

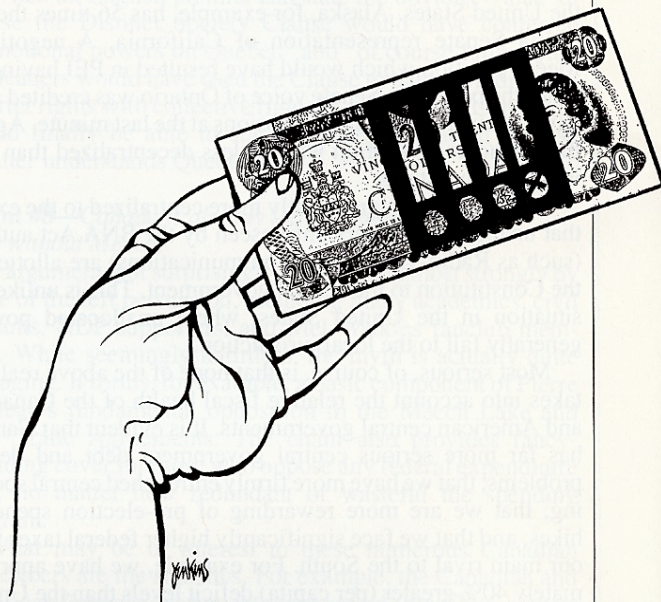
# FINANCE THE PARTIES WITH PUBLIC FUNDS

*The present system is unfair and open to abuse. A Public Financing Fund is the democratic answer.*

by Wm. Mott Stewart

*The Democracy which shall make government the organ of public reason . . . is yet in the womb of the future.*

—Goldwin Smith, 1887.



**T**HE DEMOCRATIC PRINCIPLE DEMANDS that every citizen be accorded complete equality by the process which selects the people's representatives. Canada's present electoral system violates this principle in a fundamental way, for it is privately financed.

When private interests are involved in party financing the political process deteriorates into a mere approximation of democracy. The participation of corporations, unions, and private individuals in the political process is inevitable, and indispensable, but should in no way include the financing of political parties.

In my view, the repair of this structural failure is of paramount importance. Any country which claims serious adherence to the democratic ideal should publicly finance its political parties by a mechanism which directly relates their financial support to their political support.

After looking first at the present system, and then at the individual financing option, I present an inexpensive and flexible public financing mechanism.

## The Present System

*This evil is the bane of Democracy; it is the nightmare of every man in public life who is anxious to give service to the State.*

—Clifford Sifton, *New Era*, 1917.

*Gratefulness is always regarded as an important factor in dealing with democratic governments.*

—John Aird, Jr., President of Beauharnois Corporation, H. of C., Debate, 1931, 4260.

There are at least three objections to private financing of

political parties:

1. It makes a mockery of the cornerstone of democracy—that every citizen should be accorded complete equality by the process which selects the people's representatives. Indeed, it allows private organizations (which have no right to vote at all) to indirectly cast hundreds of ballots by the financial support of a particular political party.
2. It restricts flexibility on policy issues, since political parties must give greater consideration to their larger supporters. This coercive effect is absolutely incompatible with the concept of truly representative democracy. Political parties should be solely responsible to their members.
3. Shareholders of corporations and members of unions do not necessarily support the donations made on their behalf.

## Individual Financing

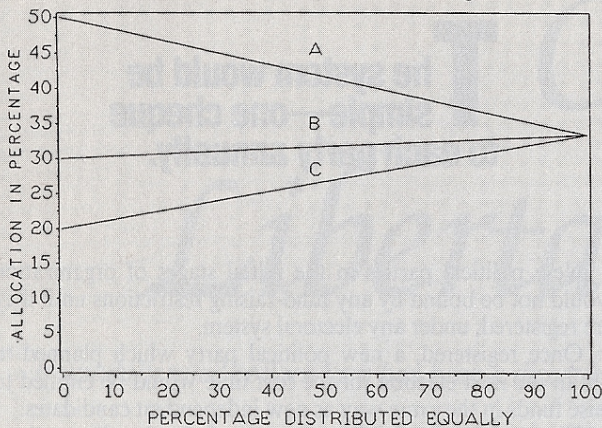
Individual financing—raising funds exclusively from individuals—is a half-hearted and insufficient solution to the problems of the present system.

The individual financing option is based on the following argument. Party financing by private organizations is a clear distortion of the democratic process—agreed. However, in a free and democratic society, private individuals should have the right to contribute their own personal funds to the party of their choice.

There are at least three objections to this option:

1. It would require political parties to spend a greatly increased and inordinate amount of their time fund-raising. This is an inappropriate role for the people's

### 1. Annual Allocation in Percentage



representatives, and inefficient besides. The proper function of a political party is politics, not fund-raising.

- It does not address the primary inequity. Any privately financed democracy, whether financed by private organizations or by private individuals, will have the fundamentally undemocratic property that less wealthy interests will not have parity with wealthier interests. This property may be normal and acceptable in many fields of human endeavor, but it has absolutely no place in the electoral process of a country which claims fealty to the democratic ideal.
- It simply cannot be protected from abuse. In the United States, for example, it is common practice for every member of a corporation's top management to simultaneously contribute to a party or candidate the maximum donation allowed by an individual, thereby, in effect, making a corporate donation.

The argument for individual financing is an incorrect generalization of the principle that, in a free and democratic society, each individual should have the right to support the party of his or her choice. This right is inalienable, but should not extend to the use of personal wealth. The right to support the party of our choice includes the right to vote for the party of our choice, and to work for the party of our choice. Merely signing a cheque is not only too easy, but unfair to those who do not have the same option.

#### A Public Mechanism

Let us now consider a simple, flexible, inexpensive, and quintessentially democratic public financing mechanism. For simplicity we will consider the federal case.

This mechanism directly ties financial support to political support. Administration is many times simpler and more efficient than the individual financing option. The cost to the taxpayer is negligible. And the mechanism includes an adjustable counterbalance.

- Eliminate all private financing of political parties.
- Establish a Party Financing Fund by the annual allocation of one dollar per voter from general revenues. This would amount to about \$20 million dollars a year.
- Distribute a portion of the Fund among the registered political parties proportional to popular vote.
- Distribute the *other* portion of the Fund among the registered political parties (with more than a minimum percentage of the popular vote) *equally*.

The cost is negligible. One dollar per voter per year is a trifling sum for the support of our most important institution. Furthermore, the annual cost to the treasury would actually be substantially less than 20 million dollars, due to the elimination of deductions of donations to political parties from income tax.

The method of distribution is flexible and democratic. The distribution of the first part of the Fund by proportional vote directly ties financial support to political support, ensuring that parties with greater political support receive greater financial support. The distribution of the second part of the Fund equally provides a counterbalance that moderates the effect of large majorities, ensuring that parties with less support receive sufficient funds to effectively communicate their policies to the citizenry.

The distribution of half the fund by proportional vote, and half equally, would appear to be the ideal compromise. In this case, three parties A, B, and C that received 50%, 30%, and 20% of the popular vote respectively would receive 41.7%, 31.7%, and 26.7% of the Party Financing Fund. In dollar figures, this would be \$8.3 million, \$6.3 million, and \$5.3 million annually.

The accompanying graphs show the change in allocation to parties A, B, and C as the amount of the fund that is distributed equally is varied from zero to 100% on the horizontal axis. In the first graph, the vertical axis represents annual allocation in percentage; in the second graph the vertical axis represents annual allocation in millions of dollars.

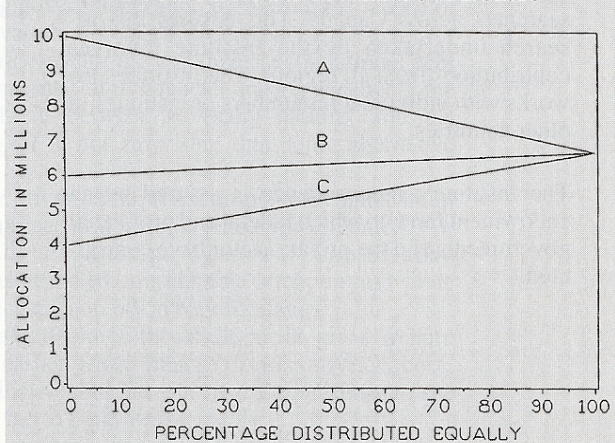
#### How It Would Work

Administration is straightforward, for the bulk of the work required to manage the system is already being done—counting the ballots. One cheque would be mailed annually to each party.

Independent candidates who ran in the last election, and intend to run in the next, would be mailed one cheque annually calculated strictly on the basis of their proportional vote. For example, an independent candidate with 1% of the vote in a riding with 60,000 eligible voters would receive an annual allocation of \$600.

Independent candidates who intended to run in the next election for the first time would be allowed to register signatures of support with the Elections Officer, which would be considered as equivalent to votes for funding purposes, from the date the signatures are registered.

### 2. Annual Allocation in Millions of Dollars





## Institute for Research on Public Policy

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The mission of the Institute is to improve public policy in Canada by promoting and contributing to a policy process that is more broadly based, informed and effective.

In pursuit of this mission, the Institute:

- identifies significant public policy questions that will confront Canada in the longer term future, and undertakes independent research into those questions;
- promotes wide dissemination of key results from its own and other research activities;
- encourages non-partisan discussion and criticism of public policy issues in a manner which elicits broad participation from all sectors and regions of Canadian society, and links research with processes of social learning and policy formation.

The Institute is decentralized, employing researchers across Canada. This ensures that research undertaken by the Institute involves contributions from all regions. The Institute also works with individual researchers or institutes in other countries.

The Institute's independence is assured by an endowment fund, to which federal and provincial governments and the private sector have contributed.

**T**he system would be simple—one cheque to each party annually.

New political parties in the initial stages of organization would not be bound by any fund-raising restrictions until they are registered, under any electoral system.

Once registered, a new political party which planned to run in the next election for the first time would be entitled to raise funds in the same way as new independent candidates.

The (relatively small) amount of funds allocated to independent candidates and new political parties would be taken off the top of the Party Financing Fund.

Finally, consider a commonly suggested modification, the addition of a line to the income tax return enabling each citizen to designate yearly the beneficiary of his portion of the Party Financing Fund. There are several disadvantages of this modification. First, administration would be greatly complicated. Second, the distribution of tax returns does not accurately represent the distribution of voters. And third, it would establish an annual quasi-official election every April—a possibly unconstitutional, but certainly undesirable, development.

The advantage of the unmodified mechanism is simplicity: party financing is democratically decided upon by the people at the time they choose their representatives, and by the same process. Moreover, the counterbalance is designed to guard against overwhelming inequities.

### Conclusion

Public financing is the only party financing option that is truly democratic.

Political parties are funded from the public purse right now, by income tax deduction, as well as by campaign expenditure refund provisions at both the federal and provincial levels. Public financing as proposed here merely makes the practice democratic.

Public financing makes parties solely responsible to their members for the use of their funds.

Public financing frees parties from all fund-raising concerns. Actually, the crafting of policy becomes the fund-raising process.

Public financing provides the citizenry with a strong incentive to vote, since each ballot is in effect an allocation of their portion of the Party Financing Fund to the party of their choice. In a publicly-financed democracy, every vote counts.

Public financing would dramatically improve the regard Canadians have for politicians, political parties, and the political process.

In short, public financing would make Canada what could be fairly called the most democratic country in the world. Let us implement it. □

**Wm. Mott Stewart** is currently taking a doctorate in computer science at the University of New Brunswick in Fredericton. Previously, he was employed by D.N.D. as Software Manager of the C.F.B. Gagetown Computer Center.