



# UNIVERSITY OF CALGARY

**University of Calgary**

**PRISM: University of Calgary's Digital Repository**

---

Innovations: A Journal of Politics

Volume 7, 2007

---

2007

## Party Finance in Canada Since 2001

Coletto, David

---

<http://hdl.handle.net/1880/112878>

journal article

---

© Innovations: A Journal of Politics 1998-2041

*Downloaded from PRISM: <https://prism.ucalgary.ca>*

## PARTY FINANCE IN CANADA SINCE 2001

**David Coletto**

*Department of Political Science  
University of Calgary*

Much like electoral systems, election finance regimes are not benign institutions but central features of a political system that can have significant effects on the nature of democracy within a country. Money impacts the ability of political parties to contest elections and deliver their message to voters. It is an important resource to increase political knowledge and mobilize voters during an election. Therefore, assessing the state of political finance of Canadian political parties is essential to understanding the Canadian political environment.

In 2004, political parties in Canada were forced to operate within a new set of political financing rules. No longer were corporations, unions or associations able to contribute to political parties. In their place, parties now receive a substantial portion of their funding from the state in the form of direct public subsidies calculated from the results of the previous election.

With two years and two federal elections behind us, there is an opportunity to assess the potential impact of the rule changes on the financial position of Canada's political parties in relation to one another. It also allows us to raise questions about the impact on party organization and competition. This article will assess political contributions to Canada's four largest parties by looking at the parties' relative reliance on direct public subsidies, the changing source of funding and the financial advantage gained by some parties at the expense of others. By doing so, this paper argues that the political finance reforms of 2004 have already had significant effects on political parties and will continue to reshape the political environment in Canada.

To replace banned contributions from corporations, unions and associations, the amendments to the *Election Finance Act* implemented a system of direct public subsidies to political parties that achieve at least two percent of the vote nationally or five percent of the vote in the ridings where the party contested elections. Similar state interventions into party financing has also occurred in Europe raising questions about the changing relationship between political parties, the state and society. (Katz and Mair, 1995, Van Biezen, 2000) While bans on contributions from corporations, unions and associations are defended as a means to reduce corruption, many have argued that it has weakened the link between parties and society. Since parties can rely on a significant portion of their funding from the state, there is less incentive to develop broad-based memberships and outreach to citizens outside of elections.

In Canada, data from Elections Canada indicates that since 2004, the Bloc Quebecois and the Liberal Party have received the largest percentage of their total revenue from public subsidies. As Table 1 indicates, over 80% of the Bloc Quebecois' revenue was from public subsidies, while the Liberals, although less dependent on the state for funding, still received on average about 50% of their funding through the public subsidies mechanism. In comparison, the Conservative Party relied on public subsidies to a lesser degree while the NDP's reliance has increased since 2004.

Table 1

Year	Bloc Quebecois		Liberal		NDP		Conservative	
	Public Subsidies	% of Total Revenue	Public Subsidies	% of Total Revenue	Public Subsidies	% of Total Revenue	Public Subsidies	% of Total Revenue
2004	\$2.73m	76.1%	\$9.14m	66.0%	\$2.89m	35.7%	\$7.91m	42.0%
2005	\$3.06m	80.7%	\$9.09m	52.1%	\$3.88m	43.1%	\$7.33m	29.1%
2006	\$2.95m	84.8%	\$8.57m	46.5%	\$4.61m	53.7%	\$9.39m	33.4%

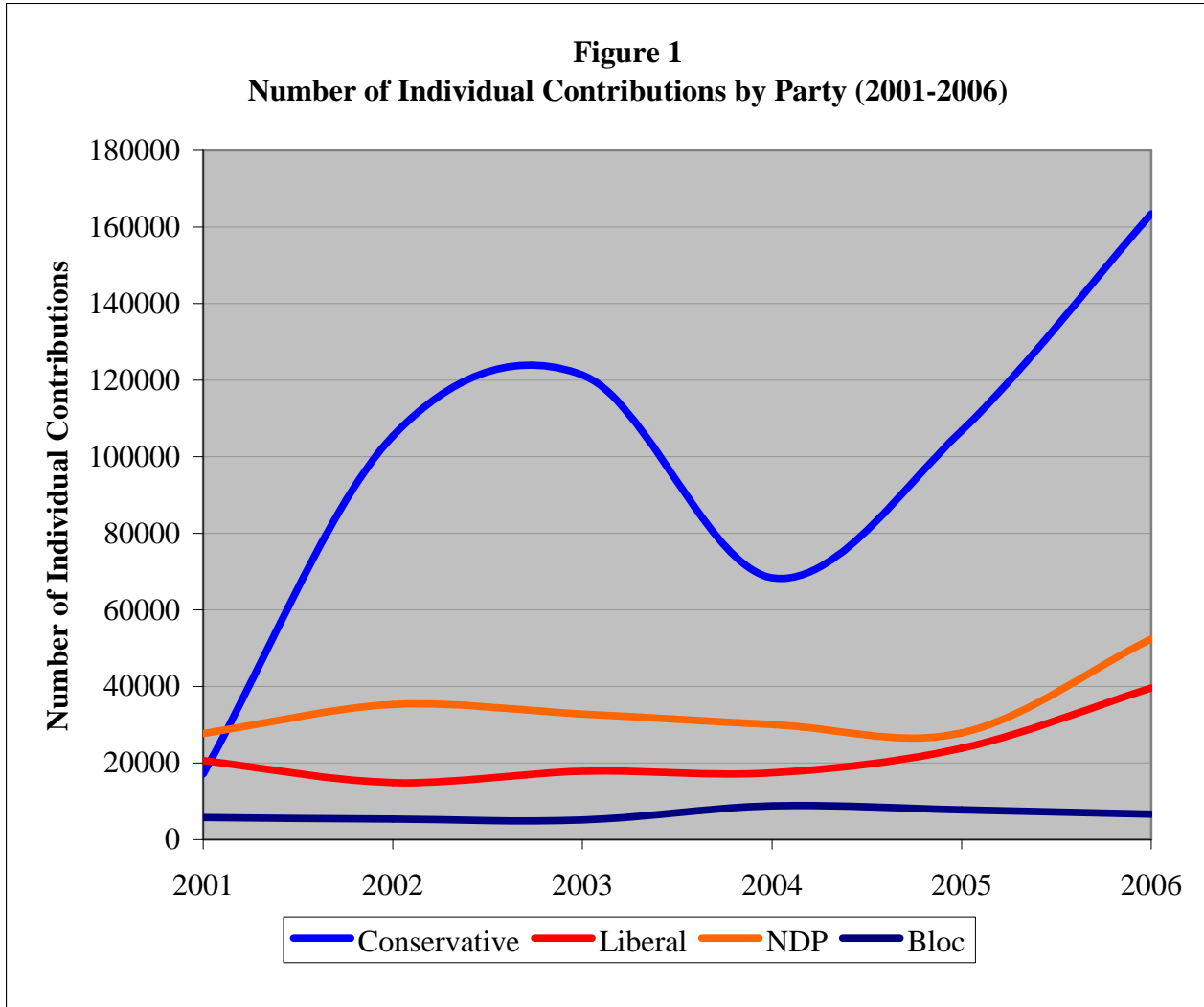
One way to assess the importance of public funding to Canadian parties is to examine the extent to which the new provisions have hurt or helped the parties. Table 2 compares the total funds gained from public subsidies (2004-2006) and the total contributions from corporations or union (2001-2003). The data indicates that the Bloc benefited the most from the introduction of public subsidies while the Liberals, ironically, benefited the least. However, it is important to note that the introduction of public funding generally improved the financial position of all four major parties in Canada and substantially increased the amount of money in the political system.

Table 2

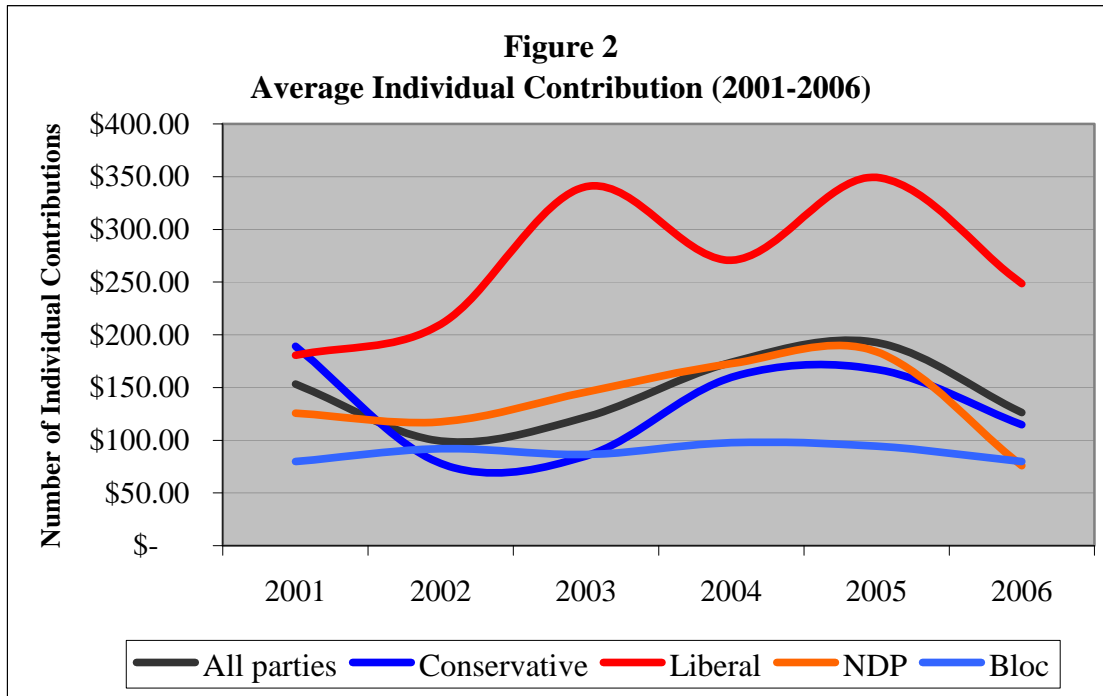
Bloc Quebecois		Liberal		NDP		Conservative	
Public Subsidies (2004-2006)	Corporate or Union Contributions (2001-2003)	Public Subsidies (2004-2006)	Corporate or Union Contributions (2001-2003)	Public Subsidies (2004-2006)	Corporate or Union Contributions (2001-2003)	Public Subsidies (2004-2006)	Corporate or Union Contributions (2001-2003)*
\$2.73m	\$77.6k	\$9.14m	\$6.78m	\$2.89m	\$1.46m	\$7.91m	\$2.34m
\$3.06m	\$112.6k	\$9.09m	\$5.42m	\$3.88m	\$1.12m	\$7.33m	\$2.20m
\$2.95m	\$92.6k	\$8.57m	\$11.22m	\$4.61m	\$5.31m	\$9.39m	\$5.80m

\*Includes contributions to the Canadian Alliance and the Progressive Conservative Party

Although parties rely on the state for a significant portion of their revenue, the data indicates that a number of parties, particularly the Conservative Party, have been successful at attracting individual contributions. Since corporations and unions are no longer able to contribute to national parties directly, most parties have responded by turning their focus to individual contributions. A review of total contributions from individuals over the last six years indicates that the Conservative Party has been the most successful attracting political funds from individuals.



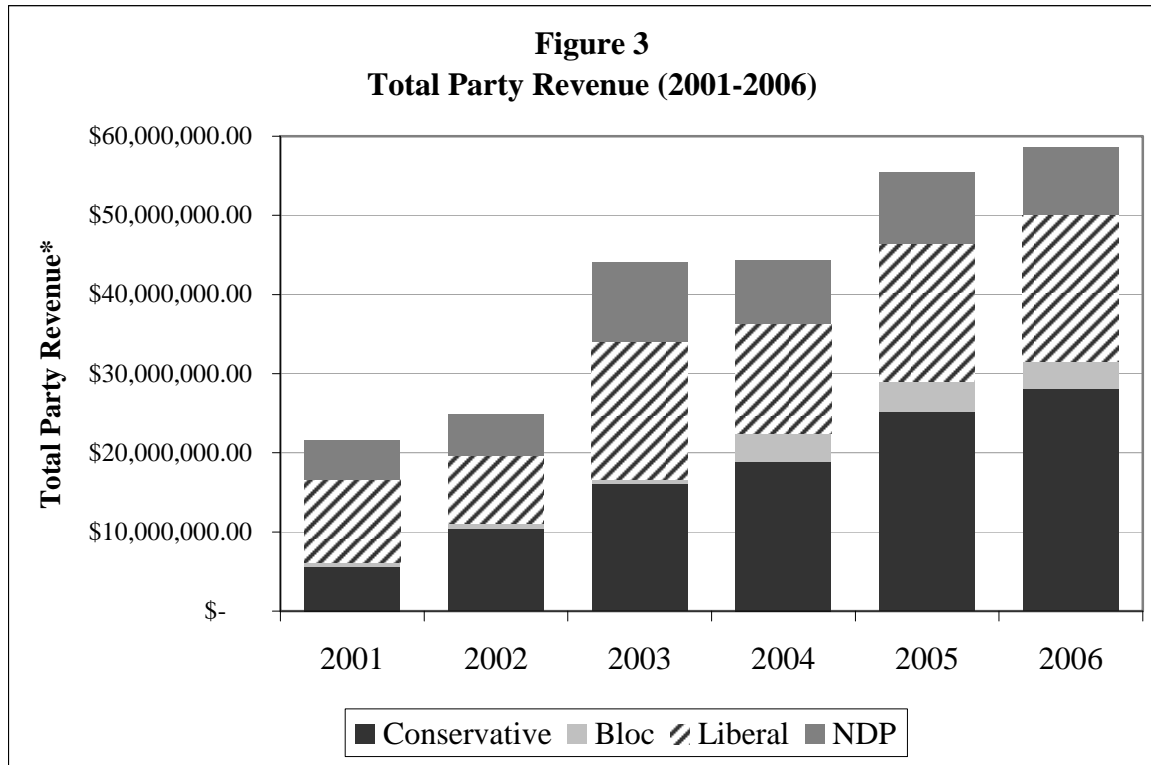
When the Liberals were in power, they could count on corporations for a significant portion of their funding (64%). Now they are reliant on public funding while the Conservatives (the Alliance and PC Party), who were less reliant on corporations, now earn the majority of their revenue from individuals accounting for, on average, around 67% of their revenue.



Another way to assess the character of political contributions to parties is to examine the average contribution amount received by each party. As figure 2 illustrates, from 2001 to 2006, the Liberals have had the largest average contribution ranging from \$200 to \$350 per contribution. In comparison, the New Democrats and Conservatives had average contributions between \$120 and \$180. Therefore, the Conservatives and New Democrats have been more successful at raising small contributions from a greater number of contributors, while the Liberals have relied on fewer individuals for more money.

One of the more significant consequences of the reforms to election finance in Canada has been the domination of the Conservative Party in all areas of political finance. As a result of their victory in 2006, the Conservatives receive the largest amount in public funding but they have also become the premiere political fundraising machine, out raising their closest competition by a factor of 2:1. This gives the Conservatives an undisputed advantage over their rivals and the ability to spend more than the allowable limit during a formal election campaign.

Data also indicates that in the last four years, there has been far more money in the political system than in the previous two. One obvious reason for this is the consistent state of election speculation that occurs during minority government. However, the growth in political money following the union of the PC and Alliance parties has been spectacular. Furthermore, it appears that Jack Layton's leadership has not only brought more seats for the NDP but also more money.



Based on this rudimentary analysis of party finance data for the past six years, four conclusions can be made about the impact of Bill C-24 on the Canadian party system in the past three years. First, the new provisions have significantly helped the Bloc Quebecois. In fact, it appears the new source of funding from direct public subsidies was almost 100 times greater than the party received from corporate or union contributions. Public subsidies alone have provided the party with sufficient funds to contest elections. This is problematic because contributions from individuals or other entities can mirror public support for a party. If a party is less popular, one can expect that they will receive fewer contributions from such sources. However, since the Bloc is not reliant on those sources to run election campaigns and operate the party, it appears that the Bloc's financial position can be exaggerated and give it an artificial advantage over other more popular parties in Quebec.

Second, based on the data collected thus far, it appears that the party finance reforms enacted in 2003 substantially increased the amount of money in the political system. In 2006, the four parties raised a total of approximately \$60 million from individuals and public subsidies. That is more than was raised in 2001 and 2002 combined. While much of the increase in total party revenue can be attributed to the impressive individual fundraising by the Conservatives and minority government, the inclusion of public funding has increased revenue for all parties beyond what they raised from corporations or union the previous three years. Also, since the Conservatives have been able to raise more than they can spend during an election period, this has provided them with an opportunity to spend money outside of the writ period and further increase their already significant fundraising advantage.

Third, as the charts above illustrate, the Conservatives enjoy a substantial financial advantage over their competitors. The new rules put a heavy emphasis on contributions from individuals. Clearly, the Conservatives have been far more successful at raising money through

this method and have held a significant financial advantage over the Liberals and New Democrats controlling for the public subsidies the party receives. Although the Liberals have improved fundraising from individuals, they still trail the Conservatives and NDP in the total number of individual contributions received. In order to become competitive in terms of political finances, both parties will need to establish a better national fundraising structure.