high status tended to hold membership of the same clubs). Quantitative and qualitative analysis revealed a core of high status businessmen's clubs. It is notable that many of these clubs had reciprocal membership arrangements with exclusive businessmen's clubs in other parts of the world that have been identified as elite by previous writers. The variable is 'number of businessmen's club memberships of directors/total number of directors'.

As both a general measure of status (similar to 'social register' measures in the US), and a control, the proportion of directors listed in *Who's Who of Australia* and *Who's Who of Australian Business* is included as a variable.

Rich 200 list. A dummy variable is created to represent corporations with one or more directors listed in the *Business Review Weekly Rich 200* (BRW 2005). 91 corporations have a director who is listed in the *Rich 200*.

Interlocks with donors. I use two variables to measure cohesive political action amongst donor corporations. Equation 1 provides a formula for calculating the proportion

$$\text{Interlocks with bipartisan donors} = \frac{\text{external board positions on bipartisan donors}}{\text{number of directors}} \quad (1)$$

of directors on the board of bipartisan donors. Equation 2 provides a formula for calculating the proportion of directors on the board of conservative donors.

$$\text{Interlocks with conservative donors} = \frac{\text{external board positions on conservative donors}}{\text{number of directors}} \qquad (2)$$

Number of directors. Board size is measured by a count of the total number of directors.

Number of interlocks. This is the number of director positions held (by directors of a corporation) on the other 1574 corporations in the dataset.

Conservative think tank. A dummy variable was created to represent corporations with one or more directors on the board of a conservative think tank. In total 21 corporations had directors who served on the boards of one of three conservative think tanks: the Sydney Institute, the Institute of Public Affairs and the Centre for Independent Studies (Sydney Institute 2008; IPA 2008; CIS 2008).

Business association leader. A dummy variable was created to represent corporations with one or more directors on (1) the Business Council of Australia's board of directors or policy committees (BCA 2008) and/or (2) the national board of directors or the national council of the other three major national business associations (Ai Group 2008; ABLtd 2006; ACCI 2008).

Listed/Private/Partnership. Almost all companies are classified into one of three types: Public Listed Industrial, Proprietary Company (private) and Partnership. The remainder (such as public trusts) represented a very small subset of the cases and were left out of all three major categories.

Foreign-owned. Companies are labeled as Australian or foreign-owned according to their *IBISWorld* database classification.

Revenue. To control and test for the effect of the size of a firm on its political behavior, the natural log (ln) of the revenue of each firm (measured in $A billions) is included as a variable.

Results

Conceptualizing donation strategies

Overall, 9% of the 1575 corporations made donations. While it may appear that only a small portion of corporations in our dataset donated – 9% of the largest 1575 – three points are important to bear in mind. Firstly, the size of the sample means that a large number of small corporations are included in the dataset. Secondly, the nature of Australian capitalism means that a high proportion (42% of the total) of foreign-owned corporations are included in the dataset. Both smaller corporations and foreign-owned corporations have a significantly lower propensity to donate. If we examine just the 100 largest Australian-owned corporations, we find that 36% make a donation. This level of political activity is comparable with that found in similar countries. For example Bond (2004: 70) found that between 1992-3 and 1996-7 the proportion of the largest 250 UK corporations making a donation varied from a high of 28% in 1992-3, to a low of 9% in 1996-7.

Previous studies have almost universally assumed that donation strategies are best modeled using one or another version of a continuous choice model (Burris 1987: 738; Clawson and Neustadtl 1989; McMenamin 2008; Mizruchi 1992; Ramsay, Stapledon, and Vernon 2001; Snyder 1990). Different corporate donations are treated as part of a continuous spectrum of possible actions: a dollar amount of 'total donation', the size of

donation to a particular party, or some type of index of 'relative preference' for one party or the other. In this section, I argue that, at least in the Australian case, corporations tend to pursue only one of two distinct strategies.

Previous studies have generally assumed two types of continuous dimensions of political action: the first is the size of donation (or 'mobilization'); the second is the 'bias' or 'partisanship' of donations. I will treat each of these assumptions in turn and show their limitations.

(1) A discrete choice model of donation size: For corporations, political donations represent an almost negligible expense, particularly for the largest corporations (Milyo, Primo, and Groseclose 2000, Ansolabehere and de Figueiredo 2003). In 2005/6, of those Top 2000 corporations that made a donation (IBISWorld 2006), the average total donations to the Coalition was $A40,999 while the average donation to the Labour Party was $A37,269 (AEC 2006). The largest donor to both major parties was Macquarie Bank (a major investment bank), which donated $A245,719 to the Coalition and $A239,408 to the Labor Party. There is substantial evidence that these sums represent almost no significant financial cost to major corporations, and that these sums are tiny in comparison to their capacity to pay. For example, the mean donation of the average Top 2000 corporation who made a donation (~$A40,000) was less than the average male salary and only 0.005% (or 1/20,000th) of the average corporations' annual turnover.

The cost of donations is also insignificant when compared to the other political expenses of corporations. Twice the average corporate donation – $A80,000 – would not be enough to hire one proficient full-time lobbyist or government relations manager. Even the $A500,000 spent by Macquarie Bank on political donations was only equal to the

yearly salary which Macquarie Bank paid to the former Labor Premier of New South Wales Bob Carr to work for them (Mitchell 2005).

The cost of donations is also insignificant when compared to political activities financed on an international scale by the Australian corporations in this dataset. The massive bribes paid by Australia's largest corporations as part of the United Nations Iraq Oil for Food program exemplify this. In 2006, it was revealed that Australia's largest corporation, BHP Billiton made a $A5 million 'gift' to the Iraq regime in 1996, and considered making a $A135 million 'loan' with the hope of securing favorable treatment by the regime (Grattan and Schubert 2006). Email records and testimony of BHP executives showed that the $A5 million 'gift' to the Iraqi regime is a completely insignificant sum of money to the management of BHP, and that the major reason the $135 million 'loan' was not made was not out of consideration of the financial cost but rather because of fears that it would *appear* to the public or to courts as a bribe (Grattan and Schubert 2006). In relation to the $A5 million 'gift', one commentator pointed out that this 'tiny' gift was equal 0.05% of the $A10 billion annual profit of BHP Billiton in 2006 (McCrann 2006). In comparison to the 'tiny' $A5 million gift, the average corporate donation of $A40,000 to each major party is infinitesimal.

Given this evidence, do corporate donations matter at all? For political parties they definitely do: they provide a vital source of funding (approximately one-third of total funding), and without it political parties would struggle to remain competitive. For corporations, the picture is less clear. For corporations, political donations represent an insignificant *financial* cost. One possibility is that political donations present a substantial *legitimacy* cost – both to corporations and to politicians. The legitimacy cost may arise from the appearance of impropriety, undue influence, bribery, or corruption, and the

consequent threat that this appearance poses to other priorities of corporate and political elites. This legitimacy cost may lead corporations to desire to make smaller donations, and politicians to desire to receive smaller donations. Regardless, because we do see small donations, in a narrow range, I argue that are better modeled using a discrete decision-making model, based on simple measures such as whether a corporation made a donation (or not).

(2) A discrete choice model of partisanship: The second dimension of strategic choice is the 'bias' or 'partisanship' of donations. In previous studies this has almost universally been modeled as a continuous variable. Partisan bias is generally measured by examining the division of each corporation's donations between the major parties (such as between Democrat and Republican) or between types of candidates (such as between incumbents and radical-conservatives) (Burris 1987: 738; Clawson and Neustadtl 1989; McMenamin 2008; Mizruchi 1992; Ramsay, Stapledon, and Vernon 2001; Snyder 1990).

The problems with a continuous decision-making model of partisanship can be best illustrated by comparing figure 1 and figure 2. Notice how the assumptions made when modeling donations as a continuous variable (figure 1) miss a sharp bifurcation in the data which is shown in figure 2: figure 1 does not include the second peak of corporations who give 90-100% of their donations to the Coalition. The next paragraphs explain in greater detail both these figures themselves, and the problem of modeling political donations as a continuous variable.

[FIGURE 1 about here]

Figure 1 is reproduced from McMenamin (2008). Figure 1 has been simulated based on an OLS regression of the continuous variable McMenamin calls 'bias'. In this model, the dependent variable is the percentage of total donations going to the Coalition,

while the independent variables include firm size, party in government, and party's success in the current opinion polling. We can see in figure 1 that 95% of donations are made by corporations that share their donations fairly evenly between the two major parties, with a bias towards the Coalition. Figure 2 is a histogram of the actual donation patterns of the corporations in the dataset for the current paper: the corporations of the 1,575 companies who made a donation in 2004/5. Figure 2 shows the same clumping in the center of the graph that is found in figure 1. This is created by the donations made by corporations giving to both major parties in approximately even amounts. However, figure 2 also shows a second peak amongst corporations that give almost exclusively to the Coalition (90-100% Coalition).

[FIGURE 2 about here]

Figure 2 shows that the donation behavior of corporations is largely bounded and discrete: over 75% of all donations are made by corporations in just two regions. If we include the tails of these two regions (30-40% Coalition and 80-90% Coalition), then over 90% of donations are accounted for by these two strategies: (1) donating approximately equally to both parties, and (2) donating all or almost all donations to the Coalition-only.

Just as important for this discrete model of corporate donations are (1) the trough between the two peaks and (2) the lack of exclusive donations to Labor-only. These nearly empty areas of the histogram show that certain donation strategies are clearly proscribed. Negligible numbers of corporations give to Labor-only. Even fewer corporations divide their donations 20/80 or 80/20 (either in favor of the Coalition or in favor of Labor).

The solution I propose is to supplement the continuous measures of political donation strategy with two separate binary variables: 'bipartisan donor' (including all corporations that give between 20% and 79.9% of their donations to the conservative parties), and 'conservative donor' (including all corporations which give between 80% and 100% of their donations to the conservative parties).

Statistical modelling

The results of statistical modelling are presented in Tables 6, 7, and 8. Table 6 shows the bivariate Pearson correlations of the dependent and independent variables. Table 7 shows the full models, with all variables included, and Table 8 shows reduced models, where only the regulatory environment theory variables are included, plus two basic controls (ln(revenue) and foreign). In this analysis I will focus on the interpretation of Table 7 (the full models).

The main two dependent variables – bipartisan donor and conservative donor – are modelled in a multinomial logistic regression model, with non-donating corporations providing a stable reference group against which the two donation strategies are compared. These are presented in models 1 and 2 in Table 7 and model 8 in Table 8. The coefficients presented are the change in odds of being a bipartisan or conservative-only donor, as against a non-donor, for a one-unit change in the independent variable.

For the sake of completeness, robustness, and to make this study comparable with previous studies, I include nine other models where the dependent variables are continuous (models 3, 4, 5, 6, and 7 in Table 4, and models 9, 10, 11, and 12 in Table 8). The dependent variable in models 4 and 10 is the percentage of total donations to the conservative parties. The dependent variable for models 3, 5, 6, 7, 9, 11, and 12 are the cubed root of the dollar donation amounts. Dollar donation amounts are cubed to make

the distribution of the dependent variables more normal, while at the same time maintaining the sign (positive or negative) of the dependent variable. This transformation is considerably more elegant than transformations such as ln(x+1) when x can take on a value of zero (Cox 2011: 152-153). Models 3, 4, 9, and 10 are linear regressions, while 5, 6, 7, 11, and 12 are Tobit models. These Tobit models treat the dollar donations by non-donors as left-censored observations (since no corporation can make less than zero dollars donations).

The models show little support for theories of corporate class interest: variables associated with class cohesion theory and inner circle theory are not significant

There is slightly more evidence for theories of status group interest: of the variables associated with elite theory (Rich 200) is significantly associated with conservative donations, generally publically listed corporations (which according to managerialist theory should be associated with an accommodation strategy) is associated with an increased propensity to make bipartisan donation and greater dollar donations to the Labor Party.

Theories of narrow corporate self-interest are considerably more successful. Legitimacy tariff theory seems to be evident in models 1-5, where foreign-owned corporations are less likely to donate to conservatives. There is, however, no association between foreign ownership and bipartisan donors or donations to the Labor Party.

Nether core-periphery theory nor theories of heavy industry seem to make correct predictions with regards to company size (revenue): rather than size leading to any sort of partisanship in either direction, larger company size is associated with a general increase in propensity to make political donations of either type.

The models show moderate to strong support for predictions of regulatory environment theory. Model 1 shows that likelihood of making a bipartisan donation is significantly increased if a company has a director on a government board, located in a regulated industry, or is a defense contractor. Model 1 also shows that conservative political donors are more likely to be located in antiregulation industries. Models 3, 4, 5, and 6 broadly support this finding, with the models where the dependent variable is largely measuring adoption of a conservative donation strategy (Models 3, 4, and 5) showing no significant correlation between donation behavior and holding a position on a government board, while all showing a significant correlation with location in antiregulation industries. In contrast, Labor donations are strongly correlated with location in a regulated industry.

There are some subtle differences between the discrete models (1 and 2) and the continuous models (the rest). Models 3 and 5 show that increased conservative donations are associated with regulated industries (though in model 3 it is only significant at the $p<.10$ level) and defense contractors (only in model 5). This seems to be a product of, firstly, the fact that a significant number of conservative donations were made by bipartisan donors (so conservative donations can be a proxy or indicator of bipartisan donation strategy and its underlying drivers), and, secondly, many bipartisan donors still gave moderately more donations to the conservatives than Labor (so bipartisan can still show a considerable conservative bias in dollar value, particularly when they are donating larger amounts).

An important finding in models 2 and 7 is that all of the measurable relationship between regulated industries and a bipartisan donation strategy (model 2) or dollars of Labor donations (model 7) is actually mediated by financial firms: once financial firms

are controlled for, the relationship between regulated industry and bipartisan donation strategy (or dollars of Labor donations) disappears from our models.

Overall, the size of the effects of regulatory environment theory on our models is substantial: if a corporation has a director on a government board its odds of making a bipartisan donation are two times higher (than corporations without a director on a government board) ($p<.05$). If a corporation is located in a regulated industry, its odds of making a bipartisan donation are 2.3 times higher ($p<.05$), and 2.7 times higher if is a financial institution ($p<.10$). If a corporation is a defense contractor its odds of being a bipartisan donor are 11.7 times higher ($p<.001$). If a corporation is located in an anti-regulation industry its odds of being a conservative donor are 2.1 times higher ($p<.05$).

Ancillary analysis

While statistical modelling provides strong evidence for the operations of environments 1, 2, and 3 of regulatory environment theory, it is important to integrate some ancillary analysis, based on qualitative and quantitative data, to properly understand some of the subtler limitations of regulatory environment theory, and also the strengths and limitations of alternative theories.

Subjective political judgement in industries facing hostile regulation: Both quantitative and qualitative data suggest that to understand the political actions of firms facing hostile regulation, it is important to incorporate an understanding of the importance of the subjective political judgement of leaders of corporations in these industries. While our modeling of environment 3 (industries hostile to economy-wide regulation) shows that firms in an anti-regulation industry have 2.1 times higher odds of being a conservative-only donor (models 1 and 2); and were associated with significant bias in donations towards the conservative parties (models 3, 4, and 5), there is also some

evidence of an association between anti-regulation industries and donating to the Labor Party, but this was only significant in two models and only at the $p<.10$ level (models 6 and 7).

This mild association with labor donations could be being driven by a peculiarity of anti-regulation industries. In particular, the distinction between an anti-regulation and a regulated industry is in some ways simply a matter of a corporation's subjective assessment of their best strategic option. Companies which believe regulation can be stopped by aggressive conservative partisan political action may do so, while those who see regulation as inevitable might adopt a strategy of engagement with both major parties. A qualitative case study of this, provided by Kellow and Simms (2004), showed that in the mining industry in Australia there was a marked transformation of the industry's tactics over the decade of the 1990s, moving from an initial position of active hostility to indigenous and environmental legislation to one of support for negotiation and the regulation of the industry. This subtler conceptualization suggests that when faced with hostile legislation, the political action of a corporation does not flow automatically from the structural position of a corporation but rather depends on the subjective judgment of corporations (and their directors) about effective strategy. For example, in supplementary analysis (available on request), when we break down anti-regulation industries to their constituent industries some industries are strongly conservative (forestry), others undertook a bipartisan donation strategy (oil and gas).

A similar argument can be made based on a qualitative analysis of the tobacco industry in Australia – an industry which should be an example of environment 4 industry (facing industry specific hostile regulation). As mentioned earlier, corporations in the

tobacco industry face a large amount of hostile new legislation, from smoking bans in eating and drinking places, to plain packaging legislation, and advertising restrictions.

Table 5 shows the top three Coalition-only donors in 2004/5, and appears to support the predictions of regulatory environment theory, and the classification of tobacco as an environment 4 industry: two of the three top Coalition-only donors are tobacco corporations.

There is, however, something of a wrinkle in the story of tobacco donations and Australian politics, which suggests that companies in environment 4, like companies in environment 3, base their donation strategy on the basis of political judgement, not only their structural conditions. One of the reasons that tobacco companies are Coalition-only donors is that the Labor Party decided in January 2004 that it will not accept donations from the tobacco industry (Brown 2004). A review of the donation record from 1993 to 2003 shows that 34.9% of all tobacco industry donations during this period went to the Labor Party: $593,000 was donated to the Labor Party during this period, and $1,106,000 was donated to the Coalition parties (Winstanley and Freeman 2015). This suggests that prior to 2004, the tobacco industry in Australia was adopting a bipartisan, hedging donation strategy, and to the extent that it is now adopting a conservative-only donation strategy this is largely a result of Labor Party strategy to distance itself from 'big tobacco', rather than tobacco corporation's choice of a conservative partisan strategy. Corporations' facing hostile regulation do not donate simply based on their industry location, but also based on their subjective assessment of effective political strategy. If corporations facing hostile regulation feel that regulation is inevitable, they may adopt a bipartisan strategy to manage such regulation, as the tobacco industry seems to have attempted to do prior to 2004.

Environment 5 (industries with little contact with the state). There was no evidence in the statistical modeling for the operation of environment 5. In the models, environment 5 should show up as negative coefficients for the effect of government boards, regulated industry, and defense contractors on conservative donations: companies free from the constraints of government should be free to pursue their ideological – that is conservative – agenda.

While this quantitative evidence against the operation of environment 5 is strong, there is at striking qualitative example which suggests that environment 5 may operate as theorized. Note in Table 5, the second largest Coalition-only donor is the Gerard Corporation. This company is owned by a South Australian businessman Robert Gerard, one of the largest and most important donors to the Liberal Party. He is accused of being 'rewarded' for his loyalty with an appointment to one of the highest government boards – the Reserve Bank of Australia (Colebatch 2005; Yaxley 2005). Yet, what is it that drives his high level of conservative politicization? Is he from the mining or forestry industry (environment 3)? No. Is he from the tobacco industry (environment 4)? No. He is from the manufacturing industry. And his company has little contact with the government, has a turnover of just $65 million per year, and it is the 1502nd largest corporation in the dataset. In the context of the other theories put forward in this paper, Gerard Corporation's donation behavior does not make sense. However, according to the explanation/theory of environment 5 it does: Robert Gerard is a businessperson who is free from the constraints of contact with the state – he is in a small, manufacturing company with little government regulation and few, if any, state contracts – and thus he is free to act out his ideological predilections, which, as a businessperson, are towards the Liberal Party of Australia.

Alternate theories: How can we explain, theoretically, the lack of evidence for the predictions of elite theory and theories of corporate class interest? Ancillary analysis suggests that this likely a product of both national differences, and omitted variable bias. Detailed experimentation with simple multivariate models of the Australian data shows that correlations between the variables measuring both elite and class cohesion theories disappear once the correlations are controlled for just two other variables: ln(revenue) and listed (on stock exchange). Large companies and publicly listed companies are more politically active, recruit upper class directors to their boards, have larger boards with more interlocks, an interlocking with bipartisan donors, but in the Australian dataset the correlations between political activity and elite and class cohesion variables appear spurious. Note that size (revenue) must be modeled as the log of revenue: raw revenue does not show a linear relationship with political activity, and, in the simplified models, when raw revenue is used instead, most of the elite and class cohesion variables remain significant.

A review of selected literature on this topic (Burris 1987; Burris and Salt 1990; Burris 2001; Burris 2005; Bond 2004; Bond 2007; Bond, Glouharova, and Harrigan 2010; Martin 1995; Mizruchi 1990; Useem 1984) finds only one study of political behavior of corporations that controls for size (revenue, market value, etc) using the log of size, and no studies that explicitly include public listing as a control variable (though several only sample within listed companies). The one study that did control for log of size (Burris and Salt 1990: footnote 6) includes a footnote that says that they found a similar phenomenon as reported in this study: interlocks – the measure of inner circle theory- was statistically significant when only raw revenue was used as a control, but once log of revenue was included, the evidence for inner circle theory disappeared.

These findings suggest that larger and publicly listed corporations are being motivated and/or enabled to control their external environment – whether through political action, interlocks, or upper class directors – and suggests the centrality of theories of corporate self- interest. Clearly, however, one must be careful to not conclude too much from this one study of corporations in one jurisdiction. It may, as a first step, be helpful to review previous data, if still available, and these two controls (log of size and public listing) in modelling.

Interestingly, it is not variables conventionally associated with regulatory environment theory – such as defense contracts or regulated/anti-regulation industries – which are themselves the likely causes of omitted variable bias in previous studies. Rather, it seems, instead, that regulatory environment theory's strength is to continue to have explanatory power, once other powerful explanatory variables (log of size and public listing) are controlled for.

While this paper's statistical modelling suggests that elite attributes are perhaps less decisive in determining corporate political action than emphasized in previous literature, the Australia dataset still shows a strong predominance of upper-class individuals amongst the directors of large corporations. Table 9, shows that directors of top 100 corporations are nearly 30 times more likely to be members of exclusive clubs, and between three and six times more likely to come from an exclusive school, than a member of the Australian public from their own age cohort.

[TABLE 9 about here]

Similarly, while these findings seem to contradict those which found inner circle theory or cohesion theory to be present in the US and UK (Bond 2004; Burris 2005; Mizruchi 1992; Martin 1995; Useem 1984), there is still significant evidence of cohesion

in the Australian network: of the 1,575 corporations, 461 (29.3%) could reach each other through director interlocks in the giant component. For the top 100 firms, this number rose to 76 firms who could reach each other (through the giant component of the larger network). Clearly, the Australian directors' network is not an atomized and isolated corporate network.

Conclusion

This paper is animated by the desire to understand the motivations for corporate political action. Existing sociological accounts have tended to emphasise three theories of corporate political action: theories of narrow corporate self-interest; theories of corporate class interest; and theories of status groups utilizing corporations for their own ends. To test these various accounts, this paper presents a novel dataset with both breadth and depth: a dataset of over 1,500 Australian corporations and 7,500 directors, with information on corporate political donations, co-directorship with government boards and think tanks, school attendance, and membership of businessmen's clubs.

Theoretically and empirically the paper itself focuses on evaluating – in light of alternative explanations – one theory of corporate political action that was found to be particularly salient in the Australian case study: regulatory environment theory. As such the paper represents a strong test for regulatory environment theory, but a more modest test against alternative theoretical approaches.

The paper finds little empirical support for theories of corporate class interest and domination by upper class status groups. This is surprising in the case of status group theory because business leaders in Australia appear to be quite upper-class: they are affiliated at much higher rates than the general population with a handful of exclusive clubs and private schools. It is also surprising in the case corporate class interest theories

(such as inner circle and cohesion theories), as Australian business leaders form a close-knit circle of elites: three-quarters of the largest 100 companies are connected via interlocking directorates and, through this, can indirectly reach nearly 500 of the top 1,500 corporations through interlocking director ties alone.

The lack of support for these alternate theories may be because previous studies omitted to measure and control for key variables, or it could be explained by national differences between the business communities studied. In the Australian data, log of company size (ln(revenue)) and public listing explain almost all the significant correlations between political activity and variables measuring status and class cohesion theories. It was noted that these controls were largely absent from previous sociological studies of political behavior, and in one study where they were included in the modeling of US data, the evidence for inner circle theory disappeared once a control was included for log of size (Burris and Salt 1990).

It is also, however, entirely possible that much of the differences between this study and others can be explained by national differences. In particularly, with respect to status group theory, it is true that Australian business never managed to create schools with the status dominance of Eton or Harrow in the UK. Attempts were made to make Geelong Grammar such a school for the Australian upper-class, but it seems that geographic distance, and the concentration of population in state capitals, resulted in a schooling system for the Australian upper classes that was fragmented across the capitals of six founding states.

While this study does not find evidence for the effect of status groups and corporate class interests on political donation behavior in Australia, it is important to note that the findings to point to the likely importance of status group theories for explaining

recruitment to, and social mobility within, the corporate elite in Australia. It also suggests that perhaps corporate cohesion – which is substantial in the Australian network – may still turn out to be significant in Australia for forms of political mobilization and action other than political donations.

Instead of domination by corporate class or upper class interests, this paper finds that corporate political behavior in Australia is largely explained by theories which focus on the narrow self-interest of corporations themselves. In particular, the explanatory framework of regulatory environment theory seems particularly compelling. In line with this theory, corporations divide into two main groups: those who adopt a strategy of accommodation, manifest as a bipartisan donation strategy, and those who adopt a strategy of conservative partisanship, manifest as a conservative-only donation strategy. Firms which are located in industries with settled, extensive regulation, or which are dependent on the state for support or sales (environments 1 and 2) tend to show a strategy of accommodation and bipartisan donation, while those located in industries facing hostile regulation (environments 3 and 4) or which are largely unaffected by state regulation (environment 5) tend to adopt a strategy of conservative partisanship and conservative-only donation.

The findings around environments 3 and 4 – companies in industries facing hostile regulation – are, however, not perfectly canonical, and suggest that regulatory environment theory requires modification. The political strategy of companies in industries facing hostile regulation needs to be understood as heavily dependent on the subjective political judgements of the corporate leaders in these industries. This political judgement dependents on whether corporate leaders in these sectors believe that regulation in these industries is inevitable or potentially able to be resisted. When a firm's

leadership believe regulation is inevitable, it seems they do switch strategies from conservative partisanship to accommodation, despite the objective regulation in their industry remaining the same.

This paper has important sociological implications for theorists of corporate political action. The view of Australian corporate politics that this paper presents is a very firm-centered picture. This firm-centered politics may not be central to the politics of all other liberal democracies – the UK and US may show more effect of upper-class institutions, corporate cohesion, and the influence of the inner circle (Useem 1984; Martin 1995; Bond 2004; Mizruchi 1992; Burris 2005; Burris 2001; Bond 2003; Bond 2007; Bond, Glouharova, and Harrigan 2010) – but the Australian case study does provide an example, possibly an archetype, of corporate political action driven by narrow firm-centered economic interests. In Australia, directors' and managers' political decisions appear to be driven by the needs of their individual corporation. The larger class or group goals, whether they be of the upper class, the political right, or the broader corporate elite, are largely subordinated to the firm's own individual corporate goals.

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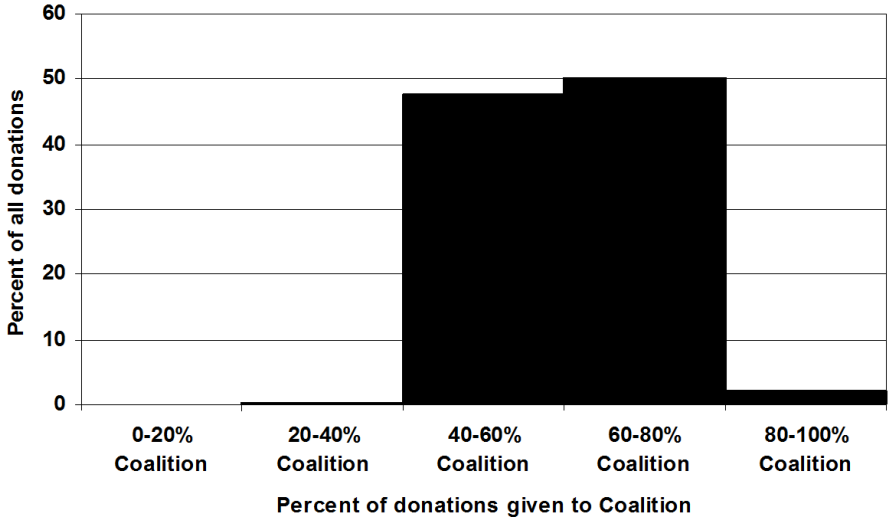

FIG. 1.—Simulated partisanship of business contributions.
Source: McMenamin (2008, 388). Reproduced with permission of the author.

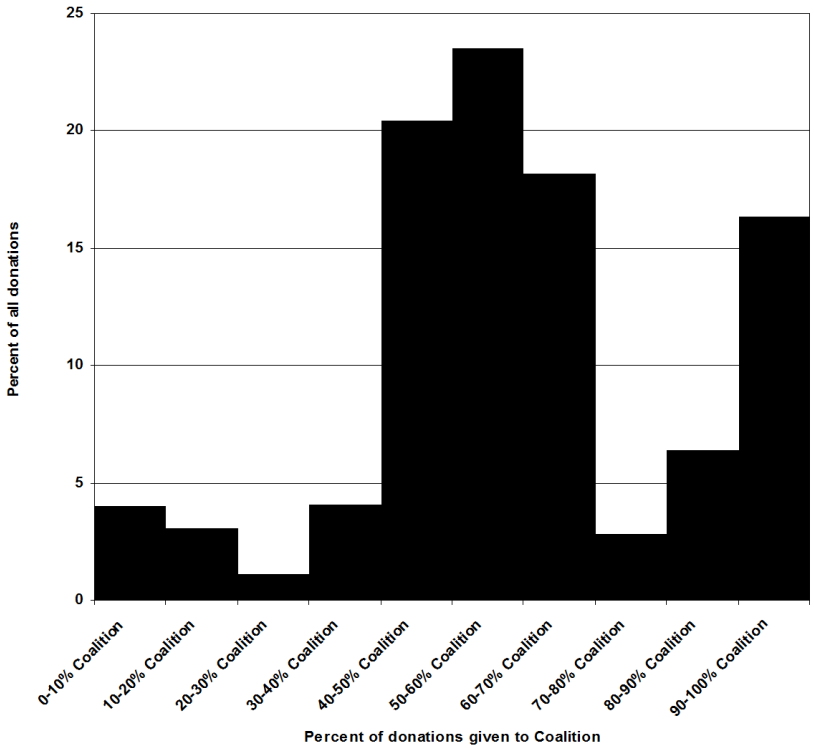

FIG. 2.— Actual partisanship of business contributions. Note: This is a histogram of the donations made in 2004/5 grouped by the partisanship of donating corporations.

TABLE 1

FIVE REGULATORY ENVIRONMENTS
AND THEIR IMPACT ON CORPORATE POLITICAL DONATIONS.

ENVIRONMENT	SUMMARY	INDUSTRIES	MOTIVE	POLITICAL STRATEGY ■ DONATION STRATEGY
Environment 1	Industries with cooperative regulation	Finance, utilities, transport, and communication	Access to regulators	Accommodation ■ Donate to both major parties (Aust) Donate to incumbents (US)
Environment 2	Industries dependent on contracting and industry protection	Defense contractors, industries heavily dependent on sales to government or tariff protection	Access to sales or protection	
Environment 3	Industries hostile to economy-wide regulation	Chemicals, petroleum refining, paper and wood production, metal manufacturing, electoral equipment, motor vehicles, mining, and textiles	To stop 'hostile' regulations.	Conservative partisanship ■ Donate to conservatives (Aust) Donate to Republicans (US)
Environment 4	Industries targeted for specific hostile regulation	E.g. 1970s US: Oil 2000s Aust: Tobacco	To stop 'hostile' regulations.	
Environment 5	Industries with little contact with the state	All industries not in environment 1 and/or environment 2. E.g. small retail firms or light manufacturing.	Lower cost of ideological action.	

TABLE 2
THE US, UK AND AUSTRALIAN POLITICAL SYSTEMS COMPARED.

	Strong political parties	Significant corporate donations to both parties
United States	No	Yes
United Kingdom	Yes	No
Australia	Yes	Yes

TABLE 3
SUMMARY OF MAIN VARIABLES

	Obs.	Mean	Std. Dev.	Min	Max	Non-zero Obs.
DEPENDENT VARIABLES						
Political donations						
Bipartisan donors (20-79% cons.)	1575	0.04	0.20	0	1	68
Conservative donors (80-100% cons.)	1575	0.04	0.19	0	1	61
Total donations (A$)	1575	5896	31178	0	495127	143
Conservative donations (A$)	1575	3577	19068	0	255719	137
Labor donations (A$)	1575	2319	14601	0	239408	98
INDEPENDENT VARIABLES						
Regulatory environments theory						
Environments 1 & 5						
Government board	1575	0.12	0.43	0	5	136
Regulated industry	1575	0.17	0.38	0	1	270
Environments 2 & 5						
Defense contractor	1575	0.01	0.10	0	1	15
Environment 3						
Anti-regulation' industry	1575	0.20	0.40	0	1	310
Elite theory						
Dir in Who's Who	1575	2.88	2.80	0	16	1249
Dir in Clubs	1575	0.46	1.08	0	10	361
Dir from Schools	1575	0.21	0.55	0	5	247
Rich 200 List	1575	0.06	0.23	0	1	92
Class cohesion theory						
Interlocks with bipartisan don.	1575	0.17	0.53	0	5	182
Interlocks with conservative don.	1575	0.09	0.32	0	3	122
Inner circle theory						
No. directors	1575	4.43	2.64	1	17	1575
No. interlocks	1575	1.39	2.63	0	19	614
Conservative think tank	1575	0.01	0.11	0	1	21
Business association leader	1575	0.05	0.21	0	1	75
Managerialist theory						
Listed	1575	0.26	0.44	0	1	417
Private	1575	0.53	0.50	0	1	828
Partnership	1575	0.01	0.12	0	1	23
Legitimacy tariff theory						
Foreign-owned	1575	0.42	0.49	0	1	657
Core-periphery theory						
Revenue (A$bil)	1575	0.75	2.63	0.05	40.85	1575
ln(Revenue)	1575	-1.36	1.17	-3.00	3.71	1574

TABLE 4
REGULATED INDUSTRIES

Burris classification	ANZSIC – 1993	ANZSIC - 2006	ISIC Equivalent
Transport	61 - Road Transport 62 - Rail Transport 63 - Water Transport 64 - Air and Space Transport 65 -Other Transport 66 – Services to Transport	46 – Road Transport 47 - Rail Transport 48 - Water Transport 49 - Air and Space Transport 50 Other Transport 52 - Transport Support Services	49 - Land transport and transport via pipelines 50 – Water transport 51 – Air transport 52 - Warehousing and support activities for transportation
Utilities	36 - Electricity and Gas Supply 37 – Water Supply, Sewerage and Drainage Services 71 – Communication Services	26 - Electricity Supply 27 – Gas Supply 28 - Water Supply , Sewerage and Drainage Services 58 - Telecommunication Services	351 - Electric power generation, transmission and distribution 352 - Manufacture of gas; distribution of gaseous fuels through mains 36 – Water collection, treatment and supply 37 – Sewerage 61 - Telecommunications
Finance, Banking, Insurance	73 - Finance 74 - Insurance 75 – Services to Finance and Insurance	62 - Finance 63 - Insurance and Superannuation Funds 64 - Auxiliary Finance and Insurance Services	64 - Financial service activities, except insurance and pension funding 65 - Insurance, reinsurance and pension funding, except compulsory social security 66 - Activities auxiliary to financial service and insurance activities
Drugs	No equivalent two digit SIC. See: Manufacture (2543); Wholesaling (4796) of Pharmaceuticals	No equivalent two digit SIC. See: Manufacture (1841); Wholesaling (3720) of Pharmaceuticals	21 - Manufacture of pharmaceuticals, medicinal chemical and botanical products

TABLE 5
ANTI-REGULATION INDUSTRIES

Burris classification	ANZSIC – 1993	ANZSIC - 2006	ISIC Equivalent
Electrical Equipment, Motor Vehicle Manufacture	28 - Machinery and Equipment Manufacturing	23 - Transport Equipment Manufacturing 24 - Machinery and Equipment Manufacturing	26 - Manufacture of computer, electronic and optical products 27 - Manufacture of electrical equipment 28 - Manufacture of machinery and equipment n.e.c. 29 - Manufacture of motor vehicles, trailers and semi-trailers 30 - Manufacture of other transport equipment
Metal Manufacturing	27 - Metal Product Manufacturing	21 - Primary Metal and Metal Product Manufacturing 22 - Fabricated Metal Product Manufacturing	24 - Manufacture of basic metals 25 - Manufacture of fabricated metal products, except machinery and equipment
Paper and Wood,	23 - Wood and Paper Product Manufacturing	14 - Wood Product Manufacturing 15 - Pulp, Paper and Paperboard Manufacturing	16 - Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials 17 - Manufacture of paper and paper products
Mining; Chemical, Petroleum Refining,	12 - Oil and Gas Extraction	7 – Oil and Gas Extraction	6 - Extraction of crude petroleum and natural gas
Chemical, Petroleum Refining,	25 - Petroleum, Coal, Chemical and Associated Manufacturing (excluding Manufacture Pharmaceuticals - 2543)	17 - Petroleum and Coal Product Manufacturing 18 - Basic Chemical and Chemical Product Manufacturing (excluding Manufacture Pharmaceuticals - 1841)	19 – Manufacture of coke and refined petroleum products 20 - Manufacture of chemicals and chemical products
Mining	11 - Coal Mining 13 - Metal Ore Mining 14 - Other Mining 15 - Services to Mining.	6 – Coal Mining 8 - Metal Ore Mining 9 - Non-Metallic Mineral Mining and Quarrying 10 - Exploration and Other Mining Support Services	5 - Mining of coal and lignite 7 - Mining of metal ores 8 - Other mining and quarrying 9 - Mining support service activities
Textiles	22 - Textile, Clothing, Footwear and Leather Manufacturing	13 - Textile, Leather, Clothing and Footwear Manufacturing	13 - Manufacture of textiles 14 - Manufacture of wearing apparel 15 - Manufacture of leather and related products

TABLE 6
PEARSON CORRELATIONS

Outcome variable	Bipartisan donor (20%-79% cons.)	Conservative donor (80%-100% cons.)	∛(cons.-Labor)($)	% cons.	∛cons.($)	∛Labor($)
Regulatory enviroment theory						
Environments 1 &5						
Government board	0.17 ***	0.04 +	0.06 *	0.13 ***	0.18 ***	0.22 ***
Regulated industry	0.09 ***	0.01	0.05 *	0.06 *	0.09 ***	0.09 ***
Finance	0.11 ***	0.02	0.08 **	0.08 **	0.12 ***	0.12 ***
Environments 2 & 5						
Defence contractors	0.08 **	0.05 +	0.03	0.07 *	0.09 ***	0.09 ***
Environment 3						
Antiregulation industry	0.01	0.04 +	0.04 +	0.04 +	0.01	-0.01
Elite Theory						
Dir in Who's Who	0.19 ***	0.08 **	0.05 +	0.16 ***	0.22 ***	0.25 ***
Dir in Clubs	0.17 ***	0.05 *	0.02	0.13 ***	0.19 ***	0.23 ***
Dir from Schools	0.16 ***	0.07 **	0.08 **	0.14 ***	0.20 ***	0.21 ***
Rich 200 List	0.08 **	0.08 **	0.09 ***	0.11 ***	0.15 ***	0.11 ***
Class cohesion theory						
Ties to bipartisan donor	0.17 ***	0.04 +	-0.02	0.12 ***	0.21 ***	0.28 ***
Ties to conservative donor	0.10 ***	0.03	0.03	0.09 ***	0.12 ***	0.14 ***
Inner circle theory						
No. directors	0.15 ***	0.04 +	0.02	0.11 ***	0.16 ***	0.20 ***
No. interlocks	0.20 ***	0.07 **	0.04 +	0.16 ***	0.25 ***	0.29 ***
Conservative think tank	0.11 ***	0.03	0.03	0.08 **	0.11 ***	0.10 ***
Business assoc leader	0.08 **	0.05 +	0.04 +	0.09 ***	0.13 ***	0.14 ***
Managerialist theory						
Listed	0.16 ***	0.05 *	0.03	0.13 ***	0.16 ***	0.19 ***
Private	-0.12 ***	-0.04 +	-0.01	-0.10 ***	-0.12 ***	-0.14 ***
Partnership	0.08 **	0.09 ***	-0.04 +	0.10 ***	0.08 **	0.09 ***
Legitimacy tariff theory						
Foreign	-0.09 ***	-0.07 **	-0.05 *	-0.11 ***	-0.11 ***	-0.10 ***
Core-periphery theory						
ln(revenue)	0.21 ***	0.09 ***	0.11 ***	0.19 ***	0.27 ***	0.27 ***

NOTE.
+ P < .10.
** P < .05.*
*** P < .01.*
**** P < .001.*

TABLE 7
MODELS OF DONATION BEHAVIOR
(FULL MODELS)

Model	(1) Multinomial logit		(2) Multinomial logit		(3) Linear	(4) Linear	(5) Tobit	(6) Tobit	(7) Tobit
Outcome variable	Bipartisan donor (20%-79% cons.)	Conservative donor (80%-100% cons.)	Bipartisan donor (20%-79% cons.)	Conservative donor (80%-100% cons.)	$\sqrt[3]{}$(cons.-Labor)($)	% cons.	$\sqrt[3]{}$cons.($)	$\sqrt[3]{}$Labor($)	$\sqrt[3]{}$Labor($)
	exp(B)	exp(B)	exp(B)	exp(B)	B	B	B	B	B
Regulatory enviroment theory									
Environments 1 &5									
Government board	1.98 *	1.24	1.99 *	1.25	1.22	0.00	9.92	15.85 *	15.04 *
Regulated industry	2.27 *	1.52	1.31	1.12	1.30 +	0.01	16.38 **	19.85 **	6.57
Finance			2.73 +	1.84					24.08 *
Environments 2 & 5									
Defence contractors	11.65 ***	4.16	11.30 ***	4.16	2.79	0.04	42.56 **	48.98 **	47.75 **
Environment 3									
Antiregulation industry	1.45	2.13 *	1.48	2.14 *	1.22 *	0.02 *	12.06 *	10.58 +	10.77 +
Elite Theory									
Dir in Who's Who	1.10	1.16	1.11	1.17	-0.05	0.00	2.81	3.41	3.48
Dir in Clubs	0.93	0.88	0.90	0.87	-0.58	0.00	-1.66	-1.56	-2.09
Dir from Schools	1.16	1.28	1.14	1.27	1.34	0.01	2.25	1.46	1.13
Rich 200 List	1.55	1.91	1.56	1.88	2.11	0.02	17.29 *	10.98	10.56
Class cohesion theory									
Ties to bipartisan donor	0.99	0.79	0.99	0.78	-1.89	-0.02	2.48	5.74	5.80
Ties to conservative donor	0.84	0.79	0.87	0.79	-0.07	-0.01	-3.56	-4.52	-3.74
Inner circle theory									
No. directors	0.94	0.89	0.95	0.89	-0.08	0.00	-1.68	-1.00	-0.72
No. interlocks	0.99	1.02	0.99	1.03	0.15	0.00	0.19	0.15	0.16
Conservative think tank	2.12	1.87	1.99	1.82	0.19	0.02	16.74	5.62	4.04
Business assoc leader	1.08	1.26	0.99	1.21	1.01	0.00	5.52	4.20	1.72
Managerialist theory									
Listed	2.51 *	1.02	2.84 *	1.09	0.23	0.00	10.79	19.40 *	22.71 **
Private	1.29	1.36	1.58	1.51	0.65	0.00	6.84	10.31	15.51
Partnership	14.78 ***	8.90 **	18.63 ***	9.93 **	-3.08	0.02	59.23 ***	67.29 ***	72.47 ***
Legitimacy tariff theory									
Foreign	0.63	0.42 *	0.64	0.42 *	-1.22 **	-0.02 **	-14.85 *	-5.91	-5.68
Core-periphery theory									
ln(revenue)	1.57 ***	1.40 **	1.58 ***	1.41 **	0.84 **	0.01 *	10.63 ***	8.95 ***	8.98 ***
Constant	0.03 ***	0.05 ***	0.02 ***	0.04 ***	2.22 *	0.53 ***	-69.28 ***	-95.10 ***	-99.20 ***
Sigma							47.96	46.87	46.40
Number of obs. (n)	1575		1575		1575	1575	1575	1575	1575
R^2/Pseduo R^2	0.14		0.14		0.04	0.03	0.08	0.11	0.11
Left-censored obs.							1438	1477	1477
Uncensored obs.							137	98	98

NOTE.
+ *P* < .10.
* *P* < .05.
** *P* < .01.
*** *P* < .001.

TABLE 8

MODELS OF DONATION BEHAVIOR

(REGULATORY ENVIRONMENTS THEORY VARIABLES & SIMPLE CONTROLS)

Model	(8) Multinomial logit		(9) Linear	(10) Linear	(11) Tobit	(12) Tobit
Outcome variable	Bipartisan donor (20%-79% cons.)	Conservative donor (80%-100% cons.)	$\sqrt[3]{}$(cons.-Labor)($)	% cons.	$\sqrt[3]{}$cons.($)	$\sqrt[3]{}$Labor($)
	exp(B)	exp(B)	B	B	B	B
Regulatory enviroment theory						
Environments 1 &5						
Government board	2.29 *	1.18	0.56	0.05 *	15.12 *	24.30 ***
Regulated industry	1.85 +	1.28	1.07 +	0.02 +	13.06 *	16.49 **
Environments 2 & 5						
Defence contractors	9.97 **	4.22 +	2.59	0.15 +	43.74 **	48.57 **
Environment 3						
Antiregulation industry	1.37	1.83 +	1.17 *	0.03 *	10.72 +	10.22
Controls						
Foreign	0.36 **	0.35 **	-0.96 *	-0.05 ***	-26.68 ***	-23.34 ***
ln(revenue)	1.75 ***	1.45 ***	0.67 **	0.03 ***	13.96 ***	13.95 ***
Constant	0.07 ***	0.07 ***	1.92 **	0.11 ***	-50.55 ***	-64.55 ***
Sigma					49.44	49.44
Number of obs. (n)	1575		1575	1575	1575	1575
R^2/Pseduo R^2	0.11		0.02	0.06	0.06	0.08
Left-censored obs.					1438	1477
Uncensored obs.					137	98

NOTE.
+ P < .10.
** P < .05.*
*** P < .01.*
**** P < .001.*

TABLE 9

PROPORTION OF DIRECTORS AFFILIATED WITH EXCLUSIVE SCHOOLS AND BUSINESSMEN'S CLUBS^

	11 Exclusive Businessmen's Clubs		15 Top Boys' Private Schools	
	Dir.	%	Dir.	%
100 Largest Co. . .	205#	28#	91	12.4
1575 Largest Co. .	730#	10.5#	328	4.7
Australian pop. . .		0.7 – 1.3+		2.0 – 4.0*

These figures include some double-counting as some directors are member of more than one club.

+ Percentage of Australian males aged 45-64 who are members of 11 exclusive businessmen's clubs: I assume each club has between 1,500 and 3,000 members, and that their membership ranges in age from 45 to 64 and is all male. According to the Australian Bureau of Statistics, in 2005 there were 2,490,000 men between the ages of 46 and 64 (ABS 2013). Based on this there were 16,500 – 33,000 members of exclusive businessmen's clubs making up between 0.7 and 1.3% of the male population of that age.

* Percentage of men educated in Australia in 1960 who attended one of 15 top boys' private schools: The average age of directors is 60 years, meaning that for directors in 2005, they were in their middle years of secondary school in 1960. The population of 10 to 19 year olds in Australia in 1960 was 1,671,000 (Carver, 1960: 306) or approximately 167,000 per school year. 15 boys' private schools, each educating on average 100-200 students in each grade level, is 1,500-3,000 boys across one whole grade level (say 15 year olds) across all 15 schools in one year. We need to double that to take account of the number of female students from the same social status background. So we expect these students to make up 3,000-6000 out of 167,000 students (and young workers) of the same age, which is about 2-4% of the population.

ENDNOTES

[i] The Coalition being a near-permanent alliance between the major centre-right party, the Liberal Party, and the traditionally rural National Party.

[ii] The two other funding sources for the major parties are government funding and returns on the parties' own investments.

[iii] A 'match' occurred when two directors had two identical identifiers. For example, the same name and working for the same company.

[iv] I have used US spelling 'defense' in the text of this article, and the Australian/British spelling 'defence' in the names of Australian organizations.

[v] The schools classified as 'exclusive private schools' are: Anglican Church Grammar School (QLD), Brisbane Boys College (QLD), Brisbane Grammar School (QLD), Geelong Grammar School (VIC), Melbourne Grammar School (VIC), Scotch College (VIC), Wesley College (VIC), Xavier College (VIC) , Knox Grammar School (NSW), St Ignatius College, Senior School (NSW), Sydney Church of England Grammar School (NSW), Sydney Grammar School (NSW), The King's School (NSW), Aquinas College (WA), Scotch College (WA), Hale School (WA), and Collegiate School of St Peter (SA).

[vi] Athenaeum (VIC), Australian (VIC), Melbourne (VIC), Australian (NSW), Union (NSW), Brisbane (QLD), Weld (WA), Adelaide (SA), Tasmanian (TAS), Launceston (TAS), and Elanora (NSW).