

POLICY SERIES



Subsidizing Separatism in Quebec

Public Subsidies for Political Parties

By Mark Milke

About the Author



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The four federalist parties and public subsidies

Shortly after the federal election in October 2008, the Frontier Centre for Public Policy published its first review of public subsidies for political parties. Titled “What Saved the Bloc Quebecois in the 2008 Election: Public Subsidies,” the report found that of all the political parties, the Bloc was the most dependent on the public purse. This was due to its relative inability to raise money from individual donors, the only private source of financing available to political parties after reforms in 2004 banned corporate and union donations. Given that reality, it does not take a great leap of imagination to conclude how much more difficult it would have been for the Bloc to campaign and advertise during 2008 without the large torrent of taxpayer money available to it.

In November 2008, in the federal government’s fiscal update, the minority Conservative government proposed to eliminate the annual allowance, which was introduced in 2004. This allowance is based on the number of votes cast for each party in the most recent federal election, and it allows for an inflation adjustment. As of October 2009, a registered political party annually receives the equivalent of \$1.999 per vote—effectively \$2 for each vote gained in the previous election. This amount is paid in quarterly instalments.

As most readers know, the proposal met with a swift end. The minority Conservative government, only recently re-elected, almost met the same fate. The three opposition parties objected to various aspects of the fiscal update’s proposals.

The lack of a “fiscal stimulus” was the public reason for the hasty opposition attempt to remove the Conservatives from power—which is their parliamentary right to do through a non-confidence motion. In reality, the Conservatives likely gave the opposition the incentive, the “glue” to coalesce and oppose the government after the proposed subsidy elimination.

With that context, this year’s study adds new data from the past year (riding association transfers to the parties, for example) and provides additional glimpses of how party subsidies affect the political process.

Key findings in this year’s study

- **Political parties and their candidates have received \$330-million since 2000**, most of it (\$305-million) since the 2004 changes (Chart 1, Pg. 10);
- **In terms of individual donations raised/public subsidies since 2000**, here is the record (Chart 2a, Pg. 10):

Liberals: \$56.9-million raised
/\$111.3-million in subsidies

Conservatives: \$93.9-million raised
/\$103.7-million in subsidies

New Democrats: \$43.2-million raised
/\$62.9-million in subsidies

Bloc Quebecois: \$6.5-million raised
/\$33.4-million in subsidies

Greens: \$5.1-million raised
/\$8.8-million in subsidies.

Noteworthy:

- In the 2000-2009 period, the Bloc raised only \$1.8-million more in private donations than did the Green Party (\$6.5-million v. \$4.7-million) but received *\$24.6-million* more than the Greens in public subsidies (\$33.4-million v. \$8.8-million).
- The Bloc raised only about one-sixth of what the NDP raised from individual donors (\$6.5 million v. \$43.9-million) but the Bloc received over half as much in subsidies as did the NDP (\$33.4-million v. \$62.9-million).

- **Ratios – Subsidies versus a donor dollar**, most subsidized to least subsidized. (Chart 2b, Pg. 11)

Bloc: \$5.13 for every \$1 donation

Liberal: \$1.96 for every \$1 donation

Green: \$1.72 for every \$1 donation

NDP: \$1.46 for every \$1 donation

Conservative: \$1.10 for every \$1 donation

- **Ratios – Subsidies versus a donor dollar PLUS transfers from riding associations**

After last year's Frontier Centre report was released, the Bloc Quebecois contacted this author to complain that an analysis of individual donations missed significant transfers the Bloc received from riding associations. The Bloc spokesperson claimed this would significantly affect the above ratio.

This year, a separate analysis was performed where riding transfer amounts were added to each year's individual donations. The ratio does not change significantly. The Bloc still receives almost four dollars in public subsidies for every one dollar it raises privately.

Also, the analysis shows the Liberals are even less dependent on public subsidies once riding transfers are included. For 2001-2009 (data from 2000 was unavailable), the results are as follows (from Chart 3, Pg. 11):

Bloc: \$3.91 for every \$1 donation

Green: \$1.70 for every \$1 donation

Liberal: \$1.49 for every \$1 donation

NDP: \$1.45 for every \$1 donation

Conservative: \$1.10 for every \$1 donation.

- **2008 analysis**

(Chart 4a, 4b and 5a, Pgs. 12-13.)

- The Bloc raised just \$713,000 from individual donors and another \$712,000 from its riding associations, for a total of just over \$1.4-million in donations. It received more than \$7.9-million in subsidies.
- If the parties were forced to rely on individual donations only in the 2008 campaign, the Bloc would have been unable to mount a serious election campaign that year.
- **Since 2000, the Bloc Quebecois has been the party that is the most dependent on public financing.** Even accounting for the fact the Bloc Quebecois is present in only one province while the four federalist parties compete in all provinces and territories, the Bloc was in a severely weakened donor position in 2008 and the first six months of 2009 relative to other parties. The Bloc Quebecois is heavily dependent on public subsidies.
- The data for this study was derived from Elections Canada. For 2009, candidate reimbursements were estimated. Totals are calculated to the end of June 2009 (the end of the second quarter).

How the four federalist parties are the authors of their own (Quebec) demise

The Bloc Québécois ad featured on this page, titled “Two parties, one vision,” was released in early September 2009. It was the party’s attempt to tell potential voters there is no difference between the federal Liberal and Conservative parties. The Bloc, as with any party or advocacy group, has the right to its political opinion, including advertising its political speech, and it should retain that right. This author is not a fan of restrictions on party advertising or on so-called third party advertising. However, the question of taxpayer subsidies for such political expression is a different matter.

To require taxpayers to “give” involuntarily to political parties through the tax system is to injure their right to not financially support parties and candidates. The per-vote allowances (the post-2004 reform where allowances are paid to parties based on their vote count in the last federal election) are no more defensible because they are tied to a voter preference in the last election.

The voter’s preference may have changed. The voter may even have died—and awarding a subsidy based on a deceased voter is rife with ironic comparisons to disreputable political organizers who, in times past, signed up the dead in the service of voter fraud. To award an annual subsidy for up to five years based on a one-time mark on a ballot is akin to mandating one’s automotive insurer not be changed for five years. The flawed reasoning is that one’s initial preference is one’s *current* preference. The subsidy also assumes that one did not merely choose one party over the others as the lesser-of-all-bad options, a choice that is not equivalent to an endorsement of a public subsidy for any particular party.

DEUX PARTIS, UN REGARD.



Other objections to such subsidies include the existence of a federal restriction on so-called third-party advertising that limits advertising by any group during elections except for that of political partisans (the 1997 changes to the federal *Elections Act* that restricted third parties to less than 1/100th of what political parties could spend).

Thus, voters are instructed they cannot group together and spend any significant amount of money to try to sway public opinion during an election; *yet, they are forced to subsidize the same parties that have effectively shut down public and non-partisan voices during an election campaign.*

The attack on the free political expression, and the cornucopia of public subsidies has led to unintended and perverse consequences. Those consequences should provoke a practical objection to such continued subsidies: The federal party infrastructure for separatism in Quebec, i.e., the Bloc Québécois, is funded by taxpayers and thus has given the Bloc Québécois much more clout during an election than it would otherwise possess. *Between* elections, the Bloc has been allowed to create an infrastructure, *using the public purse*, that fights for the break-up of Canada.

A modest proposal: The federalist parties should favour the elimination of public subsidies

With the reality of the 2008 manoeuvres to defeat the minority Conservative government in the last months of 2008 in mind, here is a modest proposal despite last year's events: The three federalist parties that favour keeping subsidies—the Liberals, NDP and Greens should reverse their opposition to ending public subsidies with the following in mind:

- At least two of the four federalist parties in Quebec with realistic chances of winning seats in the province (the Conservatives and Liberals) harm their own chances so long as public subsidies to political parties continue. By allowing the subsidies to flow to the sovereigntist movement in Quebec, the federalist parties have propped up the Bloc Québécois, a party which has demon-

strated an inability to raise substantial sums privately.

- Campaigns and advertising require substantial amounts of money, and the federalist subsidies have the pernicious effect of helping the Quebec sovereigntists do more campaigning and advertising than would otherwise be possible.
- Even the NDP and the Greens, which are weak in Quebec, should realize their chances of a breakthrough are hampered by the artificial life support for the sovereigntist cause courtesy of federal tax subsidies.
- Over the past year, the Liberal party has become significantly better at fundraising from individuals.
- The New Democrats and the Greens, relative to their vote count and their public subsidies, have always been better at this, and the addition of the now more-proficient Liberals means there is a less pressing partisan justification for such subsidies.
- Without subsidies, political parties will be forced to more often represent the actual concerns of Canadians voters. Public subsidies have the unintended consequence of shielding parties from having to solicit voters for donations based on the concerns of these same voters. Ending public subsidies is not only about levelling the playing field between federalist and separatist forces in Quebec; more fundamentally, it is about ensuring parties represent actual Canadians. Absent any strong incentive to solicit voters for donations, parties can be and are insulated from the very people they claim to represent: voters.

How to eliminate party subsidies

In its current minority position, the Conservative government needs the support of at least one other federalist party in Parliament to eliminate some or all public subsidies for political parties. If either the Liberals or New Democrats change their party position, *or in an effort to convince them to do so*, there are a number of ways subsidies can be ended:

- **Option One: End the annual allowances immediately after the next quarterly payment.** This has the advantage of stopping the flow of involuntary subsidies at once; it gives the parties a minimal amount of time to adjust and try to recoup lost income through more aggressive fundraising.
- **Option Two: End the annual allowances over time.** A phase-out period where the allowance is reduced annually could occur over a period of one to three years. This gives the parties the advantage of adjusting to the end of public subsidies over a longer period. It also allows the federalist parties to end the subsidies while blunting the inevitable rhetorical attack from the Bloc that an end to annual allowances is an attack on Quebec itself.¹

The obvious negative of Option Two for voters is that the involuntary subsidies would continue for some time. Voters would also face the risk that a future government might reverse the planned elimination of the subsidies.

- **Option Three: Exchange annual allowances for increases in the per person donation allowable to political parties.**

The 2009 limit on donations restricts individuals to a \$1,100 donation to a political party and a similar \$1,100 limit to a registered electoral association (i.e., the local candidate and his or her association). In exchange for an end to allowances—and preferably an end to rebates for parties and candidates as well—the government or participating opposition parties could propose to double the donation limits to \$2,200 to the party and the local candidate.

1. This would be a false claim given that the allowances are a mere five years old—and the Bloc predates that subsidy by 13 years (the annual allowances began in 2004, and the Bloc was created as a parliamentary coalition in 1991).

Subsidies by the numbers: The Charts

Chart 1: Public subsidies by party

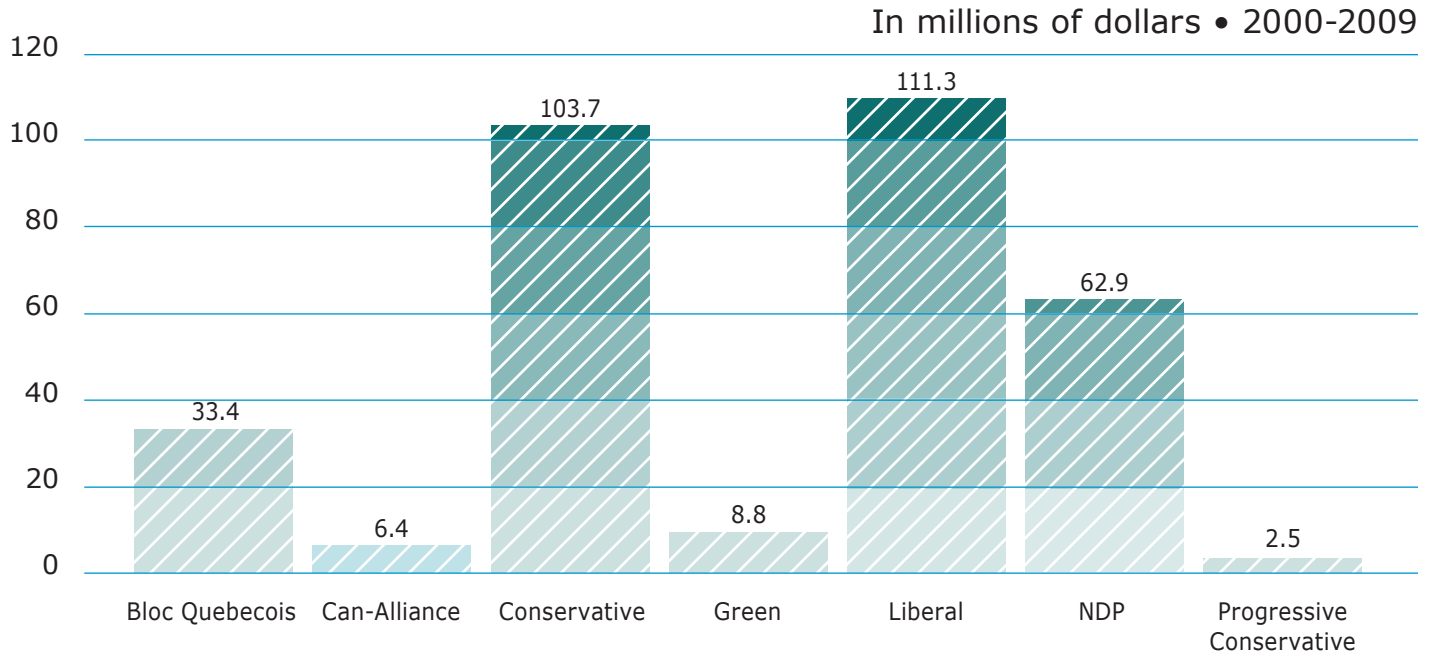


Chart 2a: Individual donations vs subsidies

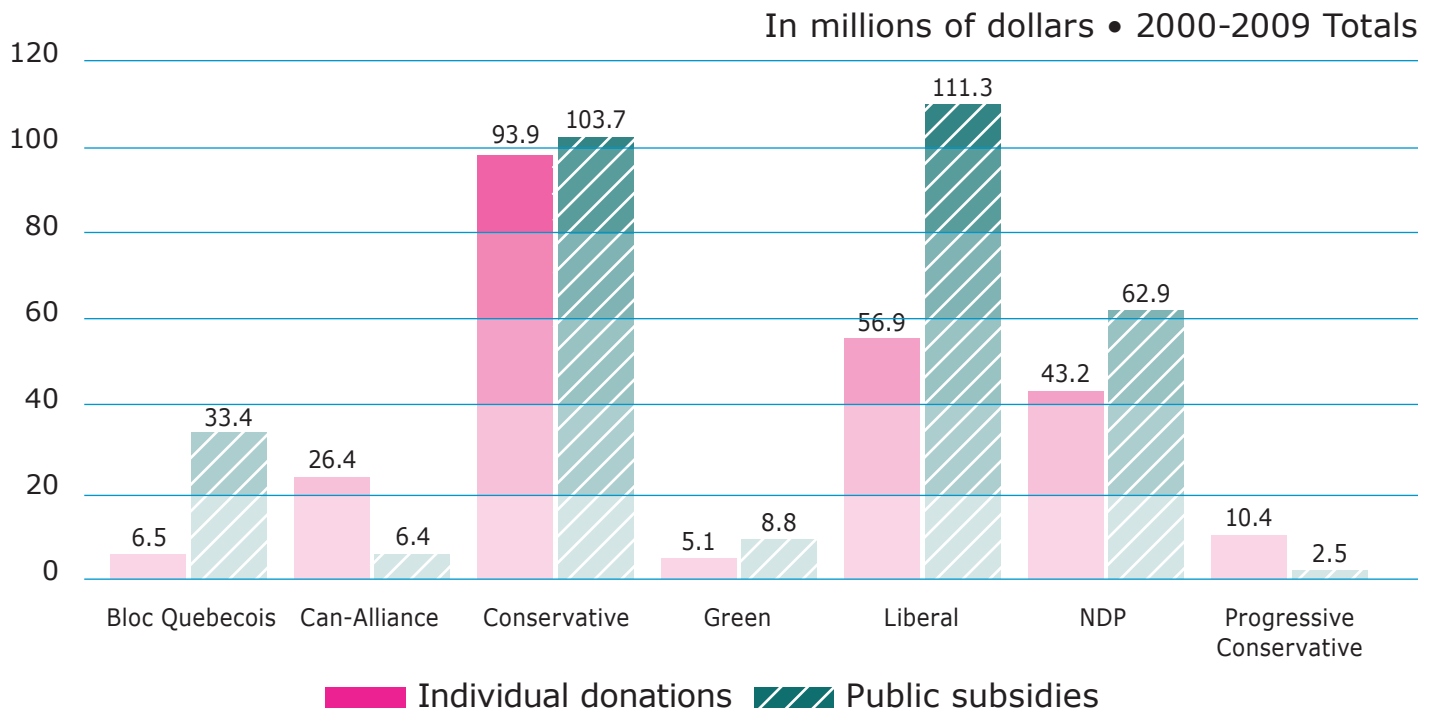


Chart 2b: Ratio of subsidy \$ to every donated \$

Individual donations only • 2000-2009

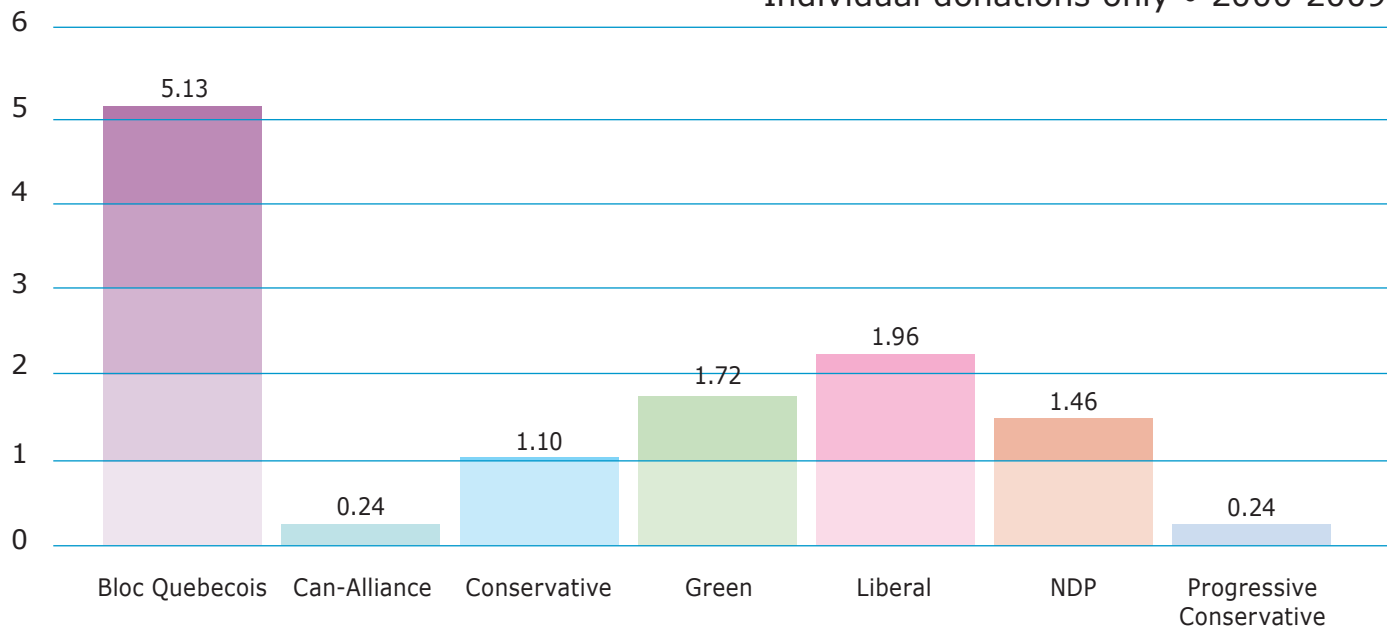


Chart 3: Ratio of subsidy \$ to every donated \$ including riding transfers

Individual donations PLUS riding transfers • 2000-2009

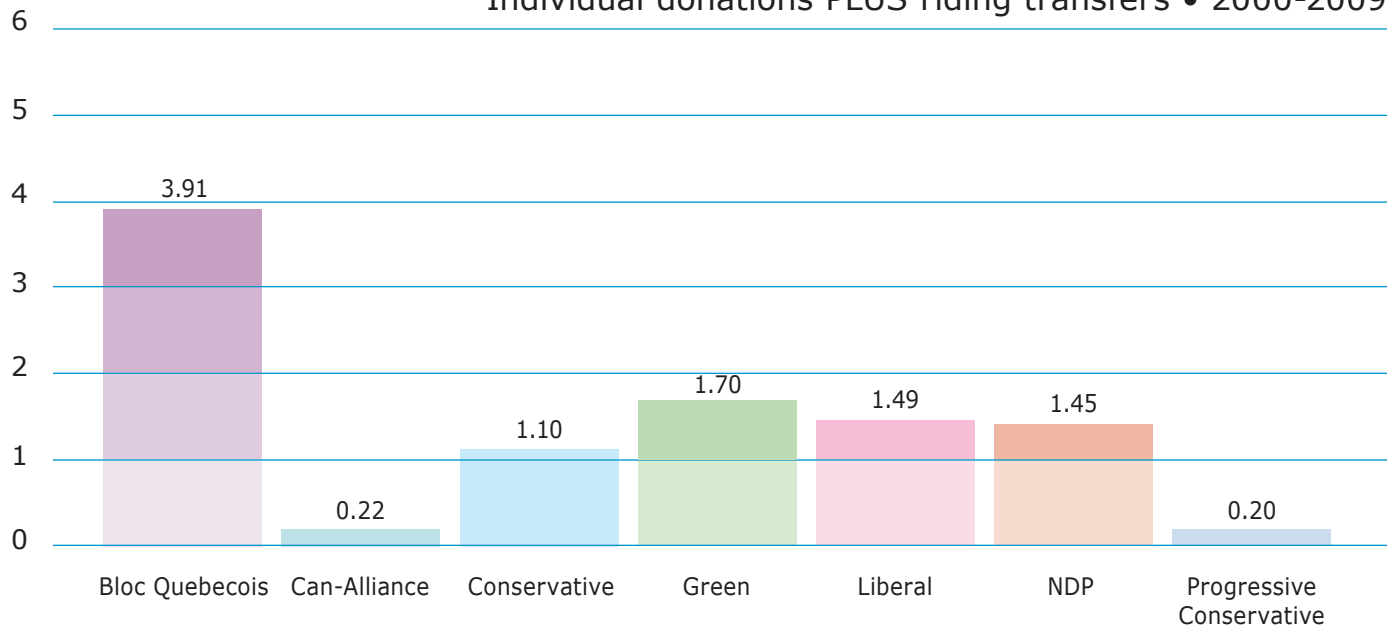


Chart 4a: Value of individual donations in 2008

In millions of dollars

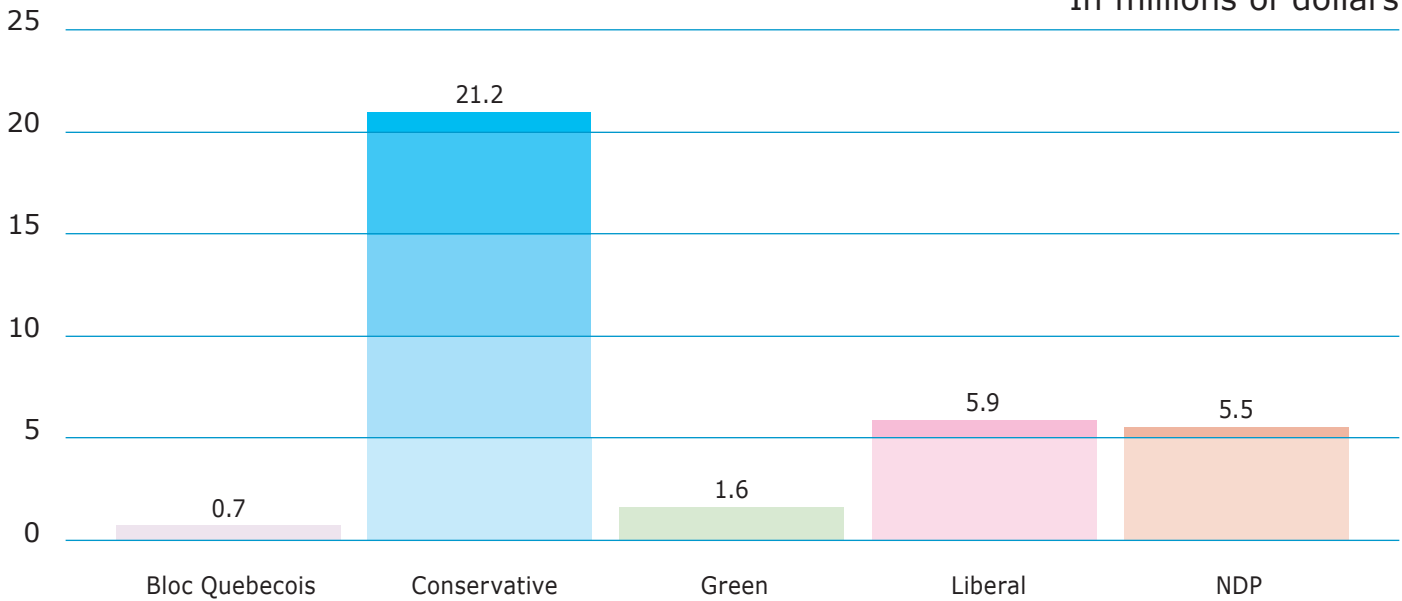


Chart 4b: Value of individual donations PLUS riding transfers in 2008

In millions of dollars

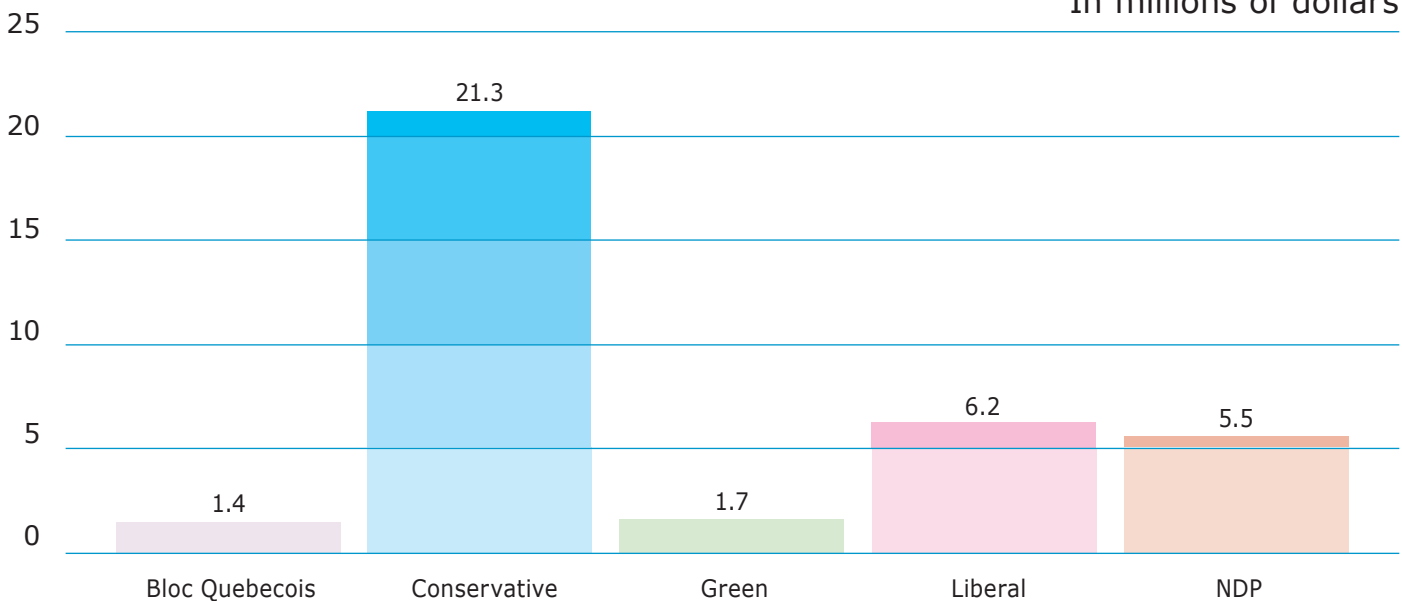


Chart 5a: Donations (plus riding transfers) vs subsidies in 2008

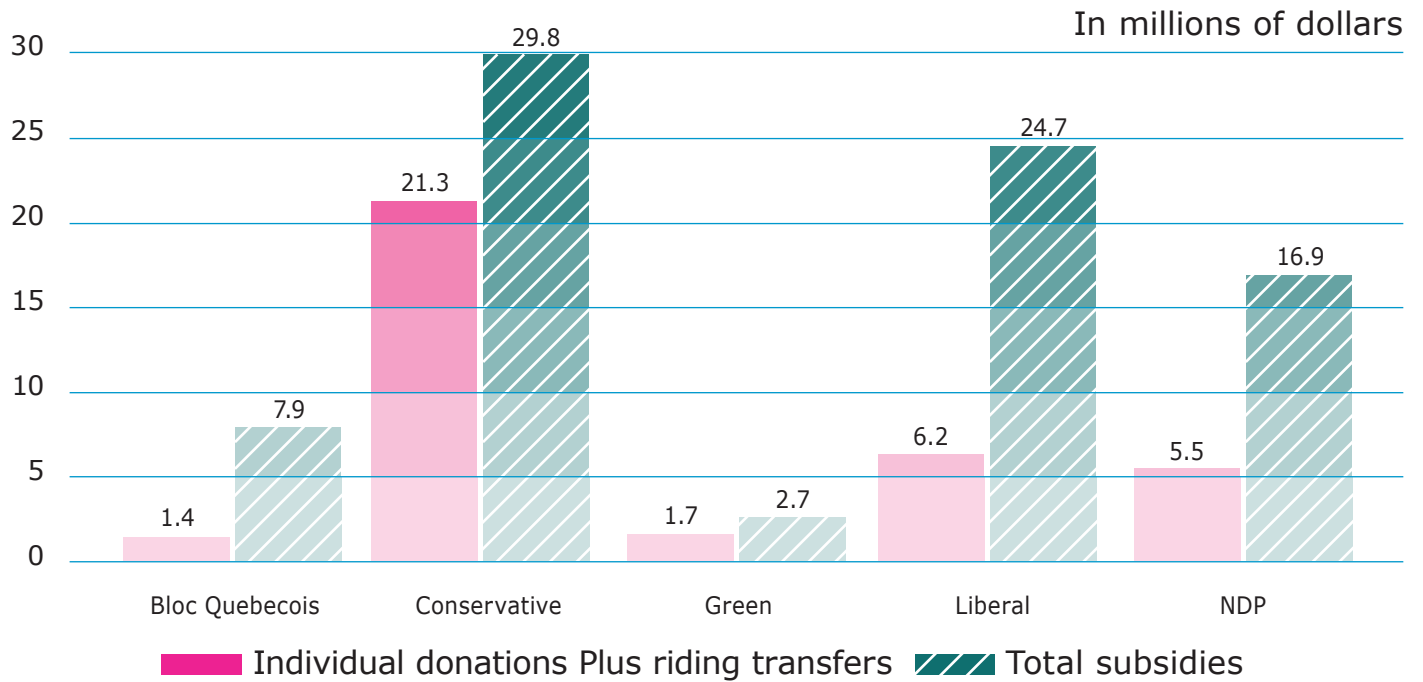


Chart 5b: Ratio of subsidy \$ to every donated \$ (including riding transfers) in 2008

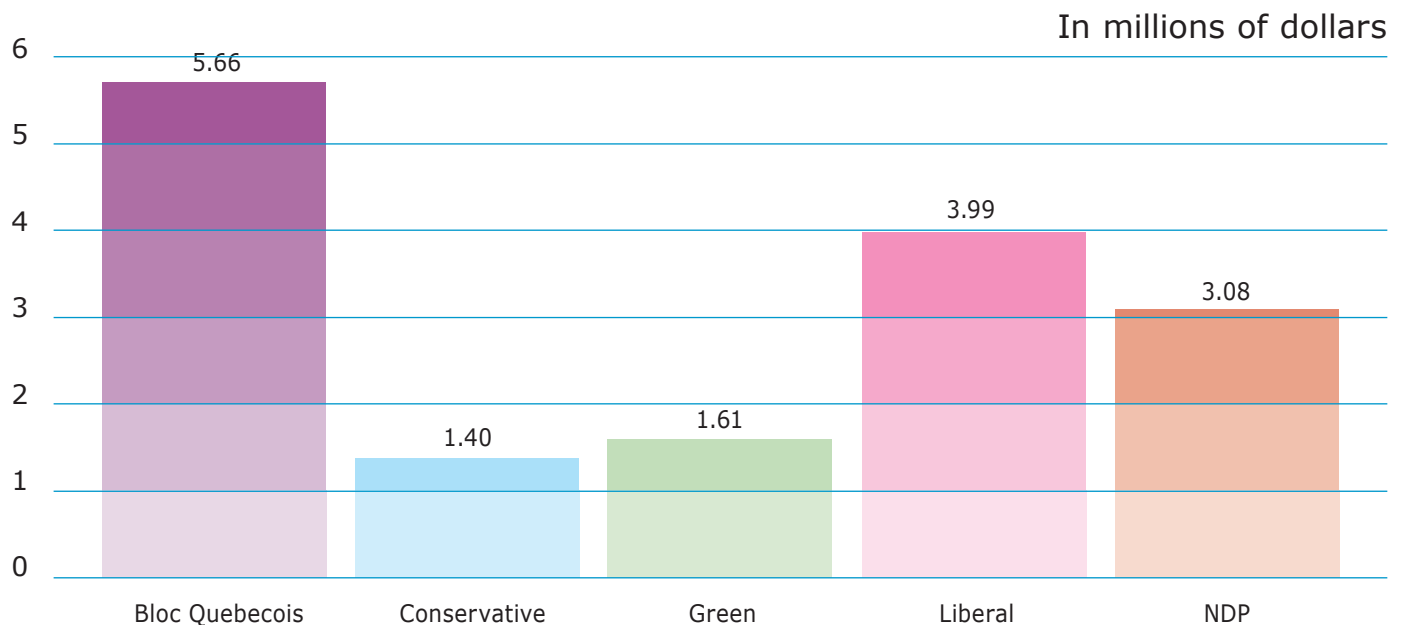


Chart 6a: Individual donations

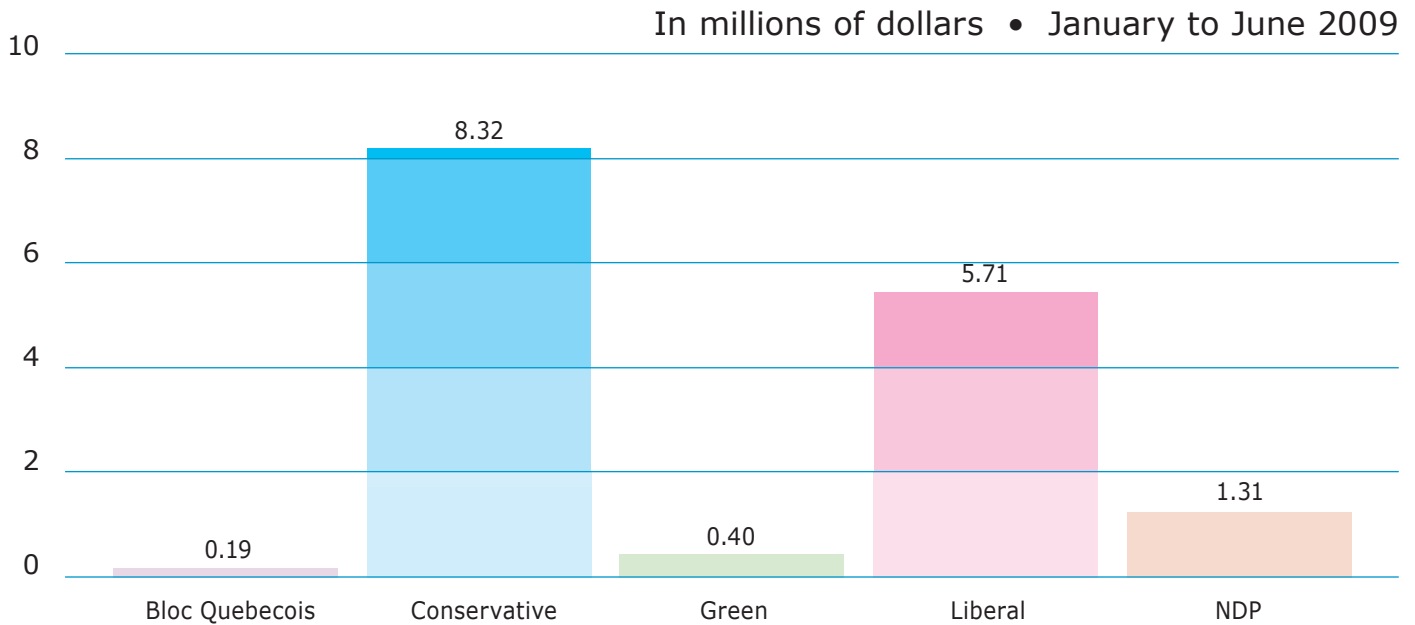
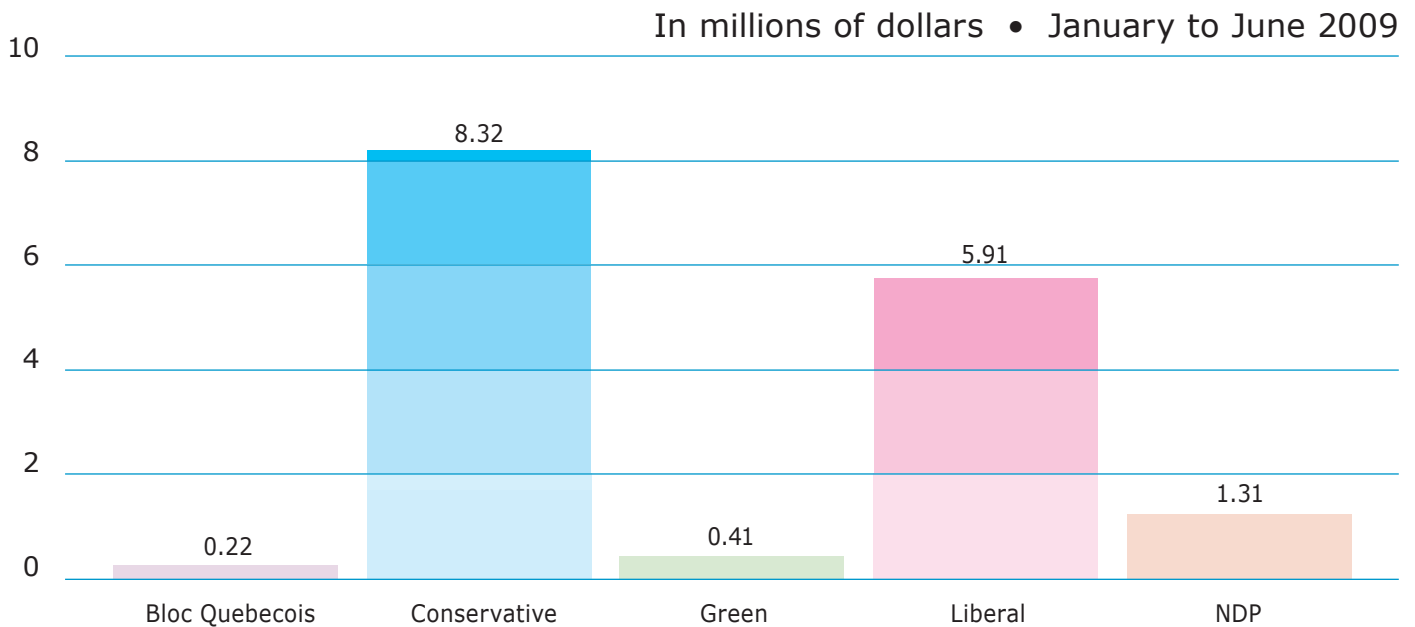


Chart 6b: Individual donations PLUS riding transfers



Subsidies by the numbers: The Tables

1

Table 1: Public subsidies by party

In \$ Millions • 2000-2009

TOTALS

Political Party	ELECTION REIMBURSEMENTS <i>Candidates*</i> 2000-2009	ELECTION REIMBURSEMENTS <i>Parties</i> 2000-2009	ANNUAL SUBSIDIES <i>Parties*</i> 2004-2009	TOTALS BY PARTY
BLOC QUEBECOIS	9.5	7.8	16.1	33.4
CANADIAN ALLIANCE	4.2	2.2	0	6.4
CONSERVATIVE	27.6	29.1	47.0	103.7
GREEN	0.2	2.2	6.4	8.8
LIBERALS	34.9	28.8	47.6	111.3
NDP	11.8	23.8	27.3	62.9
PROGRESSIVE C.	1.6	0.9	0	2.5
Independent/Not affiliated	0.5			0.5
	90.3	94.8	144.4	
			TOTAL 2000-2009	329.5

*2008 candidate reimbursements based on 2006 reimbursements. 2009 subsidies for January to June only. Totals may not add up exactly due to rounding.

2

Table 2: Individual donations vs public subsidies

In \$ Millions • 2000-2009* Totals

	INDIVIDUAL DONATIONS	PUBLIC SUBSIDIES	**RATIO OF PUBLIC DOLLARS TO EVERY DONATED DOLLAR
Political Party			
BLOC QUEBECOIS	6.3	33.4	5.13
CANADIAN ALLIANCE	26.4	6.4	0.24
CONSERVATIVE	93.1	103.7	1.10
GREEN	5.1	8.8	1.72
LIBERAL	56.9	111.3	1.96
NDP	43.2	62.9	1.46
PROGRESSIVE C.	10.4	2.5	0.24
TOTALS/AVERAGE	242.4	329.0	1.36

*Includes January to June 2009 party allowances and estimates of 2008 candidate reimbursements.

**Note that the Alliance and PCs operated under pre-2004 subsidy rules, which were less enriched.

3a/b

Table 3a: Value of individual donations

In \$ Millions

Political Party	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009*	TOTAL 2000- 2009
BLOC QUEBECOIS	1.663	0.460	0.490	0.444	0.858	0.734	0.529	0.429	0.713	0.192	6.5
CANADIAN ALLIANCE	11.954	2.940	5.956	5.535							26.4
CONSERVATIVE					10.910	17.847	18.641	16.983	21.191	8.319	93.9
GREEN	0.137	0.074	0.135	0.170	0.351	0.409	0.832	0.972	1.631	0.404	5.1
LIBERALS	6.966	2.384	3.129	6.194	4.719	8.344	9.063	4.471	5.901	5.710	56.9
NDP	5.752	3.532	4.136	4.782	5.194	5.120	3.972	3.959	5.466	1.307	43.2
PROGRESSIVE C.	2.778	2.192	2.264	3.152							10.4

*January to June 2009 only.

242.4

Table 3b: Value of riding transfers

In \$ Millions

Political Party	2000**	2001	2002	2003	2004	2005	2006	2007	2008	2009*	TOTAL 2000- 2009
BLOC QUEBECOIS	N/A	0.326	0.292	0.476	0.020	0.082	0.056	0.033	0.712	0.030	2.0
CANADIAN ALLIANCE	N/A	0.974	0.215	1.416							2.6
CONSERVATIVE	N/A				0.035			0.046	0.149	0.000	0.2
GREEN	N/A	0.010				0.013	0.000	0.021	0.019	0.005	0.1
LIBERALS	N/A	3.748	4.680	6.618	0.497	0.838	0.732	0.268	0.312	0.201	17.9
NDP	N/A				0.000	0.016	0.039	0.001	0.008	0.000	0.1
PROGRESSIVE C.	N/A	0.057	0.016	1.936							2.0

*January to June 2009 only. **2000 transfers unavailable.

24.9

3c/d

Table 3c: Value of individual donations PLUS riding transfers

In \$ Millions • 2000-2009

Political Party	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009*	TOTAL 2001-2009
BLOC QUEBECOIS	1.663	0.786	0.782	0.920	0.878	0.816	0.585	0.462	1.425	0.222	8.5
CANADIAN ALLIANCE	11.994	3.914	6.171	6.951							29.0
CONSERVATIVE					10.945	17.847	18.641	17.029	21.340	8.319	94.1
GREEN	0.137	0.084	0.135	0.170	0.351	0.422	0.832	0.993	1.650	0.409	5.2
LIBERALS	6.966	6.132	7.809	12.812	5.216	9.182	9.795	4.739	6.213	5.911	74.8
NDP	5.752	3.532	4.136	4.782	5.194	5.136	4.011	3.960	5.474	1.307	43.3
PROGRESSIVE C.	2.778	2.249	2.280	5.088							12.4

*January to June 2009 only.

267.3

Table 3d: Number of individual donations

In \$ Millions • 2000-2009* Totals

Political Party	2000**	2001	2002	2003	2004	2005	2006	2007	2008	2009*
BLOC QUEBECOIS	N/A	5,764	5,343	5,146	8,775	7,773	6,027	4,486	7,444	2,525
CANADIAN ALLIANCE	N/A	48,589	94,668	81,153						
CONSERVATIVE	N/A				68,382	106,818	108,890	107,492	112,184	74,649
GREEN	N/A	690	838	951	3,606	4,529	9,642	10,081	17,288	5,794
LIBERALS	N/A	3,873	14,908	17,871	17,429	23,878	24,967	23,442	30,890	34,717
NDP	N/A	27,800	35,241	32,836	30,097	27,824	25,135	23,303	29,732	21,475
PROGRESSIVE C.	N/A	12,109	10,670	16,419						

*January to June 2009 only: 2009 numbers are subject to revision. They are derived from quarterly reports and may include donors who gave more than once. Year-end calculations for 2001-2008 eliminate dual gifts and reflect individual, annual numbers only.

**2000 transfers unavailable.

3e

Table 3e: Individual donations PLUS riding transfers vs public subsidies

In \$ Millions • 2000-2009* Totals

Political Party	INDIVIDUAL DONATIONS + RIDING TRANSFERS	PUBLIC SUBSIDIES	RATIO OF PUBLIC DOLLARS TO EVERY DONATED DOLLAR
BLOC QUEBECOIS	8.5	33.4	3.91
CANADIAN ALLIANCE	29.0	6.4	0.22
CONSERVATIVE	94.1	103.7	1.10
GREEN	5.2	8.8	1.70
LIBERAL	74.8	111.3	1.49
NDP	43.3	62.9	1.45
PROGRESSIVE CONSERVATIVE	12.4	2.5	0.20
TOTALS/AVERAGE	267.3	329.0	1.23

*Includes January-June 2009 party allowances and the estimate of 2008 candidate reimbursements.

4a/b

Table 4a: Individual donations

In \$ Millions • 2008

Political Party	
BLOC QUEBECOIS	0.713
CONSERVATIVE	21.191
GREEN	1.631
LIBERAL	5.901
NDP	5.466

Table 4b: Individual donations PLUS riding transfers

In \$ Millions • 2008

	RIDING TRANSFERS	INDIVIDUAL DONATIONS	TOTAL
Political Party			
BLOC QUEBECOIS	0.712	0.713	1.4
CONSERVATIVE	0.149	21.191	21.3
GREEN	0.019	1.631	1.7
LIBERALS	0.312	5.901	6.2
NDP	0.008	5.466	5.5

5

**Table 5: Total subsidies in 2008
vs total donations PLUS transfers**

In \$ Millions • 2000-2009

	CANDIDATE REIMBURSEMENTS	PARTY REIMBURSEMENTS	ANNUAL ALLOWANCE	TOTAL SUBSIDIES	INDIVIDUAL DONATIONS PLUS RIDING TRANSFERS
Political Party					
BLOC QUEBECOIS	2.465	2.438	3.017	7.9	1.4
CONSERVATIVE	9.665	9.709	10.439	29.8	21.3
GREEN	0.051	1.397	1.289	2.7	1.7
LIBERALS	8.757	7.259	8.701	24.7	6.2
NDP	3.534	8.377	5.030	16.9	5.5

6a/b

Table 6a: Individual donations

In \$ Millions • January to June 2009

Political Party	
BLOC QUEBECOIS	0.19
CONSERVATIVE	8.32
GREEN	0.40
LIBERAL	5.71
NDP	1.13

Table 6b: Individual donations PLUS riding transfers

In \$ Millions • January to June 2009

	RIDING TRANSFERS	INDIVIDUAL DONATIONS	TOTAL
Political Party			
BLOC QUEBECOIS	0.03	0.19	0.22
CONSERVATIVE	0.00	8.32	8.32
GREEN	0.01	0.40	0.41
LIBERALS	0.20	5.71	5.91
NDP	0.00	1.31	1.31

Addendum

Results of the 2004 Elections Act changes and subsequent modifications

Over the past several decades, several key changes to the funding of Canada's federal political parties have been made. The most recent and significant changes took effect in 2004 with Bill C-24 (passed in 2003), which banned corporate and union donations. This change also limited personal donations to \$5,000 per individual donor. In 2007, this limit was lowered by the new Conservative government to \$1,100 per individual, per year, adjusted annually for inflation. This limit also applies to candidates in federal ridings.

In addition to the 2004 ban on union and corporate donations, the changes provided for increased public—i.e., taxpayer-financed—subsidies to political parties. A new subsidy was introduced – the quarterly “allowance” to political parties.

- **Political parties are reimbursed for 50 per cent of their election expenses** compared to 22.5 per cent previously.
- **Candidates are reimbursed for 60 per cent of their election expenses** compared to 50 per cent previously.
- **A new annual “allowance” was created for political parties** based on the number of votes cast for each party in the previous federal election. The legislation provides for inflation adjustments. As of October 2009, a registered political party receives the equivalent of \$1.999 per vote annually—effectively \$2 for each vote received in the previous election. This is paid in quarterly instalments.

For example, if Party X received 2,000,000 votes in the 2008 election, it would receive a \$4-million allowance in 2009, paid quarterly in instalments of \$500,000.

Up until the end of June 2009, federal political parties received \$144.3-million in allowance subsidies alone—never mind other subsidies for candidates and parties. At the end of 2009, the total will reach \$158-million when the quarterly payments for July to September and October to December are complete.

Sources

Various Elections Canada data were used in this report. They include:

Candidates – Statistical Tables and Other Information

<http://www.elections.ca/content.asp?section=fin&document=index&dir=can&lang=e&textonly=false>

Press Releases and Media Advisories

<http://www.elections.ca/content.asp?section=med&document=index&dir=pre&lang=e>

Registered Party Financial Transactions Return-Monthly

<http://www.elections.ca/scripts/webpep/fin/welcome.aspx?lang=e>

Registered Party Financial Transactions Return-Yearly

<http://www.elections.ca/scripts/webpep/fin/welcome.aspx?lang=e>

Registered Political Parties – Statistical Tables and Other Information

<http://www.elections.ca/content.asp?section=fin&document=index&dir=pol&lang=e>

Further Reading

November 2008

Canada's Own Financial Bubbles: Have-Not Provinces

By David MacKinnon and Mark Milke

http://www.fcpp.org/main/publication_detail.php?PubID=2438

February 2008

Canada: The New Switzerland?

By Mark Milke

http://www.fcpp.org/main/publication_detail.php?PubID=2625

For more see
www.fcpp.org