

Political parties need to go on a diet

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Abstract: After reviewing the American examples, we estimated that a properly designed Canadian model might yield about \$10-million a year. That's not as much as the \$27-million the parties currently get from the subsidies. But political parties need to go on a diet. Replacing the subsidies with a taxpayer check-off system will guarantee that they won't starve while they're losing weight.

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Full text: Professor of political science, former Conservative campaign manager Subsidies for political parties are back in the news, now that Prime Minister Stephen Harper has promised to make their abolition a plank in the Conservative campaign platform. Last year, David Coletto (then a PhD student, now the CEO at Abacus Data) crunched the numbers on subsidies for me, and here's what we found in a study published by the University of Calgary School of Public Policy: The subsidies inaugurated by Jean Chretien's Liberal government in 2003 were supposed to be a revenue-neutral replacement for corporate and union contributions, which were outlawed at the same time. But, in fact, the subsidies provide about 50 per cent more revenue to national parties than they used to receive from corporations and unions. Simultaneously, the government also made national campaigns much cheaper by increasing the rebate from 22.5 per cent to 50 per cent. A national campaign fully funded at the legal limit - about \$20-million - now costs only \$10-million because of the rebate. The joint effect of these reforms helps explain why we are having so many elections - 2004, 2006, 2008, and possibly 2011. The Conservatives could pay for a national campaign every year with their \$10-million annual subsidy. Even the Liberals, whose own-source fundraising is embarrassingly inept, can easily afford a campaign every two years. The other parties are also flush enough to campaign every year or two. Although Mr. Harper hasn't put it this way, he is saying in effect that the parties can afford to go on a diet, by giving up the rich desserts from the public treasury - and he is right. Parties are not investment clubs. Give them more money, and they will spend it trying to win elections. Give them less money, and they won't be able to campaign as often. Maybe they'll even start to co-operate with each other in Parliament to avoid elections and pass some essential legislation. There is one problem, however, with simply abolishing the subsidies and telling parties to raise their own money. The Chretien reforms cut parties off from crucially important historical sources of funding - corporate and union donations. Under those conditions, telling parties to support themselves entirely from donations is like telling Newfoundlanders to live by fishing after the cod are all gone. Parties can't raise nearly as much as they could before the Chretien reforms. New sources of funding are needed if they are to carry on without any subsidies. Mr. Coletto and I looked at the mathematics of several options. Raising the individual donation limit from \$1,000 a year back to Mr. Chretien's original value of \$5,000 (both figures are adjusted annually for inflation) would help a little, but not nearly enough. Restoring corporate and union donations up to some limit would be more helpful but is probably not politically possible. Tax deductibility provisions are already extremely generous, and making them even more generous wouldn't yield enough revenue to do the job. The most practical and politically acceptable policy is what the Conservatives proposed during the 2004 election - to replace the subsidies with a taxpayer check-off system. That is, taxpayers could tick a box when they filed their returns to direct a small amount of money, say \$20, to their preferred party. Many models of such systems for both political and charitable purposes exist in the United States, at both state and federal levels. After reviewing the American examples, we estimated that a properly designed Canadian model might yield about \$10-million a

year. That's not as much as the \$27-million the parties currently get from the subsidies. But political parties need to go on a diet. Replacing the subsidies with a taxpayer check-off system will guarantee that they won't starve while they're losing weight. The study on subsidies is available at www.policyschool.ucalgary.ca.

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