

If Money Talks, What Does It Say About Brexit?

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Political finance scholars have paid little attention to the partisan preferences of business donors. This was because business donors were overwhelmingly concerned with the left-right dimension and enjoyed stable relationships with centre-right parties. These parties are increasingly tempted by nationalist positions on a globalisation dimension. This new ideological flux provides an opportunity to measure the extent to which donors are party identifiers or react to changes in the policy space. Dramatic shifts in party policy on both dimensions and a relatively transparent political finance regime make the UK a particularly apposite case to study this question. I analyse 19,000 donations to the Conservative Party and show that business donors reacted strongly to recent shifts on both the left-right and globalisation dimensions. Thus, centre-right parties cannot rely on party identification and their left-right position to maintain business funding. Economic nationalism costs centre-right parties money.

Keywords: Brexit, political finance, business and politics, Conservative Party, policy space, political parties

Capitalism can be a problem for democratic politicians. The concentration of economic power that capitalism produces challenges the political equality on which democracy is premised. The relationship between capitalism and democracy can be particularly controversial in political finance (Scarrow 2007, 193), where business money can give an important advantage to favoured candidates and parties (Benoit and Marsh 2003; Jacobson 1998; Fisher 1999). Nevertheless, scholars of political finance have paid little attention to the party political preferences of business. This was for the very good reason there was so much stability in the policy space relevant to business and the relationships between political parties and their business funders. This stability made it difficult to assess the strength and nature of business preferences and whether business donations to parties were a rational choice or a relatively automatic party identification. The policy space for business is no longer stable and its party political preferences can no longer be taken for granted.

The consensus on globalisation is teetering. Centre-right parties have to decide whether to adopt nationalist positions on multilateral economic governance. Nationalist populism opens up a second policy and ideological dimension that is vital to business. Political parties may be amenable to business on the left-right dimension, but threatening on the globalisation dimension. This puts business in the difficult political situation of having to decide whether the left-right or globalisation dimension is most important. This dilemma is particularly acute for business funders of political parties. Contemporary British politics offers special opportunities to study this issue. The Conservative Party has spent most of the last two years committed to a so-called “Hard Brexit” that almost inevitably involves reduced access to the largest market for UK business, along with disruption of long-established supply chains. The Labour Party has its most left-wing leader since at least 1983 and the radical left is increasingly prominent at all levels of the party. This is distressing for a business sector that has relied on and bankrolled the Conservative Party as its political representative for a century and, not so long ago, enjoyed the Labour Party also making a claim to be the “Natural Party of Business”. The funders of the Conservative Party need to make up their minds as to which is more frightening, the left-wing politics of Jeremy Corbyn’s Labour or the nationalist foreign economic policy of Theresa May’s Conservative Party.

In the new more complex and fluid policy space, donations to political parties can provide new insights into the preferences of donors and indeed into whether policy positions, or party identification, drive donations. Britain’s system of political finance regulation offers a clearer insight than most because it is relatively permissive and transparent. It is permissive in that there is little constraint on the size, purpose, and timing of donations. They represent their donors’ intentions, not the effects of regulation. It is transparent in that the source and size of many donations is reported. I study 19,000 donations to the Conservative Party between 2001 and the end of 2017. My equations show that Corbyn’s election was associated with a very large influx of donations to the Conservative Party, but that the Brexit vote was associated with a somewhat smaller drop in donations. This suggests a major constraint on the longer-term adoption of a nationalist agenda by the Conservative Party. The Tories risk sacrificing their party’s finances and, therefore, some of their electability, for the sake of a nationalist position in foreign economic policy. This result raises the question of the relative salience of the two

dimensions to business sectors in other countries where national populism appears to be on the rise.

The article proceeds by locating this work in the literature on business and political finance. It argues that an analogy between business donations to parties and electoral behaviour is a useful way to approach political finance in an era of ideological change. Next, I argue that the UK is a good case because the recent policy shifts by both major parties offer variation on the independent variable and the political finance regime allows a relatively clean measure of the preferences of donor businesses. In the empirical section, I study business and individual donations from 2001 to 2017. I also study the impact of the media prominence of the “Hard” and “Soft Brexit” options in the Brexit era. The conclusion summarises implications for political finance theory and party competition in established democracies.

BUSINESS, PREFERENCES, AND POLITICAL FINANCE

Power and preferences have been the two main concerns of scholars of business and politics. For a long time, the literature emphasised structural power (Lindblom 1977; Offe 1985, 170–220). The dependence of democratic politics on the capitalist economy gave business a structural advantage. The threat, or even possibility, of disinvestment was seen as enough to ensure that politicians did as business wished. Structural power made intentional power, principally lobbying and financial donations, both more effective and less necessary. However, there is lots of evidence that democratic politicians defy businesses. Ultimately, office-seeking politicians are elected by voters, not firms, and policy-seeking politicians often want to constrain, rather than facilitate, businesses. The theory of quiet politics asserts that “[B]usiness power goes down as political salience goes up” (Culpepper 2011, 177). When voters and the media are paying attention, politicians are sceptical of business arguments. By contrast, the public have little interest in most of the arcana of public policy that impact business. In these low-salience areas, politicians tend to defer to the expertise of business. Business has a particular “informational privilege” (Bernhagen 2007, 135) that allows it to convince politicians to adopt policies that fully-informed policy-makers would reject as detrimental to their voters’ interests.

Power has also been a concern of the more specific literature on business financing of politics. The nature and the extent of the power of business donations depend on their motivation. Business donors have pragmatic or ideological motivations (Harrigan 2017). “The pragmatic motivation seeks private goods ... pragmatic money is interested money” (McMenamin 2013, 8). It is rare for business to directly buy policy in established democracies. Many of the more convincing accounts of the relationship between donations and policy can be also be thought of in terms of salience and information. Policy-makers are time-poor, as well as information-poor. They cannot give a full hearing to all of the informationally-privileged business actors clamouring to lobby them. Moreover, politicians want to minimise the electoral costs of being perceived to be make decisions for the good of businesses instead of voters. Money can improve access to policy-makers in order to leverage informational advantages in low-salience

areas. In these situations, there is a reciprocal exchange between business donors and politicians. In reciprocal exchanges, each actor's part of the exchange is separately performed and terms are unstated and uncertain (Molm 2000, 261-2). These reciprocal exchanges protect politicians against accusations that they are selling decisions, as there is no direct connection between the donation and public policy (McMenamin 2013, 12). This is one reason that statistical studies find it so hard to demonstrate a relationship between political finance and policy (Stratmann 2017, 12-18). The other is that many donations are ideologically motivated (Ansolabehere et al. 2003; McMenamin 2012, 2). Ideological payments promote a public good. "They express a preference for government based on a particular set of values and assumptions" (McMenamin 2013, 8).

The preferences of business can be studied individually or systemically. The Varieties-of-Capitalism approach offers a persuasive account of how national political and economic institutions shape business preferences over public policy. These institutions were born out of negotiations around the time of the birth of mass democracy and labour unionism. In multi-party systems, right-wing party leaders had incentives to delegate decision-making to business associations and labour unions (Martin and Swank 2012, 3). They believed that a corporatist framework was more beneficial to business than fighting a losing battle in a legislature where farmers' and workers' parties could outvote pro-business parties. By contrast, in two-party systems, the right concentrated on the prize of a majority in the legislature and had much weaker incentives to delegate policy to representative associations. These different origins explain much about the extent to which business acts collectively and its preferences over economic and social policy (Martin and Swank 2012, 227). The "Open Economy Approach" has also focused on the interaction of economic interests and political institutions. The factor model assumes that business preferences will be driven by the relative prices of capital and labour. The sector model argues that business preferences will be shared with employees and other businesses in the same sector. Of course, ultimately these economic interests have to be processed by institutions within the firm (Martin 1995). Majoritarian electoral systems elect politicians in small territorial units, thereby emphasising sectoral preferences, whereas proportional electoral systems elect politicians in large constituencies, thereby facilitating the unity of capitalists.

The approaches mentioned above concentrate on policy preferences, not party preferences. They tend to assume that party preferences follow from policy positions. In the Varieties-of-Capitalism school the importance of political party differences depends on the national institutional comparative advantage. In co-ordinated economies, business associations enjoy deep relations with policy-makers regardless of the composition of government (Hall and Soskice 2001). In liberal economies, government-business relations are more distant and also subject to greater change when there is a governmental turnover. Liberal economies are associated with a more intense business preference for pro-business parties. The factor approach should be associated with a clear identification with the political right, but the sector approach allows for more nuanced partisan preferences, depending on the nature of the sector and common cause with workers. Both, in their different ways, assume that businesses make

a rational choice on the basis of a very or somewhat stable political economy. Neither pays much attention to a radical change in the positions of political parties.

The literature on business and political finance has neglected the preferences of businesses. In relation to ideological contributions, it has taken preferences over policy and between parties for granted. For over a century this has been a relatively safe assumption for many nations because there has been only one relevant dimension of competition and the order of parties on that dimension has not changed. This dimension has been the classic left-right continuum of state intervention versus the free market. The ideological distance between parties changes as does the location of the centre of the policy space. Nonetheless, parties virtually never exchange positions in two-party systems and very rarely do so in multi-party systems. Therefore, there has been an obvious long-term centre-right party, which can receive business funding. This stability has meant that ideological distance, issue salience, and party identification have not been as important in the relationship between business and parties as they have been in the more dynamic electoral market.

Changes in the political preferences of business have substantial ramifications for many of the questions studied by political finance scholars. Regulation affects party competition differently if one party can count on donations from business. If this is so, public funding can reduce the financial advantage of such parties (Katz and Mair 1995, 2009; Van Biezen and Rashkova 2014; Potter and Tavits 2013). Bans, limits, and disclosure requirements can transform a financial advantage for pro-business parties into a financial disadvantage (McMenamin 2015). If some parties receive substantial funding from business, it is hard to resist the conclusion that this will affect public policy when they are in government (Hacker and Pierson 2010). If parties are unequally dependent on business funding, this will influence how they construct their interests in political finance reform (Koš 2011; Scarrow 2004). The way in which broader public policy affects funders will depend on whether those funders represent the business sector (McMenamin 2012, 9-13; Tomashevskiy 2015). If some parties are more dependent on business than others, this will affect public opinion on political finance, especially preferences on the regulation of business donations and the political construction of scandals (Fisher 2015a; McMenamin 2015). Since attitudes to, and relationships with, business are so strongly associated with the left-right dimension, they are an important part of most party systems. When business donations are legal this means party positions on business tend to be also important for political finance. Indeed, if enforcement is weak, the same can be said for countries where business donations are illegal.

The literature on business donations to political parties has paid little attention to the dynamism of parties. This is for the good reasons that only one dimension has been relevant and the order of parties along this dimension has been so stable. Therefore, it is reasonable to think that businesses, unlike voters, have not been faced with a choice. In the absence of changes in the policy space big enough to change the preferred party of business, it has not been possible to assess whether enduring funding relationships are due to party identification on the part of business or the closeness of parties to business in the policy space. A major change to the policy space could potentially reveal much about the policy preferences of donor businesses and the extent to which their donations reflect party identification or a rational choice based on

the party's policies. Ironically, there are some respects in which theories of voting apply better to political finance than they do to voting. Voting is a rare event, the occasion for which the voter does not choose. In some electoral systems, voters are offered a categorical choice and in others they are presented with an ordinal choice. Since donors control when, how often, and how much they donate their donations can potentially provide much more information about their preferences than do the votes of citizens. The next section argues that the UK is particularly apposite case to study this question.

BUSINESS AND POLITICAL PARTIES IN THE UNITED KINGDOM

Business donations to political parties in the UK are largely ideological rather than pragmatic. Businesses do not switch between the two major parties depending on which is in government; they do not hedge by contributing to both; and few contribute to the Labour party at all. Donations to the Conservative Party are dynamic and it is possible that some of this represents an interaction of ideological and pragmatic motivations, such that businesses only donate to their ideologically-preferred partner the Conservative Party, but are more likely to do so when there are pragmatic reasons for donating. In other words, businesses contribute more to the Conservatives when they are in government and when they are popular, and therefore likely to retain, or regain, control of government. Nevertheless, my focus will remain on the ideological motivation, as this is where party political preferences are relevant.

The centre-right Conservative and Unionist Party has been the party of business in the United Kingdom for a century (Fisher 1994). It moved to the right under Margaret Thatcher in the 1980s and then towards the centre under David Cameron from 2005. Being pro-market has not always meant that the party's policies were in the interests of the business establishment. For example, financial deregulation under Thatcher undermined many banks in the City of London. Nonetheless, businesses have only had to think about how much they like Conservative policy, not whether they prefer Labour or the Conservatives. The Labour Party has also travelled along the left-right dimension. It adopted a radical leftist manifesto in 1983 and was dragged to the centre by a succession of leaders. In 1998 Prime Minister Tony Blair even declared that Labour wanted to be the "natural party of business". Nonetheless, business continued to provide substantial funding to the Conservatives, while contributing little to Labour (McMenamin 2011). The Conservatives suffer from a lower income than their Labour rivals (Fisher 2015b, 134; Fisher 2018, 177), who have a greater ability to raise small donations that do not have to be individually declared. In terms of declared donations, from 2001 to 2017, the Conservatives raised fifteen per cent more than Labour. If their income from business had been the same as Labour's they would have raised twelve per cent less in declared donations and been at a substantially greater financial disadvantage.¹

Like other actors businesses look to the leadership for an indicator of the policies of a political party. So, in discussing the contemporary situation, I concentrate on the party leaderships, not

¹ These figures are from the UK Electoral Commission and exclude public funds. Business donations are defined as contributions from companies and limited liability partnerships.

the members or even the parliamentary parties. For one hundred years, business was able to assess politics along one dimension, the left-right continuum. Since the Conservatives were always to the right of Labour, business did not have much difficulty in choosing its favourite. The emergence of Jeremy Corbyn has re-emphasised the importance of this dimension. However, Brexit has introduced a new nationalism-globalism dimension. The Conservative party policy is still centre-right on left-right issues. However, its 'Hard Brexit' policy is a nationalist position that emphasises national sovereignty and local control and is hostile to the pooling of sovereignty with other European countries and any notion of foreign influence over trade policy. Many Brexiteers advocate 'a global Britain', champion free trade and deregulation, and want to pivot away from declining Europe to the dynamism of Asia and Britain's former colonies. They do not propose protectionism or self-sufficiency, but all such trade must happen in the context of national sovereignty. Indeed, national sovereignty, 'taking back control', not a new economic dynamism, often appears to be the ultimate aim (Shrimpsley 2018). For the first time in a century, there is no British party which is clearly pro-business. There is a Conservative Party that is nationalist in foreign economic policy and a Labour Party that is socialist in domestic economic policy. The ideological position of the parties as a whole has moved in the same direction, but much less dramatically than that of their leaderships (Schmitt and Loughran 2017). The Conservative Party has many MPs and members who are concerned about economic consequences of a 'Hard Brexit'. Many Labour MPs still regard Mr Corbyn's ideas as extreme and impractical. The opinions of these politicians will be of little comfort or relevance to British business should the UK leave the EU without a customs union arrangement, or industries be renationalised (Gordon and Pickard 2017).

British business largely supported staying in the EU. However, a small number of variables predicted whether a business was "remain" or "leave": where the headquarters is located, ownership structure, the location of profits or trade, and calculations on foreign direct investment (McKay 2016, 3). The business leaders in favour of leaving the EU traded mostly in the UK and saw a "cost advantage or the opportunity to influence the political process after separation" (McKay 2016, 3). After the vote in favour of leaving the EU, the preference for remain effectively became a preference for a "soft Brexit" over a "hard Brexit". A soft Brexit implies minimal disruption, such as leaving the EU institutions but retaining access to the European single market and therefore remaining subject to the jurisdiction of the European Court of Justice. A hard Brexit implies leaving the single market and usually the customs union too. The UK would have full control over immigration and trade, but would face substantial barriers in trade of goods and services with the EU.

A hard Brexit was the policy of the Conservative government from the Party Conference in October 2016 to at least until the Chequers meeting of the British cabinet in July 2018. The government maintained that divergence in regulation is consistent with continuing frictionless trade with Europe. Critics, including EU negotiators, said this was impossible. So, the implications of the government's position seemed to point towards a harder Brexit than the government's explicit preferences. Labour has been unclear and Mr Corbyn ambivalent for much of the period since the referendum. In February 2018, Jeremy Corbyn gave a speech committing Labour to negotiating a new customs union with the European Union. It was both

unsurprising and amazing that business leaders lined up behind socialist Corbyn. For example, Carolyn Fairbairn, director general of the Confederation of British Industry, said, “The Labour leader’s commitment to a customs union will put jobs and living standards first by remaining in a close economic relationship with the EU” (Kentish 2018).

Obviously, Corbyn and Brexit are unique and highly contingent phenomena. Corbyn had to be persuaded to run for party leader. He aimed to keep the flag flying for socialism in the Labour Party and did not initially regard himself as serious competitor for the leadership. The Brexit referendum resulted from a promise that David Cameron made to quell a rebellious faction in his party. He was not a Brexit advocate and Brexit was very much a minority position in the parliament that approved the referendum. Of course, the Brexit vote itself was only won by 3.8 per cent. Nonetheless, both are particular cases of more general phenomena. The seeming abandonment of the median voter for a more ambitious and inspiring ideological vision is commonplace in politics, even in largely two-party systems like Britain’s. The populist revolt against globalisation is the political theme of the moment. Centre-right parties in many countries, the US, Germany, the Netherlands, Denmark, and Austria, just to name a few, have tacked towards populist positions on immigration and economic globalisation in recent years. The observational equivalence of rational choice and party identification donations is typical of the history of many established democracies. The potential for the emergence of a second dimension in their contemporary politics is also evident in many established democracies. The tumult of recent British politics offers an unprecedented opportunity to study which matters most to the business sector, the left-right dimension or the nationalism-globalism dimension? It also allows us to probe whether donations are motivated by a rational choice or party identification. Next, I introduce the data I use to study these questions.

DATA FROM THE UK ELECTORAL COMMISSION

The data on British political donations, like that generated by perhaps all disclosure regimes other than the USA’s, is under-utilised. I study all 18,963 donations reported by the Conservative Party between 12 February 2001 and 31 December 2017. This represents 6,166 days and approximately 6,212 donors. The data was cleaned to reduce over-counting of donors due to typographical errors, spelling, punctuation, honorific variations, and donations by different sections or brands of the same business. A prominent example of the latter is JC Bamford Excavators, JCB Sales, JCB Research, etc. Nonetheless, there is still some small overcounting of the number of distinct donors. The purpose of the analysis is to assess how this highly politicised section of the business community, the Conservative donors, reacted to the election of Corbyn and the decision to leave the European Union. To this end the observations are daily aggregates. The dependent variable is the number of distinct donors on a given day. This is intended to gauge donor support for the Conservatives. The Electoral Commission classifies donations by the legal status of the donor. I exclude all such categories other than individual, company, and limited liability partnership. This means three categories representing substantial funds are not included. These are public funds, trusts, and unincorporated

associations. The latter two types of donor tend to be fundraising arms of the Conservative Party itself, such as Holborn & St Pancras Conservative Association or the Lord Woolton Luncheon Club.² The other categories are only responsible for small amounts of funding. I combine the legal categories of company and limited liability partnership and label them as business, to indicate the overwhelming probability that they are profit-seeking organisations. The dependent variable is computed for individual and business donors. Due to the regulatory changes of 2010 models are restricted to donations of at least £7,500 to achieve consistency over time.

To control for variations in the pragmatic and ideological motivations over time, I include a number of control variables. First, there is an indicator for whenever the Conservatives are in government. In the British political system, the government is very powerful and the legislature traditionally weak. If government is associated with more donations, this could indicate a pragmatic motivation. Second, there is an indicator for electoral campaigns, defined as the period from the dissolution of parliament to election day. Ideological donors will want to help their preferred party when its need is greatest; pragmatic donors may also calculate that the reciprocation is more likely when money is provided at a time of great need. Third, there is a count of the days since the election. Pragmatic donations should be negatively associated with this variable because the more time a party has in power the more likely it is to be able to deliver a policy benefit. Ideological donations should be positively associated with it, as donors will wish to help their party prepare for a forthcoming election. Fourth comes the Conservatives' lead over Labour as measured by ICM's voting intention polls. Pragmatic donors will know that a popular party is more likely to be able to deliver benefits than an unpopular one. Popularity may also be positively associated with ideological donations, as businesses share in general approval of the party's positioning in the policy space. The fifth and last control is a time trend.

The independent variables are indicators for the periods since the election of Corbyn and since the Brexit vote. Corbyn represents a major policy shift on the part of the Labour party on the left-right dimension. If business donors did not react, donors are driven by party identification, not rational choice. Brexit represents a major policy shift on the part of the Conservative Party on the globalisation dimension. If business donors did not react, they seem to be driven by party identification, not rational choice. While the Brexit and Corbyn shifts were both very large, it is not possible to say which was larger. Nonetheless, a big difference between the reactions to the two shifts would appear to suggest that one dimension is more salient to business than the other.

Figure 1 shows donations by distinct individual and business donors, as well as the Conservatives' lead in polls over Labour, across the whole time period. There is evidently a strong correlation between individual and business donations. Moreover, the importance of the control variables is obvious. The number of donations climbs steeply around each of the five elections in the dataset. There also seems to be a strong association between the popularity

² Unincorporated Associations are required to report gifts in excess of £7,500 in a calendar year, but only one association has reported such gifts and then from only two sources.

of the Conservatives and donations. The time trend is more subtle, but there does appear to be an increase in donations over time.

Comparing business and individual donations allows me to probe the validity of inferences about business donations. There are very strong theoretical reasons to expect some contrasts in the behaviour of businesses and individuals. Businesses are rational by design. Directors are legally obliged to promote the financial interests of shareholders. This means that businesses are much more likely to make pragmatic donations, and much less likely to make ideological donations, than individuals (McMenamin 2009; Burriss 2001). If control variables linked to pragmatism are more strongly associated with business donations, inferences about motivation are that much stronger. Relative business rationality is also relevant to preferences. Business preferences should be more driven by the policy space, as opposed to party identification, than the preferences of individual donors. To the extent that business reactions to policy shifts are stronger than those of individuals, inferences about the source of preferences are stronger.

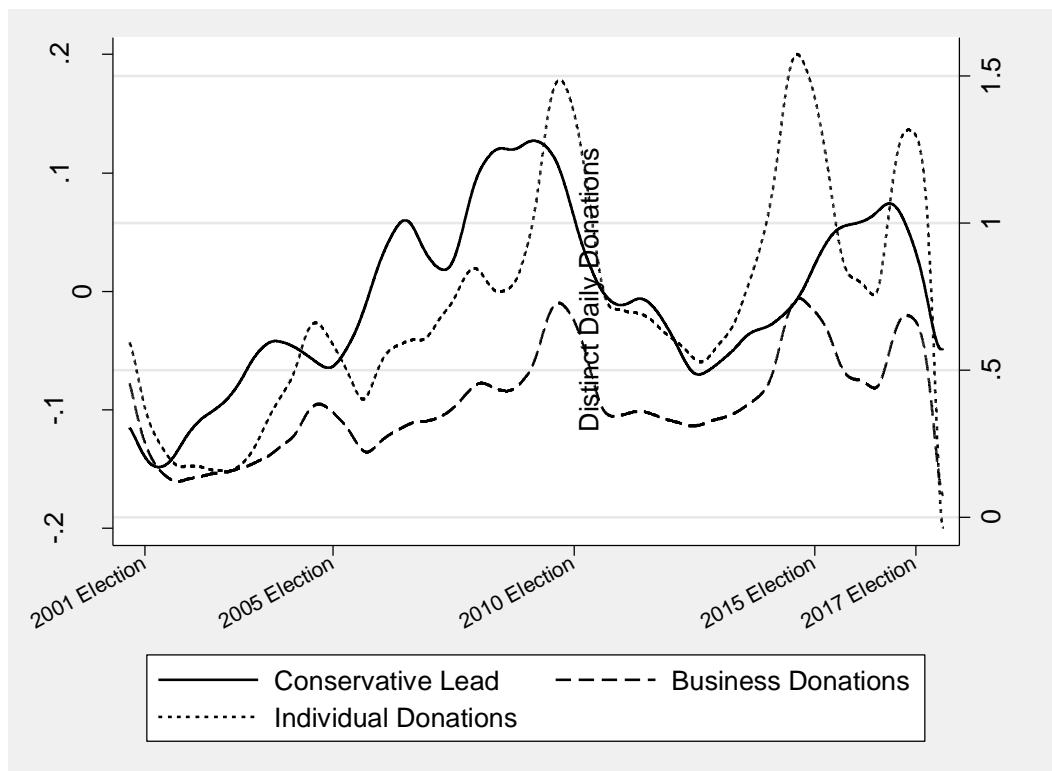


Fig. 1. Donations by Distinct Donors

Table 1 presents two regressions evaluating the impact of Corbyn and Brexit on donations to the Conservative party by businesses and individuals. Since the dependent variable is an overdispersed count I use a negative binomial model. The standard errors are HAC Newey West to correct for heteroscedasticity and autocorrelation.

TABLE 1 Negative Binomial Model of Donations to the Conservative Party

	Model 1	Model 2
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	Business	Individual
<i>Government</i>	0.2698** (0.1158)	0.0611 (0.1431)
<i>Campaign</i>	0.9159*** (0.0998)	1.3202*** (0.0976)
<i>Days Since Election</i>	0.0005*** (0.0000)	0.0005*** (0.0001)
<i>Conservative Lead</i>	3.0464*** (0.5130)	2.9629*** (0.4843)
<i>Corbyn</i>	0.3513*** (0.0543)	0.0556 (0.0894)
<i>Brexit</i>	-0.2113*** (0.0000)	-0.3049*** (0.0239)
<i>Trend</i>	0.0000 (0.0000)	0.0002*** (0.0001)
<i>Intercept</i>	-1.7585*** (0.0679)	-1.4200*** (0.1056)
<i>Log Likelihood</i>	-4853.7429	-6767.9035
<i>N</i>	6166	6166

Note: HAC Newey-West Standard Errors in parentheses. * $p \leq 0.1$, ** $p \leq 0.05$, *** $p \leq 0.01$

The control variables show the expected contrasts between distinct business and individual donations. Government is associated with a large increase in business donations, but the increase for individual donations is less than a quarter of that for business and is statistically insignificant. The campaign is associated with more donations, whether business or individual. However, the increase is about fifty per cent bigger for individuals, which makes sense, given that this period would appear to be more likely to attract ideological than pragmatic donations. The number of days since the election is positively associated with both business and individual donations, suggesting an ideological motivation, and the coefficients are virtually the same size. Finally, both are again positively associated with the Conservatives' lead over Labour. The coefficient is slightly bigger for business, perhaps suggesting a more pragmatic motivation, but the difference between it and the coefficient for individuals is statistically insignificant. Overall, these comparisons suggest the reassuring conclusion that business donations are more pragmatic than individual donations. Next come the two policy shifts. Corbyn's election provided a very large stimulus to business donations, but did not have a statistically significant effect on individual donations. Brexit had a large negative effect on both, but the coefficient in the individuals' equation is almost fifty per cent bigger than that in the business equation. These contrasts suggest that business reacts more to policy shifts than individuals, probably because individuals are more driven by identification with the Conservative Party instead of a rational choice linking party policy to financial gain. They might also imply that the businesses and individuals attribute very different saliences to the two dimensions represented by Corbyn and Brexit. The left-right dimension may not matter so much to individual donors, compared to the globalisation dimension. Donation patterns suggest that both the left-right and

globalisation dimensions are very important to the businesses that donate to the Conservative Party.

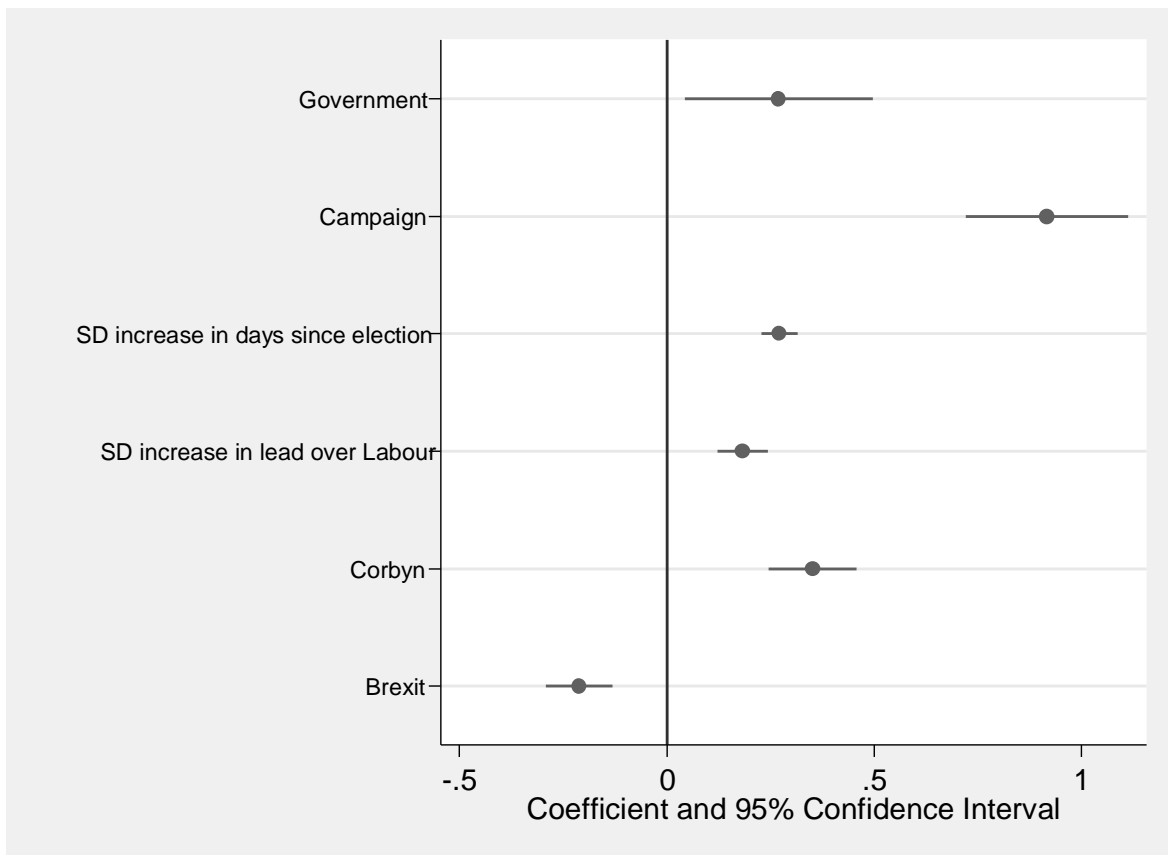


Fig. 2. Selected coefficients from Model One

Figure 2 plots key coefficients and confidence intervals from the business equation. Its purpose is to illustrate the magnitude of the effects of the policy changes, compared to the other variables which capture ever-present aspects of political competition and the electoral clock. They suggest that both policy shifts had very large effects on donor behaviour. Corbyn's election generated a bonus in business donations almost a third-greater than being in government. Brexit produced a reduction in donations that was almost eighty per cent of the gain from being in government. Both the policy shifts have effects that are much smaller than the influx of donations associated with a parliamentary election campaign. However, this is, of course, a very unusual, and short (less than a month), period of political life. Corbyn's effect was also greater than a standard deviation increase in the number of days since an election (515 days), while the effect of Brexit was a little bit smaller than this standard deviation increase. Both Corbyn and Brexit had a bigger effect than a one standard deviation increase in the Conservatives' lead over Labour. This means that both policy shifts had a greater impact on business donations than a six per cent change in the Conservatives' poll rating relative to Labour. The coefficients from a negative binomial model are difficult to interpret directly. The Incidence Rate Ratios for Model One imply that donations under Brexit were 81 per cent of what they otherwise would have been and that donations after Corbyn were 142 per cent of what they otherwise would have been. This analysis shows that both policy shifts had the

potential to transform the relationship between the Conservative Party and its donors, but that they cancelled each other out to a substantial extent.

The period since the referendum on leaving the EU is clearly a new era in British politics. Nonetheless, not all Brexits are equally damaging for business. Since the referendum, British politics has been dominated by a debate about what sort of Brexit the UK should seek. This has been framed along a continuum from “hard” to “soft”. A “hard Brexit” aspires to a very substantial disengagement from the EU, freeing the UK from the Court of Justice of the European Union and allowing the UK to negotiate its own trade deals with other countries. A “soft Brexit” means a relatively modest separation with the UK remaining in the Single Market and subject to the EU’s jurisdiction, but withdrawing from its decision-making institutions. The length of the time series allows me to make inferences based on comparisons with previous eras of Conservative government and relative popularity. Nonetheless, the previous models are based on a stark comparison of pre- and post-referendum contexts. In Table 2, I present assessments of the impact of the debate on the nature of Brexit on Conservative donations. Since it is restricted to the period since the referendum there are no *Brexit*, *Corbyn*, or *Government* variables. I add two new variables *Hard* and *Soft*, which measure the number of articles every fortnight in the British press mentioning “Hard Brexit” and “Soft Brexit” respectively.³ Figure 3 shows these measures from July 2016 to December 2017. The *Hard* and *Soft* variables are highly dynamic and strongly correlated with each other. However, *Hard* seems much more prone to spiking. The two tallest spikes relate directly to Prime Minister Theresa May’s two clearest speeches on Brexit. They indicate a high level of validity. Since the *Hard* and *Soft* variables are non-stationary, I enter the first difference of both in the equations.

³ These are the twenty print and on-line titles in the Lexis News database.

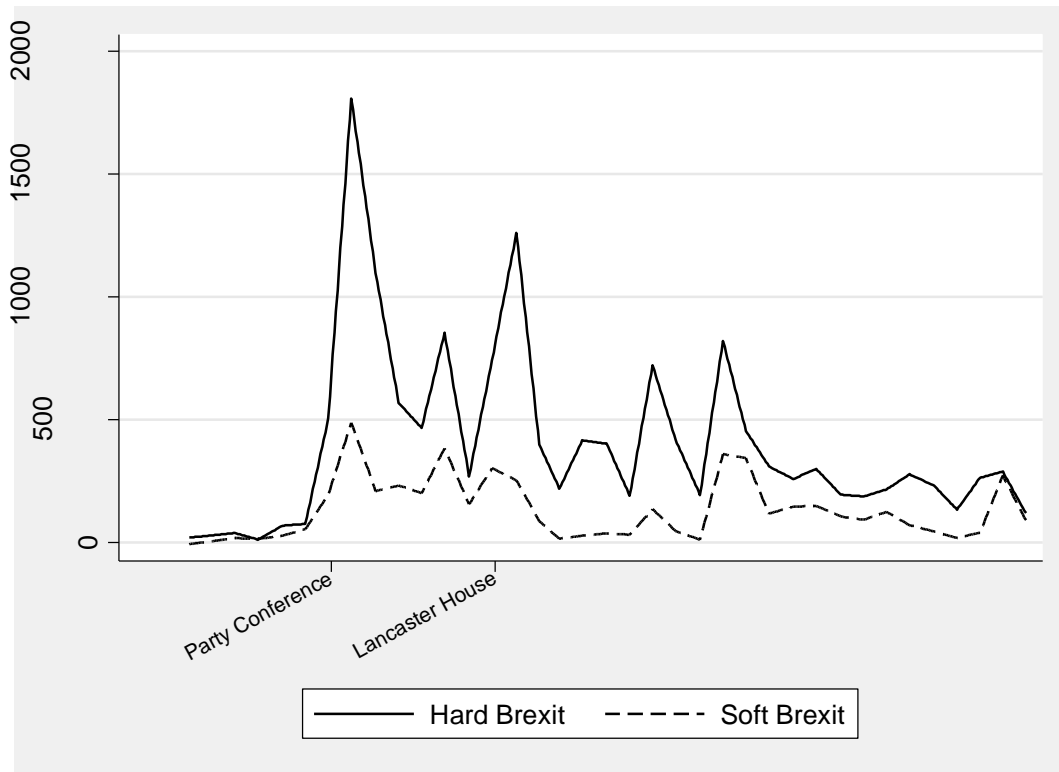


Fig. 3. Articles Mentioning Hard and Soft Brexit

Note: The variables represent two-weekly totals of articles returned by keyword search on Nexis news, with intermediate points interpolated.

TABLE 2 *Negative Binomial Model of Donations to the Conservative Party*

	Model 3	Model 4
	Business	Individual
<i>Campaign</i>	0.8437*** (0.0717)	1.5528*** (0.0664)
<i>Days Since Election</i>	0.0005** (0.0002)	0.0012*** (0.0002)
<i>Conservative Lead</i>	7.9720*** (0.6938)	3.6657*** (0.8797)
<i>D Hard</i>	-0.0052** (0.0023)	-0.0039** (0.0018)
<i>D Soft</i>	0.0336*** (0.0048)	0.0167** (0.0069)
<i>Trend</i>	0.0022*** (0.0003)	0.0014*** (0.0003)
<i>Intercept</i>	-14.1868*** (1.9703)	-9.3489*** (1.7030)
<i>Log Likelihood</i>	-507.8167	-669.8952
<i>N</i>	547	547

Note: HAC Newey-West Standard Errors in parentheses. * $p \leq 0.1$, ** $p \leq 0.05$, *** $p \leq 0.01$

Like the previous equations, these ones exhibit the theoretically expected contrasts between business and individual donations. As before the campaign displays a larger increase in individual donations than business donations, consistent with the idea that the campaign is associated with ideological donations and individuals are more likely to be ideologically motivated. Effectively, of course, this means the 2017 election campaign. *Days since the election* has virtually the same effect on business donations, as it has in the much longer time series. However, the effect on individual donations is over twice its previous size. Again, this fits the hypothesis that individual donations are more ideological and ideological donations are more likely to be made as an election approaches. The *Hard* and *Soft* variables have a greater effect on business donations than on individual donations. The coefficient for *Hard* in the business equation is about one third larger than in the individual equation. *Soft* has a much bigger effect in both equations and the coefficient in the business equations is almost twice the size of its equivalent in the individual model. The metric of the *Hard* and *Soft* variables produces small coefficients. Table 3 uses Incidence Rate Ratios to calculate the impact of one standard deviation changes in *Hard* and *Soft* on business donations.

TABLE 3 *Substantive implications of Model 3*

Variable	Counterfactual	Change in annual donations	Percentage change in annual donations
D Hard	26 fewer articles	33	16
D Soft	9 more articles	68	33
Conservative Lead	5.9 per cent reduction	-91	-44

Note: Counterfactuals based on one standard deviation changes in Brexit sample. Donations refers to distinct business donors giving £7500 or above.

As with Brexit itself, different versions of Brexit have large effects on business donations. A one standard deviation decrease in articles mentioning “Hard Brexit” implies a sixteen per cent increase in donations. A one standard deviation increase in “Soft Brexit” is predicted to increase donations by thirty three per cent. For comparison, a one standard deviation reduction (5.9 per cent) in the Conservative lead is associated with a forty four per cent reduction in annual business donations. Obviously, this analysis is restricted to a much shorter period than the earlier models. Furthermore, this is a particularly volatile period in British politics. For example, Prime Minister Theresa May called an election in 2017 to exploit her commanding lead in opinion polls, but her popularity, and that of her party, plummeted in the few weeks of the campaign. Also, the volume of mentions of Soft Brexit is a little bit thin for the sort of inferences I am hoping to make. Nonetheless, the evidence clearly points towards business sensitivity to more subtle moves on the globalisation dimension, as part of the Brexit negotiations within the Conservative Party and between the UK and the EU.

Conclusions

Preferences matter, but sometimes they can be taken for granted. The partisan preferences of business donors can no longer be assumed because of the demise of the consensus on globalisation. The role of the state in the economy and the management of inequality continues to be contested, as it has been since the first mass-suffrage elections. This dimension has recently been separated from contestation of the extent to which the state will engage in frameworks of multilateral economic governance. The sources of preferences matter too. If business donors are party identifiers, changes of position on either of these salient dimensions should have little effect on their behaviour. If business donors make calculations on the basis of the location of parties in the policy space, shifts of position in that space will change donation decisions. If centre-right parties move away from their previous pro-globalisation position and consequently lose the financial backing of business this may have positive democratic consequences in the area of political finance. Where parties are dependent on business for funding, they have incentives to resist transparency, limits on donations, and public funding. Consequently, if centre-right parties decided they do not need business funding, they may allow reforms that ensure that citizens, not firms, fund party competition.

The electoral consequences depend on the direct effect of policy changes on voters (voters gained less voters lost) and the indirect effect of voters lost due to more meagre financial resources. Vote-seeking and office-seeking are not always the same thing in multi-party systems. Shifts away from globalisation may increase the chances of new coalitions with the populist or radical right but reduce the likelihood of more traditional coalitions with liberal parties. Coalitions with parties that are more hostile to globalisation, and may previously have been pariahs, are also likely to reduce business funding. The British case offers both reassurance and a warning to other business-funded parties considering a foray along the globalisation dimension. It is reassuring that the financial flood from Corbyn's election was greater than the financial drought attributable to Brexit. This suggests that the left-right dimension remains more salient than the globalisation dimension. A pro-business position on the left-right dimension may allow centre-right parties to limit the financial damage from anti-globalisation moves. It is a warning that Brexit would have been a severe financial constraint for the Conservatives if it were not for Labour's lurch to the left. Other centre-right parties cannot rely on their competitors to be so obliging.

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