

Note

The Mother's Milk of Politics: Political Contributions to Federal Parties in Canada, 1974-1984*

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Introduction

Money, it is said, is the mother's milk of politics.¹ The objective of this note is to provide answers to a number of important empirical questions concerning the financing of the three main federal political parties in Canada in the period 1974-1984.²

Despite a paucity of information in the public domain prior to the 1974 *Election Expenses Act*, scholars have sought to document how political parties raised and spent their funds. One of their principal conclusions is that prior to the 1974 reforms the Conservative and Liberal parties were almost totally dependent on contributions from large corporations.³ Individuals played a small role in financing parties or candidates; for example, a survey of voters in the mid-1960s revealed that only about 5 per cent of the respondents were solicited for political contributions.⁴ Paltiel has described the heavy reliance on corporate

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1 This phrase is usually attributed to Jesse Unruh when he was the Democratic speaker of the California legislature.

2 There are also important questions that this study does not address, given its empirical orientation. For example, "what are the motivations of those individuals and corporations who make political contributions?" and "what direct and indirect benefits accrue to those who make such contributions?"

3 Anna B. Stevenson, *Canadian Election Reform: Dialogue on Issues and Effects* (Toronto: Ontario Commission on Election Contributions and Expenses, 1982), 25.

4 John Meisel and Richard Van Loon, "Canadian Attitudes to Election Expenses

donations prior to the 1974 reforms as follows: "The centralized corporations and financial institutions located in Toronto and Montreal provide the bulk of funds needed by the major parties. . . . There are only a handful of these large contributors—hundreds rather than thousands. For the 1972 election half the funds raised in Ontario by the Liberal Party were collected personally by the chairman of the party's Treasury Committee from 90 large corporations."⁵ At a time when party spending on elections was less than \$3 million, corporations made donations as large as \$100,000 to the Liberal party in election years in the 1960s.⁶ In off-election years, the two major parties were said to have asked for 20 per cent or 25 per cent of what the firm had given in election years. It was then the practice of major corporate contributors to give 60 per cent to the party in power and 40 per cent to the opposition.⁷ The federal Liberal party's long-time corporate fund raiser, Senator John Godfrey, applied a formula of 0.2 per cent of a corporation's profit in election years.⁸

In the "bad old days," the major federal parties obtained political contributions from business by means of contract levies. Whitaker asserts that in the period 1946-1958 "there is no reason to believe that the contract levy system initiated . . . in the late 1930s was abandoned as the Government [Liberal] party grew older in the comfortable exercise of power. Indeed there is, on the contrary, every reason to believe that it was extended and made more comprehensive and efficient."⁹ He also notes that certain businesses provided valuable services in kind as well as cash contributions. Of particular importance were the services provided by the advertising agencies who made up their out-of-pocket expenses by generous contracts for advertising by government departments and agencies.¹⁰ This practice appears to continue today.¹¹

1965-1966," in K. Z. Paltiel (ed.), *Studies in Canadian Party Finance* (Ottawa: Queen's Printer, 1966), 42.

- 5 K. Z. Paltiel, "Campaign Financing in Canada and its Reform," in Howard Penniman (ed.), *Canada at the Polls: The General Election of 1974* (Washington: American Enterprise Institute, 1975), 182.
- 6 Stevenson, *Canadian Election Reform*, 31.
- 7 K. Z. Paltiel, *Political Party Financing in Canada* (Toronto: McGraw Hill, 1970).
- 8 Stevenson, *Canadian Election Reform*, 31-32. On the role of party "bagmen," see *Maclean's*, February 4, 1980, 36, and May 15, 1978, 44b-44p.
- 9 Reginald Whitaker, *The Government Party: Organizing and Financing the Liberal Party of Canada, 1930-1958* (Toronto: University of Toronto Press, 1977), 199. Perhaps the extreme application of the contract levy system in Canada was by the Duplessis government in Quebec. See Herbert F. Quinn, "Quebec: Corruption Under Duplessis," in K. M. Gibbons and D. C. Rowat (eds.), *Political Corruption in Canada: Cases, Causes and Cures* (Toronto: McClelland and Stewart, 1976), 74-75.
- 10 Whitaker, *The Government Party*, 201.
- 11 See, for example, W. T. Stanbury, G. J. Gorn and C. B. Weinberg, "Federal Advertising Expenditures," in G. B. Doern (ed.), *How Ottawa Spends: The Liberals, the Opposition Parties and National Priorities* (Toronto: Lorimer, 1983), chap. 6; and *Maclean's*, June 24, 1985, 11-12.

Abstract. This study provides data to answer a number of important questions concerning the financing of the three main political parties at the federal level between 1974 and 1984. It analyzes both the regulated campaign expenditures by parties and candidates and the unregulated party expenditures outside official campaign periods. The main focus is on the importance of different sources of contributions to each party: individuals, corporations, trade unions, and interest groups. New details are provided on large contributions by individuals and corporations, and on the contributions of the largest 500 nonfinancial enterprises in Canada. Finally, the study notes that despite new federal legislation concerning political contributions and expenditures in 1974 the relationship between contributions and influence remains shrouded in secrecy.

Résumé. Ce texte fournit des données pertinentes au financement des trois grands partis fédéraux de 1974 à 1984. On y analyse à la fois les dépenses électorales sujettes à la réglementation et celles qui, se produisant en dehors des campagnes électorales, ne le sont pas. On fait principalement ressortir l'importance relative des sources de financement que sont les personnes, les sociétés, les syndicats et les groupes intermédiaires; on s'attarde sur de nouvelles données concernant les « grandes contributions » et les contributions des principales sociétés commerciales et industrielles. Enfin, on note que, malgré la loi de 1974, on ignore toujours les liens entre les contributions électorales et l'influence politique.

The Liberals enacted the most far-reaching electoral finance registration in the nation's history effective August 1, 1974, following the general election of July 8 which returned them to power after almost two years of minority government. The 1974 legislation was designed to achieve several objectives: to bring candidate and party financing into the open; to put limits on election expenses and thereby to reduce the actual or potential influence of money on politicians; to use public funds to subsidize part of the election costs of both parties and candidates; and to reduce the dependence of the Conservative and Liberal parties upon a small number of corporate contributors. The most important elements in this legislation and subsequent amendments are these:

(1) Political parties must be registered and must appoint an official agent and auditor.

(2) Spending limits during the official election campaign period are imposed separately on parties and candidates. These were indexed to the Consumer Price Index (CPI) in October 1983 retroactively from 1980.

(3) Radio and TV stations are required to make available up to 6.5 hours of prime time for paid advertising, which is allocated among the parties by the CRTC. Electronic advertising by parties is also limited to these amounts. Radio and TV networks must provide specified amounts of free time for parties to advertise during campaigns.

(4) Candidates receiving at least 15 per cent of the votes cast are entitled to be reimbursed by the federal government for part of their expenditures, one-half since the October 1983 amendments. From 1975 to 1983 parties were entitled to reimbursement for one-half of the standard media costs for radio and TV ads during the campaign period. The current provision entitles parties to be reimbursed for 22.5 per cent of their total election expenditures up to the legal limit.

(5) The names of all persons or organizations donating \$100 or more to a candidate or a party (in cash or kind) must be disclosed in public reports filed with the Chief Electoral Officer.

(6) Individuals are entitled to a tax credit of 75 per cent on political contributions up to \$100 plus 50 per cent on amounts between \$100 and \$550 plus 33.3 per cent on amounts exceeding \$550 up to a total tax credit of \$500.¹²

Party Expenditures, 1974-1984

Election expenditures¹³ by the three main federal parties increased by 75 per cent between the 1979 and 1984 general elections; those by all candidates increased by 66 per cent (see Table 1). However, campaign expenditures rose slightly more than the rate of inflation: the CPI and Gross National Expenditure (GNE) deflator increased by 52 per cent and 51 per cent, respectively, between 1979 and 1984. The increase in election expenses is largely attributable to the growth of the size of the electorate and the indexation of expenditure limits, although the ratio of actual expenditures to the legal limit increased for all three parties between 1979 and 1984.¹⁴ Despite the major change in the method of

12 For more detail, see J. Patrick Boyer, *Money and Message: The Law Governing Election Financing Advertising, Broadcasting and Campaigning in Canada* (Toronto: Butterworths, 1983), and Bill C-169, amendments to the *Election Act* enacted in October 1983.

13 "Election expenses" are very narrowly defined in the *Canada Elections Act*, and do not cover all the expenditures which a political scientist or journalist would normally call "campaign expenditures." The term does not even cover all the expenditures made by a party or candidate during the formal campaign period, from the date of the issuance of the writ of dissolution to polling day. This was particularly glaring with respect to the declared election expenses of parties in 1984. See K. Z. Paltiel's paper to the International Political Science Association meeting in July 1985, entitled "The 1984 Federal General Election and Developments in Canadian Party Finance," to be published in *Canada at the Polls—1984* (Washington: American Enterprise Institute, forthcoming).

14 Over the last three general elections the three main parties are now spending a high percentage of the legal limit of campaign expenditures:

	1979	1980	1984
Liberal	86.2%	84.6%	98.5%
Conservative	87.7	96.9	99.96
New Democrat	49.1	68.1	74.0

With respect to all candidates, the ratio of expenditures to the legal limits is:

	1979	1980	1984
Liberals	79.8%	77.5%	79.0%
Conservatives	77.6	72.4	89.0
New Democrats	34.4	38.4	37.8

See Chief Electoral Officer, *Report Respecting Election Expenses, 1979; 1980; 1984* (Ottawa: CEO, 1979, 1980, 1984).

calculating the expenditures reimbursed by the federal government in October 1983, Table 1 shows that the rate of reimbursement for all three parties combined was remarkably similar over the past three elections.

TABLE 1

GROSS AND NET EXPENDITURES BY PARTIES AND CANDIDATES ON FEDERAL GENERAL ELECTION CAMPAIGNS, 1979, 1980, 1984 (\$ 000)

		1979	1980	1984	Increase 1984/ 1979 (%)
<i>Expenditures by</i>					
Parties	Conservative	\$ 3,845	\$ 4,407	\$ 6,389	66
	Liberal	3,913	3,846	6,293	61
	NDP	2,190	3,086	4,731	16
	Total	9,948	11,339	17,413	75
Candidates	Conservative	6,016	5,680	10,726	78
	Liberal	6,186	6,074	9,447	53
	NDP	2,665	2,987	4,479	68
	Total	14,867	14,741	24,652	66
<i>Reimbursement by the federal government to</i>					
Parties	Conservative	794	977	1,438	81
	Liberal	718	910	1,416	97
	NDP	496	677	1,064	115
	Total	2,008	2,564	3,918	95
as a % of party expenditures		20.2	22.6	22.5	
Candidates	Conservative	2,868	2,871	5,117	78
	Liberal	3,594	3,656	4,081	14
	NDP	1,671	1,886	1,917	15
	Total	8,133	8,393	11,115	37
as a % of candidate expenditures		54.7	56.9	45.1	

Source: *Report of the Chief Electoral Officer Respecting Election Expenses, 1979; 1980; 1984* (Ottawa: CEO, 1979, 1980, 1984).

The data in Table 2 indicate that the growth in non-election expenditures (that is, total expenditures minus official election expenses) by political parties has been very substantial between 1974 and 1984. The growth in these expenditures for all parties exceeded the rate of inflation: between 1975 and 1984 the CPI and the GNE deflator

increased 2.1 times, while expenditures by the Liberal, Conservative and New Democratic parties increased 6.1, 13.0, and 2.9 times, respectively. It should be noted, however, that non-election expenditures have not grown steadily since 1974.

TABLE 2

MAJOR PARTIES INCOME AND EXPENDITURES, 1974-1984 (\$ 000)

Period	Liberal		Conservative		NDP	
	Income	Expend.	Income	Expend.	Income	Expend.
1974	2,217 ^a	1,963 ^a	1,721 ^a	1,597 ^a	1,437 ^d	1,270 ^d
1975	5,823 ^b	4,707 ^b	1,203 ^c	889 ^c	2,580	2,570
1976			4,084	3,497	2,281	2,351
1977	4,587	4,187	3,774	4,233	3,006	3,105
1978	5,018	5,283	5,465	5,470	3,401	3,514
1979	6,302	2,771	8,376	5,083	4,741	4,678
E		3,913		3,845		2,190
R	718		794		496	
1980	6,218	5,769	7,564	4,923	6,101	5,992
E		3,846		4,407		3,086
R	910		978		677	
1981	5,592	5,116	6,950	7,542	6,003	6,491
1982	6,746	5,497	8,521	8,521	7,108	6,837
1983	7,736	6,277	14,767	10,338	8,669	8,009
1984	11,598	11,999	21,979	20,777	10,513	7,407
E		6,293		6,389		4,731
R	1,416		1,438		1,064	

a 1/8/74 to 31/7/75 12 months.

b 1/8/75 to 31/12/76 17 months.

c 1/8/75 to 31/12/75 5 months.

d 1/8/74 to 31/12/74 5 months.

E General election campaign expenditures.

R Reimbursement of election expenses by federal government, that is, one-half the allowed outlays on electronic media for advertising in 1979 and 1980 and 22.5 per cent of total allowable expenditures in 1984.

Income = Contributions plus other income, for example, interest. In some years for the Liberals and the Conservatives "other income" was reported as a deduction from "other expenses."

Source: Calculated from *Report of the Chief Electoral Officer Respecting Election Expenses, 31st General Election, 1979*; and annual returns filed by the parties with the CEO 1979-1984, and *Report of the Chief Electoral Officer Respecting Election Expenses, Thirty-Third General Election, 1984*.

The data in Tables 1 and 2 suggest that legal constraints on election campaign expenditures (\$6.393 million in 1984 if a party fielded a full slate of candidates) have resulted in the substitution of party expenditures outside the designated campaign periods, where expenditures are only limited by the party's ability to raise funds. However, the campaign spending constraint still has not become binding for the NDP. Even in 1984 it spent 74 per cent of its legal limit as a party and its candidates on a combined basis spent only 37.8 per cent of their limit. The growth in non-election expenditures is most noticeable for the Conservatives, but those of the Liberals have also grown substantially. The trend is least obvious for the NDP.

The growth of non-election spending may be indicative of greater competition among the parties. It may also be attributable to new and improved methods of fund raising, notably by direct mail. Unfortunately, publicly available data do not indicate what fraction of party expenditures go toward fund raising.¹⁵ In particular, the Conservatives' ability to raise funds in recent years has been remarkable. In 1984 they raised almost three times the 1980 total.

Contributions to Parties and Candidates, 1974-1984

Sources of Contributions

Previous research suggests that the fraction of Liberal and Conservative party revenues provided by corporations prior to the reforms of 1974 almost certainly exceeded 75 per cent and may have been as high as 90 per cent of the total contributions. Table 3 indicates that corporations¹⁶ have accounted for about one-half of total contributions to the federal Liberal party since 1974. However, there has been considerable year-to-year variation. For example, in 1979, an election year, the ratio was 74.3 per cent, but in 1982 it dropped to 41.3 per cent. In seven of the ten years between 1975 and 1984, the Conservatives' reliance on corporate contributions was less than that of the Liberals. For both parties, contributions from individuals are the only other major source of party revenue. In fact, in 1981, 1982, and 1983, the Conservatives raised over 60 per cent of their contributions from individuals.

15 A note in the NDP 1984 return filed with the CEO indicates that the party spent \$301,000 on fund raising in a year in which its contributions from individuals totalled \$4.2 million. While the marginal cost of direct-mail fund raising techniques is very low (paper, printing and postage), the average cost probably exceeds 25 per cent of the money raised.

16 In this context, the term corporations (or "businesses") includes both large and small publicly-traded and privately-held firms. It also includes "commercial organizations" such as law, accounting and engineering firms—and it includes federal and provincial crown corporations.

TABLE 3

SOURCES OF CONTRIBUTIONS TO THE MAJOR POLITICAL PARTIES, 1974-1984

Year and party	Source (% distribution)					Total (\$ 000)
	Individuals	Corporations & commercial organizations	Trade unions	Provincial organizations ^e	Other	
1974						
Lib	*	*	*	*	*	*
Con	*	*	*	*	*	*
NDP ^a	89.4	1.0	9.3	n/a	0.3	1,437
1975						
Lib ^b	51.4	46.2	*	n/a	2.4	2,149
Con ^c	45.8	51.8	0	n/a	2.4	2,794
NDP	80.2	5.6	14.2	n/a	*	2,580
1976						
Lib ^d	52.8	46.0	*	n/a	1.2	5,599
Con	48.9	49.3	0	n/a	1.8	3,907
NDP	80.4	4.2	15.3	n/a	0.1	2,206
1977						
Lib	44.9	51.8	*	n/a	3.3	4,424
Con	49.2	48.6	*	n/a	2.2	3,545
NDP	77.3	6.6	15.2	n/a	0.9	2,861
1978						
Lib	44.0	52.1	*	n/a	3.9	4,780
Con	49.6	49.0	0	n/a	1.4	5,363
NDP	78.3	6.4	15.0	n/a	0.3	3,259
1979(E)						
Lib	22.7	74.3	*	n/a	3.0	5,221
Con	38.0	59.9	*	n/a	2.1	8,376
NDP	59.2	3.7	37.0	n/a	0.1	4,597
1980(E)						
Lib	36.7	60.0	*	n/a	3.3	6,218
Con	40.2	57.8	—	n/a	2.0	7,564
NDP	46.2	1.6	27.9	19.3	0.1	6,101
1981						
Lib	41.2	53.1	*	n/a	5.7	5,095
Con	62.2	37.0	0	n/a	0.8	6,950
NDP	47.0	18.2	8.6	35.8	6.0	6,003
1982						
Lib	52.3	41.3	0.1	n/a	6.3	6,104
Con	60.8	27.5	0	n/a	11.7	8,521
NDP	53.1	2.0	6.7	32.9	5.3	7,108
1983						
Lib	44.8	48.6	*	n/a	6.6	7,285
Con	64.5	34.2	0	n/a	1.3	14,108
NDP	57.7	0.5	7.3	31.1	3.4	8,669

TABLE 3—Continued

Year and party	Source (% distribution)					Total (\$ 000)
	Individuals	Corporations & commercial organizations	Trade unions	Provincial organizations ^c	Other	
1984(E)						
Lib	49.1	50.6	*	n/a	0.3	10,553
Con	48.0	52.0	0	n/a	0	21,145
NDP	39.5	0.5	20.5	30.0	9.5	10,513

a 1/8/74 to 31/12/74.

b 1/8/74 to 31/7/75.

c 1/8/74 to 31/12/75.

d 1/8/75 to 31/12/76.

e Includes contributions from individuals, trade unions, and some businesses to provincial organizations then transferred to the federal party.

(E) Election year.

* Included in 1975; see notes b and c above.

n/a Not applicable.

Sources: Calculated from *Report of the Chief Electoral Officer Respecting Election Expenses, 31st General Election, 1979*; and annual returns filed by the parties with the CEO, 1979-1984.

The NDP, not surprisingly, obtains very little money from corporations.¹⁷ Rather, it has relied primarily on individual donations and, to a lesser extent, on contributions from trade unions. From 1974 to 1978 unions provided about 15 per cent of the party's funds and, as Table 3 indicates, this fraction increased sharply in 1979 and 1980, both election years. Since 1981, the federal NDP indicates that over 30 per cent of its total contributions came from several provincial party organizations in BC, Alberta, Manitoba, Ontario, New Brunswick, Nova Scotia and Yukon. The result is that contributions by individuals directly to the federal NDP have declined from 77 per cent to 39.5 per cent of all contributions between 1975 and 1978 to 39.5 per cent in 1984.

Perhaps the most extraordinary change in the way the three main parties raise contributions has been the Conservatives' ability to raise money from many individuals, most of whom give less than \$100. Table 4 indicates that in 1983 and 1984 they were able to tap more individual donors than the NDP by a substantial margin. Moreover, the Conservatives have been able to obtain significantly greater average contributions from their donors. The average donation by individuals to the Liberals, on the other hand, has (with the exception of 1981) been larger than those to the Conservatives.

17. In 1984 the NDP reported receiving \$51,665 from 280 "business and commercial organizations." In 1985 the NDP in Nova Scotia had a public debate over whether the provincial party should even accept donations from small businesses ("Small-business donation plan sparks debate in N.S. NDP," *Globe and Mail*, August 19, 1985).

TABLE 4

NUMBER AND AVERAGE SIZE OF CONTRIBUTIONS BY INDIVIDUALS TO FEDERAL PARTIES, 1974-1984

Individual contributions		Liberal	Conservative	NDP
1974	number	9,882 ^a	6,423 ^a	27,910 ^b
	average	\$112	\$99	\$46
1975	number	25,870 ^c	6,594 ^d	58,889
	average		\$98	\$35
1976	number	\$114	23,409	56,142
	average		\$82	\$32
1977	number	21,063	20,339	60,169
	average	\$94	\$86	\$37
1978	number	22,350	35,615	67,133
	average	\$94	\$75	\$38
1979(E)	number	13,025	34,952	63,655
	average	\$91	\$91	\$43
1980(E)	number	17,670	32,720	62,428
	average	\$141	\$98	\$52
1981	number	24,735	48,125	56,545
	average	\$85	\$90	\$51
1982	number	27,968	52,694	66,665
	average	\$114	\$98	\$57
1983	number	33,649	99,264	65,624
	average	\$97	\$92	\$76 ^f
1984(E)	number	29,056	93,199	80,027
	average	\$178	\$109	\$52 ^v

a 1/8/74 to 31/7/75.

b 1/8/74 to 31/12/74.

c 1/8/75 to 31/12/76.

d 1/8/75 to 31/12/75.

e If the \$453,365 donation to Irene Dyck is eliminated, the average was \$69.

f If the \$215,767 donation of Irene Dyck is eliminated, the average is \$49.

(E) Election year.

Sources: *Report of the Chief Electoral Officer Respecting Election Expenses, 1979; 1980; 1984* (Ottawa: COE, 1979, 1980, 1984).

What are the important sources of contributions to candidates? For Conservative candidates as a whole, individuals have accounted for 43.4, 37.7, and 41.6 per cent of the total in the 1979, 1980, and 1984 elections, respectively. The comparable percentages for Liberal

candidates was somewhat lower: 26.8, 34.6, and 28.4. One might expect, therefore, that Liberal candidates were more dependent on donations from business. This was not the case. Corporate donations to Liberal candidates were a smaller fraction of their total contributions than they were for Conservative candidates. For example, in 1984 Conservative candidates obtained 39.6 per cent of their funds from corporations, while their Liberal counterparts obtained 27.6 per cent of their funds from business. For Liberal candidates, the largest single category of contributions was that of “political organizations and registered parties,” that is, provincial and federal party organizations. In 1984, these accounted for 41.5 per cent of Liberal candidates’ contributions. In 1979, the figure was 48.3 per cent. Conservative candidates’ dependency on party sources appears to have declined over the past three elections—from 20.5 per cent in 1979, to 29.3 in 1980 and 17.1 in 1984.

NDP candidates have to offset their virtual absence of contributions from business by relying more heavily on trade unions (who have provided 13 per cent to 18 per cent of contributions) and provincial and federal party organizations (which accounted for 30 per cent to 42 per cent of total contributions over the past three general elections).

In George Orwell’s *Animal Farm* all the animals were equal, but some were more equal than others. So it is with political contributions.

Large Contributions by Individuals

Do a few individuals who make large (\$2,000+) donations account for a significant fraction of all contributions from individuals?¹⁸ The Conservative party received donations of \$2,000 or more from 45 individuals in 1983 and from 278 in 1984. The comparable figures for the Liberal party were 38 and 28. Only two individuals in 1983 and five in 1984 made a large donation to both parties. The largest single donation and the number of persons making them were as follows:¹⁹

Year	To Liberals	To Conservatives	To NDP
1983	\$10,000 (3)	\$15,000 (1)	\$453,365 (1)
1984	\$10,000 (2)	\$50,000 (2)	\$215,767 (1)

18 The net after tax cost of a \$2,000 donation is \$1,500 after the maximum tax credit of \$500 is taken into account—not a terribly burdensome amount for upper-middle income Canadians. In 1984, average income per household was \$35,853, while 26.8 per cent of households had an income of \$45,000 or more. See Statistics Canada, “Income Distributions by Size in Canada, Preliminary Estimates” (Ottawa: Cat. No. 13-206).

19 It may be that both of the contributions to the Conservatives were from the same individual. The party’s return indicates \$50,000 from Mr. W. W. Siebens and \$50,000 from Mr. W. Siebens. The very large contributions to the NDP were by a widow, Mrs. Irene Dyck, who works as a volunteer for the NDP in Alberta. See *Globe and Mail*, July 13, 1985.

It should be noted that most of the large donations were in the range of \$2,000 to \$2,999. In 1983 the Conservatives received only nine donations of \$3,000 or more from individuals, while the Liberals received 20. In 1984 the comparable figures were 79 and 6, respectively. The average donation of those making contributions of \$2,000 or more to the Conservatives was \$2,978 in 1983 and \$3,906 in 1984. For the Liberals, the comparable figures were \$3,758 and \$3,150.

Large contributions from individuals do not account for a major fraction of all contributions from individuals. For the Conservatives such contributions amounted to 1.5 per cent of all contributions from individuals in 1983 and 10.7 per cent in 1984. For the Liberals, the comparable figures are 4.4 and 1.7.

Contributions from Corporations

The Conservatives have been successful in recent years in sharply increasing the number of firms from whom they have obtained political contributions (see Table 3). However, they had over 8,000 business contributors in 1978, which was not an election year, as compared with only 5,111 in 1980. Although the Conservatives have expanded their base of business contributors since 1980, they have not been able to increase the average donation even in nominal dollars.

The Liberals' business base grew much more slowly in recent years. It is surprising to find that in the election years of 1979, 1980, and 1984 the total number of business contributors to the Liberals actually fell in comparison to the previous year. However, the average contribution to the Liberal party has been consistently greater than that to the Conservative party. In recent years, however, the Conservatives have more than made up the difference by having a much larger number of business contributors. For both parties, there is clearly an "election year effect" present in the past three elections. The average size of business contributions more than doubles over the previous year (unless, like 1979, it was also an election year).

From the evidence in Table 5 it is clear that the number of corporations willing to make donations to the two main federal parties—despite the disclosure requirement—has increased quite dramatically in the past five years. Because of a lack of information on the pre-1974 period, we cannot say for sure whether the total number of business contributors has increased or decreased since disclosure has been required.

How important are large (\$10,000+) contributions from corporations? The federal Conservative party received 43 such contributions in 1983 and 198 in 1984. The average value of these large contributions was \$18,154 and \$22,032, respectively. The Liberal party obtained such large contributions from 45 corporations in 1983 and 113 in

1984. The average value of these contributions was \$19,976 and \$20,976, respectively. Twenty-eight corporations in 1983 and 89 in 1984 donated \$10,000 or more to both the Liberal and Conservative parties. Their average donation per party was higher than those firms that gave to only one party (\$21,027 in 1983 and \$23,337 in 1984).

TABLE 5

CORPORATE CONTRIBUTIONS TO THE LIBERAL AND CONSERVATIVE PARTIES, 1974-1984

	Liberal		Conservative	
	Number ^a	Average ^b	Number ^a	Average ^b
1974	2,418 ^c	\$ 413	2,034 ^c	\$479
1975			1,301 ^d	\$364
1976	5,150 ^e	\$ 500	5,720	\$337
1977	5,672	\$ 404	4,370	\$394
1978	5,021	\$ 496	8,040	\$327
1979(E)	3,736	\$1,037	7,691	\$653
1980(E)	4,420	\$ 844	5,011	\$872
1981	6,039	\$ 448	7,312	\$352
1982	5,652	\$ 446	9,432	\$310
1983	7,536	\$ 352	18,067	\$232
1984(E)	6,494	\$ 822	21,286	\$517

a From 1974 to 1979 the number is the sum of "private corporations" and "public corporations." It excludes "unincorporated organizations." From 1980, the category is "business and commercial organizations."

b In nominal dollars.

c 1/8/74 to 31/7/75.

d 1/8/75 to 31/12/75.

e 1/8/75 to 31/12/76.

(E) Election year.

Source: Tabulation by the author from *Report of the Chief Electoral Officer Respecting Election Expenses, 1979; 1980; 1984* (Ottawa: CEO, 1979, 1980, 1984).

Contributions of \$10,000 and more accounted for 16.2 per cent of the total amount of all corporate contributions to the Conservatives in 1983 and 39.6 per cent in 1984. For the Liberal party, although they were fewer in number, they were even more important—accounting for 25.4 and 44.4 per cent of total corporate contributions in 1983 and 1984, respectively. Put another way, in the election year of 1984 the 198 largest corporate donations to the Conservatives and the 113 largest to the Liberals accounted for some two-fifths of all corporate contributions.

The largest single corporate contributions in 1983 and 1984 were as follows:

	To Liberals	To Conservatives
1983	\$51,958 (Canadian Pacific Ltd.)	\$ 50,000 (Canadian Pacific Ltd.)
1984	\$78,822 (Power Corporation)	\$150,000 (Candor Investments Ltd.)

It seems fitting that Canada's second largest firm (in terms of revenues) should be the largest single contributor to both parties in 1983. The three largest contributors to both parties on a combined basis in 1983 were Canadian Pacific Ltd. (\$101,958), Imasco Ltd. (\$66,669) and Brascan Ltd. (\$62,400). In 1984, the top three on a combined basis were Candor Investments (\$150,000), Bank of Montreal (\$150,000), and Royal Bank (\$150,000). In 1984 well-known businessman and former Conservative candidate Stephen Roman directed \$200,250 to his party from two corporations that he controls: Denison Mines (\$100,250) and Roman Corp. (\$100,000).

Because individuals and corporations each accounted for roughly one-half of the total contributions to both the Liberal and Conservative parties in 1983 and 1984, it is desirable to combine large contributors in both categories to see if the parties are heavily dependent upon a very few patrons for their support. In 1984, the Conservatives obtained 24.8 per cent of their total income from 278 individual donors and 198 corporate donors. The federal Liberal party received 21.2 per cent of its total income from only 28 individuals and 113 corporations in 1984. The dependency on large contributions was much less in 1983, which was not an election year. The Conservatives received 6.2 per cent of total contributions from 45 individuals and 43 corporations while the Liberals received 13.5 per cent of their total contributions from 38 individuals and 45 corporations.

Do corporations that make large contributions "hedge their bets" and give to both major parties? In 1983, almost two-thirds of the large contributors to each of the parties also made a large contribution to the other major party. In 1984, an election year, 89 of 113 of the firms making a large contribution to the Liberal party also made one to the Conservatives. The reverse was less frequent: only 89 of 198 of large corporate contributors to the Conservatives also made a large donation to the Liberals.

Of the 28 corporations which made a large donation (\$10,000+) to both parties in 1983, 18 gave roughly the same amount ($\pm 10\%$) to both parties while 7 gave at least 10 per cent more to the Liberals than the Conservatives and 3 gave at least 10 per cent more to the Conservatives than the Liberals. In 1984, 50 of the 89 corporations making a large contribution to both parties gave roughly the same amount ($\pm 10\%$) to both parties. Perhaps sensing that the Conservative

party would form the next government, 24 of the 89 large contributors gave at least 10 per cent more to it than the Liberal party, while 15 favoured the Liberals more than the Conservatives. In 1984, of 198 large contributors to the Conservatives, 109 did not also make a large contribution to the Liberals and of those that did (89), 24 gave at least 10 per cent more to the Conservatives than to the Liberals.

We can conclude that corporations that make large political contributions do not give essentially the same amount to the two parties most likely to form a government. Moreover, these data would also lead us to reject the older proposition that large donors (notably corporations) tend to divide their political contributions 60:40 to the party in power and that in opposition respectively.

Contributions from Large Corporations

Do large business enterprises account for the lion's share of large contributions to the Liberal and Conservative parties? Business firms in the *Financial Post* 500 (the 500 largest nonfinancial enterprises ranked by sales) accounted for 49 per cent of the number of large contributions to both the Liberal and Conservative parties in 1983. They accounted for 54 per cent of the large contributions to the Liberals in 1984, but only 38 per cent of such contributions to the Conservatives in 1984. To put these data in perspective, in 1982 the 500 largest nonfinancial firms accounted for 54.1 per cent of sales, 67.2 per cent of assets and 72.5 per cent of the profits of all corporations in the Canadian economy. The share of the top 100 was 38.5, 52.1 and 56.1 per cent, respectively.²⁰

Even when added to these are the largest 100 private corporations, largest 100 financial corporations, largest 100 subsidiaries, the 100 "most promising" companies, the 25 largest life insurers, the 25 largest accounting firms, the 15 largest investment dealers, the 15 largest advertising agencies, and the 10 largest law firms, a significant portion of large contributions apparently come from much smaller firms. In 1983, 31 per cent of large contributions to the Liberal party came from firms outside the 10 *Financial Post* categories (980 firms); the figure for the Conservative party was 21 per cent. In 1984, the comparable figures were 19 and 45 per cent, respectively (985 firms in the 10 categories). Even in 1984, a banner year for large corporate contributions, only 40 per cent of the 100 largest nonfinancial enterprises in Canada gave \$10,000 or more to the Liberal party and/or the Conservative party. Among the next 400 firms only 5.5 per cent made a large donation to the Liberals, while 9 per cent made such a donation to the Conservatives.²¹

20 Unpublished data provided by Statistics Canada obtained under CALURA.

21 One of this JOURNAL's referees correctly points out that the individuals or corporations that do not make political contributions are as interesting a phenomenon as those who do. The data provided here cannot explain why some corporations make

Among the 100 largest financial enterprises (including the banks) only 10 made a large donation to the Liberals in 1984, while 12 made a large donation to the Conservatives. The five largest chartered banks stand out in this regard. In 1983 they gave an average of \$30,341 to the Liberals and \$27,829 to the Conservatives. In 1984 the comparable figures were \$72,093 and \$72,060. The contrast to the large contributors among other financial institutions is strong: in 1984, four made contributions averaging \$18,568 to the Liberals and five gave an average of \$22,126 to the Conservatives.

There was a fairly high participation rate among the largest accounting firms. Five of the top 25 gave \$10,000 or more to both the Liberals and the Conservatives in 1984. Their average contribution was \$25,035 to the Liberals and \$34,844 to the Conservatives.

Previous research indicated that oil companies, like the big banks, were an important source of funds for the two parties.²² One would expect both types of firms would be relatively large contributors because the profitability of both is significantly influenced by federal legislation and discretionary policy decisions. There were more than 30 petroleum companies in the *Financial Post 500* for 1984. Only 8 gave \$10,000 or more to the Liberals (an average of \$20,998), while 13 gave an average of \$20,748 to the Conservatives in 1984. Five of the oil firms that gave \$10,000 or more to the Conservatives gave nothing to the Liberals. A number of very large oil companies did not make a large contribution to either of the two main parties: Imperial Oil Ltd. (ranked no. 5 on the *Financial Post 500*), Texaco Canada Inc. (no. 9), Shell Canada Ltd. (no. 10), Petro-Canada (a federal Crown corporation, no. 14), Total Petroleum (North America) Ltd. (no. 31), Dome Petroleum Ltd. (no. 31), Amoco Canada Petroleum (no. 55), Mobil Oil Canada (no. 60), and Ultramar Canada Inc. (no. 68). To put the oil companies' contributions in 1984 into perspective, it should be appreciated that the five largest banks gave \$360,466 to the Liberals, as compared with \$172,984 from nine oil companies. The five banks gave \$360,000 to the Conservatives in 1984 as compared with \$269,725 from 13 oil companies.

The data in Table 6 indicate that the participation rate for political contributions is related to the size of the corporation. In 1983, 47.5 per cent of firms in the top 200 gave to the Liberals while only 24.7 per cent of firms ranked 201 to 500 made any contribution to the party. The comparable figures for the Conservatives were 52 and 32.3 per cent. In 1984, 56 per cent of the largest 200 nonfinancial enterprises made a contribution to the Conservatives, but the participation rate for firms

contributions and others do not. Work is underway on a multivariate statistical model designed to explain the presence/absence of contributions and their size.

22 See *Maclean's*, February 7, 1976, 47; May 7, 1979, 25; and *Canadian Labour*, June 1983, 5.

ranked 201 to 500 was 39 per cent. For the Liberals the comparable figures were 49.5 and 22.8 per cent.

The data did not indicate very large variations in the overall participation rate by size cohort within the top 200 in 1983 and 1984. However, there was both greater variation and a lower average participation rate among the cohorts of firms ranked from 201 to 500 in size.

In terms of large contributions, there was a major difference between non-election and election years. In 1983, 9 per cent of the top 200 made a large contribution to the Liberals while 9.5 per cent made one to the Conservatives. In 1984, however, these percentages rose to 25.5 and 28 per cent, respectively. However, the largest contributions in an election year came at the expense of the frequency of smaller ones. In 1983, 38 per cent of the top 200 firms made a contribution under \$10,000 to the Liberals, while 42 per cent made such a contribution to the Conservatives. In 1984, an election year, the comparable figures were 24 and 28 per cent, respectively.

The participation rate in terms of *large* contributions is much lower for firms ranked from 201 to 500 on the *Financial Post* list. In 1983, only 1 per cent of such firms made a large donation (\$10,000 or over) to the Liberals and 0.67 per cent made such a donation to the Conservatives. However, the "election year effect" was present for these smaller firms. Three per cent made a large donation to the Liberal party in 1984, while 6.7 per cent made one to the Conservative party.

Even in an election year, the great majority of political contributions by firms among those in the top 200 were not that large: only 27.4 per cent of contributions to the Liberal party by firms in the top 200 were \$15,000 or more, while 29.3 per cent of those made to the Conservative party were of this size. Recall that in 1984 about one-half the firms in the top 200 made no contribution to either party.

Did the old 60:40 rule of thumb hold in 1984 for firms in Canada's top 100? It did not. Fifteen of the 52 firms who made contributions to both parties gave the Conservatives 50 per cent more than they gave to the Liberals who formed the government at the time of the election, while for only four firms was the reverse the case.

Among the larger corporations in Canada, are political contributions roughly proportionate to size? Table 6 suggests quite clearly that the "proportionality hypothesis" should be rejected for both parties in both years. In 1984 the Liberals' contribution per cohort ranged from 15 cents per \$1,000 of revenue to 116 cents. For the Conservatives the range was 15 cents to 111 cents. Firms in the smallest three size cohorts gave more to the Conservatives than did those in the two largest cohorts. The intercohort variation was much less in 1983 than in 1984, an election year.

TABLE 6.
POLITICAL CONTRIBUTIONS TO FEDERAL PARTIES BY FIRMS IN THE FINANCIAL POST 500 IN 1983 AND 1984

Year and Party	Financial Post rank										
	1-50	51-100	101-150	151-200	201-250	251-300	301-350	351-400	401-450	451-500	
1983 Liberal											
No. > 10,000	10	7	2	0	1	2	0	0	0	0	
No. < 10,000	15	20	18	23	15	11	9	8	12	11	
Participation rate (%)	50	54	40	46	32	26	18	16	24	22	
Total (\$)	279,388	179,859	73,693	50,141	37,750	62,092	13,525	14,156	7,137	7,507	
Average (\$)	5,588	3,597	1,474	1,003	755	1,242	271	283	143	150	
Cents/\$1,000 rev. ^a	16.7	32.2	23.8	25.4	26.4	53.8	14.9	19.0	11.9	16.8	
1983 Conservative											
No. > 10,000	12	7	0	0	0	0	0	0	1	0	
No. < 10,000	14	24	19	27	19	16	17	11	16	18	
Participation rate (%)	54	62	38	54	38	32	34	22	32	36	
Total (\$)	266,259	233,469	47,418	59,017	59,033	54,976	34,541	24,796	25,928	13,780	
Average (\$)	5,325	4,669	948	1,180	1,181	1,100	691	496	519	276	
Cents/\$1,000 rev. ^a	15.9	41.8	15.3	29.9	41.3	47.7	37.9	33.2	43.3	30.9	

TABLE 6—Continued

Year and Party	Financial Post rank									
	1-50	51-100	101-150	151-200	201-250	251-300	301-350	351-400	401-450	451-500
1984 Liberal										
No. > 10,000	21	18	8	4	4	0	4	0	0	1
No. < 10,000	4	11	16	17	14	7	15	9	9	12
Participation rate (%)	50	58	48	42	36	14	38	18	18	26
Total (\$)	507,407	316,183	173,050	102,732	93,513	19,773	114,813	20,786	9,752	28,997
Average (\$)	10,148	6,324	3,461	2,055	1,870	395	2,296	416	195	580
Cents/\$1,000 rev. ^a	29.4	53.8	50.0	45.7	58.2	15.4	115.7	28.1	16.2	60.8
1984 Conservatives										
No. > 10,000	20	20	12	4	8	1	3	2	1	1
No. < 10,000	6	12	15	23	13	16	23	15	18	16
Participation rate (%)	52	64	54	54	42	34	52	34	38	34
Total (\$)	567,246	377,426	316,502	136,015	152,799	42,438	915,279	70,106	50,136	38,797
Average (\$)	11,345	7,549	6,330	2,720	3,551	849	305	1,402	1,003	776
Cents/\$1,000 rev. ^a	32.9	64.2	91.6	60.4	110.6	33.2	15.4	94.7	83.2	81.4

^a Average contribution of all firms in the cohort, divided by the sales revenue of the median firm in the cohort.

Sources: Tabulation by the author from reports filed with the Chief Electoral Officer; data from the *Financial Post 500*.

Political Contributions in Relation to the Ownership of Large Corporations

Based on contributions to the Liberal party by the 122 largest financial and nonfinancial firms in Canada in 1978, Wearing found that the political contributions of foreign-owned firms in Canada were less frequent and smaller.²³ Table 7 reports on the average size of corporate contributions to the Liberal and Conservative parties in 1983 and 1984 for the 200 largest nonfinancial enterprises in Canada. Financial enterprises were ignored because in virtually every case no foreigner can own more than 10 per cent of the voting shares.

If we divide the results into eight cells (firms ranked 1-100 and 101-200, by two parties, by two years), we find that in only two of the cells did the hypothesized relationship with respect to the average size of donations hold, namely that Canadian-owned firms (D) gave more than did firms where foreigners own a majority of the shares (F50-99) which in turn gave more than wholly foreign-owned firms (F100). In four of the eight cells, the average donation of F50-99 and F100 corporations combined was not significantly different from the average of Canadian-owned firms in the same cell. In summary, we should seriously question whether Wearing's finding for 1978 holds in 1983 and 1984, although we cannot unequivocally reject it.

Contributions by Interest Groups

Public choice theorists, notably Downs, argue that political parties "sell" the promise of policies favourable to particular interest groups in exchange for political support from those groups.²⁴ One of the most important types of support consists of campaign contributions to parties and candidates.

While interest groups are important sources of political contributions in the US, particularly through the use of political action committees,²⁵ interest groups (excluding corporations) were not important sources of contributions to either the Liberal or Conservative parties in 1983 and 1984. Indeed, in 1984, an election year, the total value of contributions to the Liberals by 81 interest groups (defined broadly to include trade unions, government organizations, as well as trade, professional, and ethnic associations) was \$32,454. This amount was less than one-half the contribution of any of the five largest chartered

23 Joseph Wearing, *The L-Shaped Party: The Liberal Party of Canada, 1958-1980* (Toronto: McGraw-Hill Ryerson, 1981), 201-05.

24 Anthony Downs, "An Economic Theory of Political Action on a Democracy," *Journal of Political Economy* 65 (1957), 135-50.

25 See Gary C. Jacobson, "Money and Votes Reconsidered: Congressional Elections, 1972-1982," *Public Choice* 47 (1985), 7-62.

TABLE 7
AVERAGE POLITICAL CONTRIBUTIONS AMONG THE TOP 200 ENTERPRISES
IN CANADA IN 1983 AND 1984 IN RELATION TO OWNERSHIP

<i>Financial Post</i> rank	1983				1984				1984			
	Liberal		Conservative		Liberal		Conservative		Liberal		Conservative	
	D	F 50-99	F100	D	F 50-99	F100	D	F 50-99	F100	D	F 50-99	F100
1-50	no. 22	1	2	23	2	1	22	1	2	23	2	1
avg.	\$12,064	\$12,662	\$ 864	\$10,571	\$9,518	\$4,086	\$21,371	\$26,200	\$5,527	\$22,578	\$12,641	\$22,681
51-100	no. 16	5	6	20	5	6	17	7	5	19	7	6
avg.	\$ 7,544	\$7,507	\$3,604	\$ 7,231	\$7,104	\$8,948	\$10,716	\$14,194	\$6,931	\$12,618	\$14,956	\$ 5,498
1-100	avg.	\$10,161	\$8,366	\$2,919	\$ 9,009	\$7,794	\$16,727	\$15,695	\$6,530	\$18,072	\$14,442	\$ 7,953
101-150	no. 11	3	6	10	4	5	13	7	4	16	7	4
avg.	\$ 4,321	\$4,484	\$2,119	\$ 2,883	\$1,830	\$2,254	\$ 7,994	\$ 6,697	\$5,564	\$14,137	\$ 5,678	\$12,640
151-200	no. 15	2	6	20	1	6	15	2	4	19	3	5
avg.	\$ 1,976	\$ 930	\$3,107	\$ 1,907	\$ 2,648	\$2,597	\$ 5,048	\$ 7,074	\$3,214	\$ 4,649	\$ 6,000	\$ 5,935
101-200	avg.	\$ 2,969	\$ 3,062	\$2,613	\$ 2,232	\$1,994	\$ 6,416	\$ 6,780	\$4,389	\$ 8,986	\$ 5,775	\$10,026

D = Domestically-owned firms, that is, foreign ownership 0-49 per cent as indicated by the *Financial Post*.

F50-99 = foreign ownership from 50 to 99 per cent of the firm as indicated by the *Financial Post*.

F100 = 100 per cent foreign-owned as indicated by the *Financial Post*.

Source: Tabulated by the author from the annual returns filed by the parties with the Chief Electoral Officer and the *Financial Post* 500 for the relevant years.

banks. Only five contributions were \$1,000 or more. In 1984, the Conservatives received only \$12,920 from some 27 interest groups; only three of these contributions exceeded \$1,000. In comparing the 39 associations contributing over \$100 to the Liberals to the Conservatives' list of contributors over \$100, only four associations were found to have contributed over \$100 to both parties in 1984. In 1983, the Liberals received \$12,469 from 30 interest groups. Only one contribution exceeded \$1,000. Of the 39 associations giving over \$100 to the Liberals in 1984, only eight had given over \$100 in 1983.

The larger contributions by interest groups to both parties in 1984 has an interesting pattern. Almost all of the trade associations gave only to the Liberals, while the reverse was the case for professional bodies. Ethnic groups, including Indian bands, gave exclusively to the Liberals. Particularly surprising was the small number and small size of political contributions by trade associations. The only one of note was that of the Pharmaceutical Manufacturers' Association of Canada (PMAC). Its contributions to the Liberals were \$3,000 in 1983 and \$3,900 in 1984, and \$3,375 in 1983 and \$3,595 in 1984 to the Conservatives. PMAC's contributions in both years were the largest by any interest group (excluding individual corporations) to both parties. Its arch-rival, the Canadian Drug Manufacturers Association (CDMA), contributed less than \$100 to the Liberals or Conservatives in 1983 and 1984. This is surprising in light of the fact that both associations have been locked in a desperate struggle over the compulsory licensing provision in the *Patent Act* for several years. PMAC was trying to have the provision removed or greatly altered while CDMA wanted it retained.²⁶

Discussion and Conclusions

(1)

The federal *Election Expenses Act* of 1974 in its first decade of operation has wrought some important changes in the financing of the three main political parties in Canada. First, the Liberal and Conservative parties' dependence on contributions from corporations has declined greatly in two ways. The fraction of total revenues obtained from corporations has fallen from perhaps as much as 90 per cent (certainly at least 75%) in the 1960s and early 1970s to about 50 per cent. From 1981 to 1983 the Conservatives relied on corporations for only 27.5 to 37.0 per cent of their total contributions. In constant dollars, however, the average size of contributions from corporations has declined noticeably between

26 At the end of June 1986 the federal government distributed copies of its proposed amendments to the *Patent Act*, which were seen as a victory for PMAC. See *Globe and Mail*, June 27, 1986; *Vancouver Sun*, June 27, 1986; and *Toronto Star*, June 28, 1986.

1975 and 1984. The Liberals' and Conservatives' dependence on a few larger corporate contributors has also declined substantially.

The conclusion that the two parties are now less dependent on corporate contributions may be misleading, however. The costs of raising money from individuals may absorb a much larger fraction of such revenue than is the case for corporations. Hence the net gain from corporate fund raising may be greater than that from individuals. Without more detailed data on party expenditures this cannot be verified.

Second, it appears that the generous tax credit for political contributions from individuals has greatly stimulated such contributions. For the three main parties combined, contributions from individuals now account for about one-half of party revenues. The Conservatives have been most successful in tapping this source of funds in terms of the absolute amount of funds raised, the percentage of total revenues from this source, and the absolute number of contributors (in 1983 and 1984).

(2)

Political finance in recent years has become big business as compared to the amounts of money raised and spent even in the late 1970s. In 1978, for example, the three main parties raised \$13.9 million and spent \$14.3 million. In 1984 their revenues were \$44.1 million (excluding \$3.9 million from the federal government as reimbursement for election expenditures), while expenditures were \$57.6 million, of which \$17.4 million consisted of election campaign expenses.²⁷ In constant dollars, non-election revenues and expenditures more than doubled over the six-year period 1978 to 1984. The Conservative party had the most rapid increase in revenues and non-election expenditures. In 1982 it raised and spent \$8.5 million; in 1984 it raised \$22 million and spent the statutory limit of \$6.4 million on the general election campaign plus \$20.8 million on non-election expenditures. (Again it must be emphasized that the Liberal and Conservative parties in 1984 were able to move campaign-related expenditures out of the legally-controlled election expenses column.)

In real terms, the Conservatives' revenues increased by 147 per cent between 1982 and 1984. This extraordinary increase appears to be the product of their adoption of US-style direct mail appeals to individuals and small businesses. Their ability to raise some 198 corporate donations of \$10,000 or more in 1984 (versus 113 to the Liberals) may be attributable

27 In 1985 the Conservatives raised \$14.5 million as compared with \$5.6 million for the Liberals and \$10.2 million for the NDP. The parties spent \$10 million, \$7.2 million and \$10.1 million, respectively ("PCs tops in filling coffers," *Globe and Mail*, July 11, 1986).

to the perceived likelihood of a Conservative victory at the polls after Brian Mulroney replaced Joe Clark as leader in 1983.

(3)

A number of pieces of the conventional wisdom regarding the financing of the federal Liberal and Conservative parties must now be regarded as questionable in light of the evidence reported here. First, the data on the number and size of contributions from corporations suggest that we should reject the argument that the requirement in the 1974 legislation that all contributions in excess of \$100 be publicly reported has reduced the willingness of corporations to make donations to the Liberal and Conservative parties.

Second, it appears we should reject the conventional view that large corporations who make political contributions usually give very similar amounts to the party in power and the leading opposition party. Even more strongly, we should reject the hypothesis that large corporations split their contributions 60:40 in favour of the party in power. This may be attributable to several factors. The executives of large corporations may have believed in 1984 that the Conservatives were very likely to win office—hence they treated them like the party in power. Also, business' well-known dislike of Pierre Trudeau may have manifested itself in the form of increased donations to his major rival.

Third, the data for 1983 and 1984 indicate that it would be wrong to conclude that virtually all large contributions (say \$10,000 and over) to the Liberal and Conservative parties were made by the largest corporations in Canada—say the largest 500 nonfinancial and 100 largest financial enterprises. The largest firms' share of contributions of \$10,000 is far less than their share of corporate assets in the economy.

Fourth, while the data are not unequivocal, it appears we can reject the hypothesis advanced by Wearing that among the largest corporations foreign-owned firms contribute less to Canadian political parties than do domestically owned firms.

Fifth, the argument stemming from the public choice literature that interest groups in Canada (other than individual corporations) make substantial contributions to political parties that appear to have a reasonable chance of forming a government at the federal level is not supported. The data for 1983 and 1984 indicate that the total of contributions from trade associations, trade unions, ethnic groups, professional bodies and other interest groups to both the Liberal and Conservative parties was less than the typical contribution of any one of the five largest banks. In other words, contributions from such interest groups are miniscule in total. The one exception is the contributions by trade unions to the NDP. In 1984, for example, 947 unions or union locals gave that party \$2.16 million, or 20.5 per cent of the total revenue raised

in that election year. The importance of union contributions to the NDP is much less in non-election years.

Sixth, based on data for the 500 largest nonfinancial enterprises in Canada divided into 10 size cohorts in 1983 and 1984, we can reject the hypothesis that political contributions are proportionate to the size of firms.

(4)

The recent rapid growth of party expenditures in non-election years and non-election expenditures in election years raises important questions about the purpose and effects of statutory constraints on official election expenditures. For example, in 1984 for every dollar the Conservatives spent on the election campaign, subject to the statutory limit, they spent \$3.25 on other party activities, most of which were presumably directed at achieving electoral success. The definition of election expenditures may be too narrow to control properly the importance of money in influencing a party's electoral success. For candidates, however, the campaign spending constraints appear to be more binding, even though a substantial fraction of candidates do not spend their allowable limit.²⁸ Candidates who raise more money than their allowed level of expenditure cannot retain the funds and use them between elections. In practice, surpluses are transferred to the constituency association or to party headquarters.

Not all of the non-election spending by parties may be a reasonably close substitute for election campaign spending, however. First there is the matter of timing. Expenditures during the official campaign period (60 days prior to election day) may be much more productive than those earlier. Second, it costs money to raise money. The Liberals and Conservatives may have to spend an average of 25 to 40 cents to raise \$1 in contributions from individuals using the mass direct-mail approach each learned from American fund raisers. An obvious issue for future research is exactly how each of the main parties raises money and how efficient and effective are they in doing so. One of the more controversial techniques of raising funds is the "paid access opportunity."²⁹

(5)

If one of the main goals of the *Election Expenses Act* of 1974 was to reduce the potential impact of financial resources on electoral success,

28 In the 1984 general election 38.3 per cent of Conservative candidates spent at least 95 per cent of their legally allowed limit. The comparable figures for Liberal and NDP candidates were 24.1 and 8.9 per cent, respectively. Tabulated from Chief Electoral Officer, *Report Respecting Election Expenses, 1984* (Ottawa: CEO, 1984)

29 See, for example, *Globe and Mail*, September 28, 1985; October 8, 1985; May 3, 1985; October 31, 1985.

we can say that only modest progress has been made toward it. There are several reasons for this. First, the party in power has complete control over the date of the election, subject only to a minimum notice provision and the requirement that elections be held every five years. Therefore, it may spend hugely on pre-election activities to increase its chances of re-election in the months (or years) before the election is announced. This advance knowledge of when the official campaign will begin could be decisive.

Second, contributions to finance the activities of political parties are only a subset of the resources that are brought to bear in the political arena. Others include government expenditures on advertising designed to connect the party in power with the beneficial actions of government; the strategic use of patronage, including appointments and government contracts; the timing and targeting of government expenditures for maximum political effect; the personal benefits received by some politicians from corporations and other interest groups (for example, Prime Minister Mulroney's use of a privately-owned Florida home for a vacation); and the absence of any legislation concerning the financing of leadership campaigns (in 1984 the contenders for the Liberal leadership together spent almost as much as the party was allowed to spend in the general election in 1984).³⁰ Moreover, it should be noted that the 1974 reforms do nothing about the advantage enjoyed by incumbent MPs over challengers.³¹

(6)

Because it focussed on the sources of party revenues, this note did not address the important issue of whether those who make large political contributions are thereby able to influence public policy. It is hard to believe that when a corporation gives \$50,000 or more to a party it does so entirely without the expectation of gaining anything in return. Campaign contributions express the giver's identification with the cause of the recipient. They are made publicly, and, in Noonan's view,³² there is no absolute obligation by the recipient to the contributor. However, very large contributions can create an overriding obligation. In other words, campaign contributions, particularly if they are large, secret and variable, and where they are given and received with influence in mind, lie in the morally fuzzy domain in which it is difficult to distinguish gifts from tacit bribes.

30 For a more detailed discussion, see W. T. Stanbury, *Business-Government Relations in Canada: Grappling with Leviathan* (Toronto: Methuen, 1986), chap. 10.

31 See Kristian S. Palda, "Does Canada's Election Act Impede Voters' Access to Information?" *Canadian Public Policy* 11 (1985), 537.

32 John Noonan, *Bribes* (New York: Macmillan, 1984), 696-98.

All parties say they refuse all contributions “with strings attached.” Yet the Liberals and Conservatives appear to be offering “paid access opportunities” and many practitioners and students of political finance say, without embarrassment, that large contributions do provide access to top political decision-makers. Even the Bible notes that “a gift [mattana] opens the door to the giver and gains access to the great” (Proverbs, 18:16). But is access as innocent as many suggest? Probably not. The exchange of large contributions for access is a potentially serious threat to democratic principles for at least two reasons. First, the ability to begin to exercise influence requires access. While persuasion may occur via the mass media or by formal communications, it is widely accepted by lobbyists that face-to-face communication is often the best way to make one’s case. Second, special access implies the chance to have one’s problems considered in a way which does not follow normal channels. Even if special access only provides the lobbyist with the opportunity to “sensitize” the decision-maker to subsequent formal communications open to all, a substantial advantage has been gained.

Following the *Election Expenses Act* of 1974 we are much better informed about the sources of contributions to federal political parties. However, many important issues remain to be subjected to scholarly scrutiny.



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