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### CAMPAIGN FINANCE IN CANADA AND THE U.S.: POLICIES, POWERS, AND PROSPECTS\*

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Campaign finance is an important issue in both Canada and the U.S. Though Canada has generally stricter campaign finance laws than the U.S., both countries allow private donations to campaigns. Certainly, contributions can have some benefits (e.g. they can increase voter turnout in elections—see Eagles 1992); but they can carry some negative implications as well. For instance, public opinion polls in both Canada and the U.S. show that the public is quite cynical about campaign finance and feels that big interests rule (Fenwick and Zipp 2006). It is little wonder—recent campaign finance scandals in both countries have likely heightened public skepticism (e.g. ‘Sponsorgate’ in Canada and the Jack Abramoff scandal in the U.S., both of which will be described later). In the following paragraphs, I first pro-

vide a brief background on campaign finance *policies* in Canada and the U.S. Next, I discuss research findings on patterns of *power* and contributor influence in the respective countries. Finally, I conclude by discussing *prospects* for future campaign finance reforms in both nations.

#### Policies

Campaign finance is a complicated subject because of the many actors involved and the various rules pertaining to contributions—all of which differ in varying degrees between Canada and the U.S. In this section, I will briefly describe the basic groundwork of campaign finance before discussing the policy histories and resultant differences in current rules between the two countries.

On a very basic level, there are two sources of financing for polit-

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ical campaigns: public and private. Public financing typically comes from one primary source: the tax revenue pool. Private financing, however, can come from a number of different sources in the private sector: individual donors, entities (such as businesses, labor unions, interest groups, and their associated political organizations—e.g., Political Action Committees, or PACs, in the U.S.), or political parties. Moreover, there are different types of private contributions. Soft money contributions are unregulated/unlimited monies given to parties for party-strengthening purposes. Hard money contributions, on the other hand, are better regulated/limited sums aimed toward advocating for specific candidates.

For some time, neither Canada nor the U.S. had particularly strict campaign finance laws. By the early 1970s, however, both countries enacted regulations seeking to monitor and restrict contributions. Since then, a number of additional laws have been passed in both places that seek to further regulate campaign finance activity. Many of these policies—including the initial 1970s reforms—were enacted somewhat concurrently across the borders, within a year or so of one another.

The first significant change in campaign finance laws came about in 1971 in the U.S. This 1971 law—the Federal Election Campaign Act (FECA)—primarily sought disclosure of hard

money contributions. In 1974, the FECA was strengthened (partially in response to the Watergate scandal) to apply restrictions on hard money contributions and establish the Federal Election Commission (FEC) to oversee compliance with the new laws. The 1974 amendments banned businesses and labor unions from contributing to campaigns from their operating funds, but allowed them to establish PACs to solicit and contribute money. Similarly, 1974 marked the beginning of significant campaign finance reforms in Canada. In 1974, Canadian lawmakers passed the Election Expenses Act, which applied restrictions to both hard and soft money contributions.

Though a number of additional reforms were discussed in Canada and the U.S. in the following two decades, the early 2000s marked a new era of campaign finance reform in both nations. In 2002, the U.S. Congress passed the Bipartisan Campaign Reform Act (BCRA—sometimes called ‘McCain-Feingold’ after its Senate sponsors). This legislation essentially banned soft money contributions to parties (although it is worth noting that some have gotten around this by creating and contributing to ‘527 groups’). The BCRA was arguably quite important considering that soft money contributions had previously been virtually unlimited in the U.S., and, thus, their influence was potentially very significant—especially in Presidential elections, which

drew lots of soft money (e.g. Clawson, Neustadtl, and Weller 1998). In 2003, the Canadian Parliament enacted amendments to the Canada Elections Act via House of Commons Bill C-24. These amendments disallowed hard money contributions from non-Canadian individuals. They also forbid hard money contributions from businesses and labor unions.

The reforms implemented from the 1970s onward in Canada and the U.S. have resulted in some noteworthy differences between the countries in terms of present campaign finance rules. (*See Table 1 for a summary of current differences between the countries.*) In terms of public financing, public money is generally a much more integral part of the campaign finance system in Canada than in the U.S. All national elections in Canada involve public financing under the new regulations; only Presidential elections in the U.S. involve public financing (and only if candidates choose to accept it—Obama made news in 2008 when he chose not to accept public money in his successful bid for the Presidency).

Private financing is generally more limited in Canada than in the U.S. In terms of hard money, the sums that private donors can give are lower in Canada than in the U.S. For instance, individuals can contribute \$1,100 in hard money per candidate/election in Canada; individuals can contribute more than twice this

**Table 1**  
**Current Campaign Finance Rules in Canada and the U.S.**

	CANADA	U.S.
<b>1) Public Financing</b>		
Does country have it?	Yes, all national races	Yes, but only Presidential
How is it done?	Tax credits, reimbursements	\$3 tax checkoff
<b>2) Private Financing</b>		
<b>a) Hard Money</b>		
<b>i) From Individuals:</b>		
Can citizens give?	Yes	Yes
Can foreigners give?	No	No
<b>Individual contrib. limits?</b>		
To candidates:	\$1,100/election	\$2,400/election
To parties:	\$1,100/year	\$30,400/year
<b>ii) From Entities:</b>		
Can corps contribute?	No (Yes prior to 2003)	Yes, but only via PACs
Can unions contribute?	No (Yes prior to 2003)	Yes, but only via PACs
<b>Entity contrib. limits?</b>		
To candidates:	N/A	\$5,000/election
To parties:	N/A	\$15,000/year
<b>iii) From Other Groups:</b>		
Can orgs contribute?	Yes	Yes, but only via PACs
Can parties contribute?	Yes	Yes, but only via PACs
<b>Party/org contrib. limits?</b>		
To candidates:	\$1,000/election	\$5,000/election
To parties:	N/A	N/A
<b>b) Soft Money Allowed?</b>		
	No, but orgs very active	No (Yes prior to 2002)

(Sources: Elections Canada for Canadian Rules; the Federal Election Commission for U.S. Rules)

amount (\$2,400) in the U.S. It is also important to note that some types of private donors that are allowed to contribute to campaigns in the U.S. (e.g. business and labor unions, via PACs) are now prohibited from contributing in Canada after passage of C-24 in 2003.

Soft money contributions are banned in the U.S. (with the passage of the BCRA in 2002, as noted earlier); in Canada, how-

ever, the soft money issue is a bit ambiguous. Technically, giving unreported contributions to organizations is illegal in Canada. Nonetheless, legal contributions are routinely given to parties/organizations, and these groups tend to play a key role in Canadian elections—much more so than in the U.S. In the following section, I describe the relative power of different types of donors in more detail. I also briefly address some of the liter-

ature on the effects of campaign contributions more generally.

## Powers

The relative importance of certain types of donors in Canada is different from the relative roles of similar donors in the U.S. Take, for instance, the general public as a “donor.” One could argue that the general public plays a more significant role in Canadian elections than

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in the U.S. given the greater importance of public financing in Canada. By some estimates, 80% or more of Canadian election expenses are publicly funded (Fogden 2005). As noted earlier, only a portion of U.S. Presidential election expenses (and 0% of other federal election expenses) are publicly funded. This implies that public financing is a more important component of Canadian elections than it is in the U.S. But this does not completely diminish the role of private donors in Canada.

Private donors are important in both countries. The “public” financing of campaigns in Canada is done via tax credits and reimbursements—both of which go to individual donors or parties/organizations and come after the contribution/expenditure. As such, one could argue that private donors such as individuals and parties/organizations play quite a significant role in Canadian elections. But certain private entities—namely businesses and labor unions—are now consigned to a very minimal role in Canadian elections following the C-24 amendments in 2003. Meanwhile, similar entities enjoy much more power in the U.S. given that they can give generously via PACs. This is especially true in U.S. House elections. PACs consistently account for 40% or more of candidate financing (Center for Responsive Politics 2009), and business and labor PACs routinely account for more than 50% of PAC contri-

butions to House candidates (Peoples and Gortari 2008).

Most of the discussion on “powers” thus far has focused on the relative power of donors in *elections*. Certainly, this is one important way in which contributions can matter for the political process. Research shows that contributions increase electoral odds (Eagles 2004); this can be true for incumbents (Meirowitz and Wiseman 2005) as well as some well-funded challengers in tight races (Jacobson 1980). Of course, there are differences in the implications of incumbency in Canada (not much advantage because of high turnover, which may be due to spending limits) versus the U.S. (significant advantage—90% or more of incumbents win reelection). But the fact that contributions influence electoral odds is nonetheless important, regardless of incumbency advantage.

Another way in campaign contributions can matter for the political process is through providing contributors with *access* once the candidates are elected. Research shows strong evidence of this (e.g. Clawson et al 1998). Contributors give money, and this allows them access. As one former member of the U.S. Congress bluntly put it, “You get invited to a dinner somewhere and someone gives you some money. And then you get a call a month later and he wants to see you. Are you going to say no? You’re not going to say no. So it does buy access”

(Schram 1995:62). But do contributions provide even more than simple access? Do they provide *policy influence*?

There is plenty of anecdotal evidence suggesting that contributions provide contributors with policy influence. This anecdotal evidence often comes in the form of scandals involving corruption. In Canada, the “Sponsorgate” scandal was a hot topic in 2004. Allegations surfaced that money flowing to and from government-contracted advertising agencies were underreported (or simply undocumented), and that in some cases favors were likely traded (e.g. contributions for lucrative contracts in which little or no actual work was done). Some top members of the Liberal Party were implicated. Around the same time in the U.S., the Jack Abramoff scandal broke and grabbed headlines. In the process of overcharging clients for his lobbying services, Jack Abramoff bribed lawmakers into voting a certain way (sometimes with illegal donations). Some top members of the Republican Party were indicted (e.g. Representative Bob Ney).

But as juicy as these scandals may have been, they do not provide evidence of general, widespread contributor policy influence. Only research on a multitude of contributors and a wide array of policies could provide such evidence. Yet research on this topic has provided mixed evidence. In reviews of 33 works in the area (e.g. Baumgartner

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and Leech 1998; Roscoe and Jenkins 2005), scholars find disappointing inconsistency—some studies show contributor influence, others do not. But these 33 works reviewed exhibit at least two significant problems that may account for the mixed results in the literature: (1) They examine a limited number of divisions/votes (sometimes only 1 vote). This significantly limits the field of analysis. (2) They do not compare influence across different systems. Some scholars argue that comparisons are crucial for theoretical advancement in this area (Scarrow 2007)—comparative analysis provides much-needed insight. Moreover, comparing otherwise similar countries with different political systems and campaign finance laws would be especially insightful, which is why a Canada-U.S. comparison could be particularly fruitful.

A recent study (Peoples and Gortari 2008) corrects for these problems and yields some informative findings. The study examines how hard money contributions from business and labor entities influence voting on *all* the divisions in the 36th Canadian House of Commons (1997-2000). It then examines how hard money from business and labor Political Action Committees (PACs) influence voting on *all* the votes in the 105th U.S. House of Representatives (1997-1998). The results of analyses show that neither business nor labor contributions significantly influenced divisions

in the 36th Canadian House of Commons; only party was significant. However, business contributions (but not labor) significantly influenced votes in the 105th U.S. House.

The findings from the above study suggest that hard money contributions did not provide business and labor contributors with much power in Canada in the late 1990s, but they did provide these entities (especially business PACs) with power in the U.S. Put differently, it may be that most of the power rests in parties and parliamentary actors in Canadian policymaking (which may even be more pronounced today with the new ban on business and labor contributions); but private contributors—particularly business contributors—wield some power in U.S. policymaking. Granted, the study examined only a specific, relatively short time period (late 1990s). It was also an analysis limited to the effects of hard money contributions from business and labor entities only; neither soft money contributions nor contributions from individuals or parties were included. But the study nonetheless carries some implications, particularly for the prospect of further reforms in both countries.

## Prospects

There are essentially three camps in campaign finance reform debates (Goidel, Gross, and Shields 1999): (a) the “do-little” camp, which contends that current reforms are enough

and therefore additional reforms are unnecessary, (b) the “moderate” camp, which advocates tightening the restrictions on contributions/spending; and (c) the “comprehensive” camp, which promotes banning private financing of campaigns. These different camps advocate varying levels of reform because of different views of contributor policy influence. Those in the do-little camp believe that contributors do not have much (or too much) influence over policy. Those in the comprehensive camp believe strongly that contributors have too much influence.

The findings of the Peoples and Gortari (2008) study have different implications for the three camps depending on which country one looks at. For Canada, the findings lend support to the do-little camp since contributions do not appear to have a significant effect on policymaking in the House of Commons. Granted, this does not mean that contributors never wield power over policymaking in Canada (for instance, the Sponsorgate scandal shows us that contributions do sometimes matter). Moreover, the study says nothing about the potential influence of *soft* money in Canada. The arguments of other camps are therefore not wholly defeated, and certain reforms may still be necessary to rein in certain activities.

For the U.S., the findings lend credence to the moderate (and perhaps the comprehensive)

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camp because certain types of hard money contributions—those from business PACs—significantly affect policymaking in the House. This suggests that at least some additional reforms may be necessary to diminish the disproportionate power of business contributors. This is not particularly surprising. In a country that has relatively fewer restrictions on contributions/spending (particularly in the realm of hard money), there is more opportunity for contributor influence, and, thus, potentially a greater need for campaign finance reform.

As noted earlier, there has actually been some reform in both countries since the late 1990s. The reforms of the early 2000s are therefore worth briefly reviewing. Again, the Canadian reforms placed greater restrictions on *hard* money contributions and banned business and labor

contributions altogether; the U.S. reforms did not further restrict hard money, but, instead, heavily restricted *soft* money. The Peoples and Gortari (2008) study shows that hard money contributions from business and labor did *not* affect Canadian policymaking in the late 1990s, but *did* affect U.S. policymaking. This means that there is a little irony in the reforms of the early 2000s: The reforms tightened restrictions on business and labor hard money where these entities appeared to have limited policy influence to begin with (in Canada); the reforms *did not* tighten restrictions on hard money from these entities where they (particularly business groups) wielded significant influence (in the U.S.). This may be good news for those hoping for more reform.

There is considerable room for more campaign finance reform

in both countries. Although there is a little less room in Canada given that already existing restrictions are a bit tighter, both countries still allow private donations, and, thus, both countries have room for tightening. It is therefore likely the future will bring more reforms in both countries. This certainly does not mean that reform will come easily. Those wielding power arguably have the least interest in changing the system (it has presumably helped give them the power they have), and reforms often end up challenged in the courts. But as long as political scandals continue to splash the headlines, and as long as the public remains cynical of the present campaign finance system, reform efforts will likely be pursued. This will once again alter the policies, power dynamics, and prospects for the future of politics in both countries. Stay tuned....

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