

MUNICIPAL POLITICAL REFORM IN QUEBEC: THE MYTH OF “POPULAR FINANCE”

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Abstract

This paper discusses the ongoing municipal political finance legislative reforms in Quebec. In light of recent political finance and corruption scandals at both the provincial and municipal levels, the province adopted more stringent rules which reduced the cap on political contributions, and the reforms currently being considered would compensate lost revenues with even more generous public subsidies. Similar reforms have also been implemented at the provincial level in the past few years, always with virtually no opposition. The rationale underlying those reforms is that smaller donations are more compatible with the ideal of “popular finance,” according to which political parties should be financed by a large amount of relatively small donations so that no contribution has a significant impact in itself. This paper argues that these reforms are unlikely to bring us any closer to the ideal of “popular finance” since the issue with municipal political finance is not only the size of the contributions but also the very small number of contributors. To illustrate that point, financial reports from municipal and provincial parties are analysed. Less than 1% of voters contribute to municipal political parties or candidates, which challenges the idea that they are actually “popularly financed.” I explain this low figure from the perspective of the theory of public goods and Olson’s logic of collective action: while the mainstream discourse treats political finance as a private good, I argue that services offered by political parties are in fact public goods. As such, they are plagued by the same free-riding issues as any privately funded public good, which explains why so few voters make contributions. Sharp ideological division between candidates can help overcome the free-riding incentives but ideological divisions are very weak at the municipal level. The paper ends with a discussion of the challenges that the reforms face and suggests that a deeper policy paradigm shift may be necessary to solve the current problems.

Résumé

Cet article traite des réformes du financement politique municipal au Québec. À la lumière des récents scandales liés au financement politique et à la corruption tant au provincial qu'au municipal, la province a adopté des règles plus strictes qui réduisent le plafond des contributions politiques. Les réformes à l'étude compenseraient les pertes de revenus par des subventions publiques plus généreuses. Des réformes similaires avaient déjà été adoptées au provincial au cours des dernières années, presque toujours sans opposition. Ces réformes partent du principe que des dons plus petits sont plus compatibles avec l'idéal de « financement populaire » selon lequel les partis politiques devraient être financés par un grand nombre de dons relativement minimes afin qu'aucun don ne puisse avoir un impact important à lui seul. Cet article soutient qu'il est peu probable que ces réformes nous rapprochent de cet idéal, car le problème du financement politique municipal ne provient pas seulement de la grosseur des contributions mais aussi du très petit nombre de donateurs. Pour illustrer ce point, les rapports financiers des partis politiques municipaux et provinciaux sont analysés. Moins de 1 % des électeurs contribuent au financement de partis ou de candidats à l'échelle municipale, ce qui remet en question l'idée qu'ils soient réellement « financés par la population ». J'explique ce bas taux à partir de la perspective de la théorie des biens publics et la logique de l'action collective d'Olson : alors que le discours dominant traite de financement politique comme d'un bien privé, je soutiens que les services offerts par les partis politiques sont en fait des biens publics. À ce titre, ils sont confrontés aux mêmes enjeux d'opportunisme que tous les biens publics qui reçoivent du financement privé, ce qui explique pourquoi si peu de dons proviennent d'électeurs. Les profondes divisions idéologiques entre les candidats peuvent parfois surmonter ces projets opportunistes mais les divisions idéologiques sont très peu présentes à l'échelle municipale. L'article conclut par une discussion sur les défis de la réforme et suggère qu'un changement profond de paradigme est nécessaire pour résoudre les problèmes actuels.

I. Introduction

In 1973, three years before forming the province of Quebec's government for the first time, the Parti Québécois (PQ) released a television advertisement featuring the founder and then leader of the party, René Lévesque. In the minimalist one-minute segment, Lévesque stares at the camera and asks his supporters to contribute to the electoral fund of his party.

With the Parti Québécois, as you know, it is the first time in North America that citizens are asked to provide for a political party. It does not grant us an astronomical budget such as those of our adversaries, but it allows us to retain our freedom, first as a party and, soon, we are

confident, as a government – a government that will never have to make gifts to friends using public money because, for the first time in politics, its electoral fund will truly be a popular fund” (author’s translation)¹.

A narrator then invites the viewers to donate to “the clean fund” (*la caisse propre*).

Lévesque’s party won a majority in the 1976 election and quickly moved to regulate political funding at the provincial level. The regulation involved a complete ban on contributions by firms, labour unions and other moral entities, an annual limit on the amount citizens could contribute and public subsidies to political parties. While such measures are quite frequent in established liberal democracies today, they were revolutionary at the time, setting an international precedent (Bherer & Collin, 2009; 5). The spirit of the reform is greatly captured by Lévesque’s quote: the goal was to create a system of popular political finance in which contributions from citizens complemented by financial help from the State would replace contributions from corporations and interests groups as the main source of income for political parties. The same principles guided the regulation of political funding at the municipal level, which were first implemented in 1978.

In recent years, however, a constant flow of scandals has revealed that the actual practices of political finance in Quebec in the last decade often deviated severely from the ideal of popular finance, when they were not outright corrupt. For instance, the Directeur général des élections du Québec (DGEQ), the independent organization in charge of the enforcement of the rules of party finance, announced in 2013 that an investigation it conducted found that between 2006 and 2011 the employees of 534 firms in specific sectors of activity (law, accountancy, engineering-consulting and construction) contributed to provincial and municipal parties in a manner which suggests that the contributions had been orchestrated at the firm level, something that is forbidden by provincial regulation (DGEQ, 2013A).

As a response to the many scandals surrounding political finance, regulations have been modified multiple times at both the provincial and municipal level since 2010. For the 2013 municipal elections (municipal elections in Quebec occur simultaneously in all municipalities every four years), the provincial government adopted a temporary regime which established a maximum amount of \$300 that any individual voter could contribute to a municipal party or independent candidate, (it had previously been \$1,000). In fall 2013, the PQ minority government presented Bill 53 to the National Assembly, which envisioned contributions limited to \$100 annually (but \$200 in electoral years). The bill died on the floor when the

provincial general election was called in March 2014. As of November 2014, the new Liberal government has yet to announce its intentions on that matter. While the significant reduction of the contribution ceiling and the increase in state subsidies to parties and candidates which is being implemented to compensate for the lost income may seem like important modifications to the rules of political finance, this article argues that the core principles guiding the reforms are the same as those that inspired the legislators in the 1970s. Indeed, the reforms pursued since 2010 by both the Quebec Liberal Party (PLQ) and the PQ are still guided by the idea that political parties can and should be financed by “modest and diversified [contributions] to prevent elected officials from being controlled by financial power” (Bordeleau, 2003; 25; author’s translation).

It appears that elected political officials are still fully committed to the ideal of popular finance: every piece of legislation on party finance since 2010 has, for example, been adopted by a unanimous vote in the National Assembly. Yet, when one takes a close look at how political finance actually operates at the municipal level, it is hard to conclude that municipal parties and independent candidates are funded by “modest and diversified” contributions. As this article demonstrates, municipal politics has so far been funded by a small amount of relatively important contributions and public subsidies. The current reforms fail to acknowledge that the problem is not only that some of the contributions are too large, but also that there are simply too few of them: ordinary citizens have little motivations to contribute financially to local politicians’ electoral funds, and there is nothing in the recent reforms to change that fact. Accordingly, it might be time for Quebec to start reflecting on the possibility that the nature of local politics is not fit for the same regulatory framework that governs provincial party finance.

The balance of the article is divided into four sections. Section II will briefly summarize the history of the regulation of provincial and municipal political finance in Quebec, with an emphasis on how new provincial regulations were eventually applied to the municipal level with few modifications. Section III will examine reports from provincial and political parties and demonstrate that even in larger cities, where the political scene is more polarized than in smaller towns, the amount of voters who contribute to political parties is below the 1% mark. Section IV will look at the nature of local politics in the province and argue that the mostly administrative character attached to the work of city councils, coupled with the problems of collective action inherent to party finance in general, create little incentives to contribute, except for those who expect a specific kickback from

the parties or candidates. Finally, Section V of this article will discuss whether the current reforms are an adequate answer to the problems described.

II. A Short History of the Regulation of the Sources of Political Funding in Quebec

Bordeleau (2003) produced a comprehensive historical review of the history of political finance regulation in Quebec. While political finance regulation covers many aspects such as the regulation of the sources of income, electoral expenses and transparency, the focus here will be on the sources of income since it is the most important aspect of the “popular finance” principle.

Bordeleau explains that while the first measures to regulate political finance at the provincial level were adopted as far back as 1895, they were progressively phased out between 1903 and 1936. Before modern regulatory initiatives were introduced, political parties financed themselves almost exclusively from corporations and large interest groups. That was done either through the exchange of government licenses and permits for campaign contributions or through artificially increasing the value of governmental contracts given to political contributors. Obviously, the governing party found itself in an advantageous position. A series of articles published in *Le Devoir* by reporter Pierre Laporte revealed that during the 1956 provincial campaign the National Union party, which had been in power without interruption since 1944, spent at least eight times as much as the main opposition party, the PLQ (Bordeleau, 2003; 6–7).

The PLQ promised to reform the system if it was elected, and it did so in 1963 with the adoption of Quebec’s Election Act. The bill did not regulate the sources of funding but it did include state subsidies to political parties in the form of electoral expenses reimbursement. The bill also introduced a cap on electoral expenses. At the same time, reforms were being implemented within the province’s public administration with the aim of making the allocation of governmental contracts more transparent, which would help reduce the occurrence of clientelism (*idem*; 9–10). Yet, secret electoral coffers were still a reality and the influence of firms, pressure groups and unions induced by their political contributions was still a source of worry. In 1970, the PQ’ congress adopted a resolution that called for more transparency and increased state subsidies to political parties, the explicit goal of such policies being to prevent the elimination of “recognition debt,” i.e. debt owed by the party to generous political contributors (*idem*, 10–11). By diversifying the sources of income of parties and preventing large contributions from moral entities, it was hoped that

each political contribution would not be significant enough to be used to extract favors from parties.

Regulation of contributing sources was established in 1977. Political contributions were limited to \$3,000 annually and contributions from moral entities were entirely forbidden. To compensate for the lost revenues, a public subsidy to political parties of \$0.25 per voter was introduced. In 1978, very similar rules were introduced at the municipal level, though contributions were capped at \$1,000 and public subsidies limited to electoral expenses reimbursement. The measures only applied to municipalities of more than 100,000 citizens at first, but the threshold was successfully lowered to 20,000 citizens in 1979, to 10,000 citizens in 1998, and to 5,000 citizens in 1999. Contributions from moral entities were finally banned in municipalities of less than 5,000 citizens in 2009.

The most recent wave of reforms regarding the cap on contributions of political funding also hit the provincial level first. The cap on provincial contributions was first reduced from \$3,000 to \$1,000 in 2010 (Bill 113), and then again to \$100 in 2012 (Bill 2). It is only once these changes had been adopted that the government turned to the municipal level and began harmonizing the two legislations, a process which is still ongoing at the time of writing.

Bordeleau notes that “the Act respecting elections and referendums in municipalities [1978] has been elaborated with the harmonization of the provincial and municipal legislations in mind” (*idem*, 25, author’s translation). The idea was that if the guiding principles of the regulation – equity, transparency and “popular finance” – are the same for both the provincial and the municipal levels, then surely it makes sense for the resulting legislation to be quite similar as well. Such reasoning, however, neglects the fact that the reality of political life at the two levels is quite different, as the next section shall illustrate.

III. How Popular Really is Municipal Political Finance?

Was the regulatory framework aimed at creating popularly financed municipal parties successful? This remains a difficult question to answer definitively. Media reports in the last year and testimonies heard at the ongoing Commission of Inquiry on the Awarding and Management of Public Contracts in the Construction Industry (CEIC) made it clear that official reports by municipal political parties are often falsified and do not represent adequately the real sources of income and electoral expenses of the municipal parties. Parties and candidates often collect cash money and use it to pay for some electoral expenses without leaving a trace in official documents (CEIC, 2013). An official report containing only legal contributions and corresponding expenses is

then submitted to the DGEQ. With its limited resources, the DGEQ cannot afford to intensively track the use of cash money.

This creates an obvious problem for scholars interested in political finance. With the real income and expenses of political parties and candidates impossible to obtain and official data unreliable, there is not much to work with. To circumvent this problem, the argument made here will rely on an “even if” logic. A priori, there is no reason for genuine contributions made by citizens in accordance with the spirit of the regulation not to be registered. Hence, it will be assumed that the official reports, while they may not constitute a wholly reliable account of the overall income and expenses of parties and candidates, are at least a representation of the capacity of parties to fund themselves through contributions which respect the annual cap on political contributions by citizens. Accordingly, studying official reports while assuming that no illegal practices took place in that particular municipality can reveal if the ideal of popular finance could be met if the double accountability problem was somehow solved. In other words, if the standards of popular finance are not met **even if** one pretends for a moment that all political contributions are legally reported, then it can be said that the system is failing to meet its objectives.

Note that while all unregistered contributions are illegal, the reverse is not true. The DGEQ investigation on sectorial finance mentioned above revealed that more than \$13 million dollars were given by firms using their employees as front. The DGEQ obtained this result by crossing official party reports with data from the government on employment relationship, which means that all \$13 million was accounted for in the parties’ official reports. The illegality of contributions made by multiple employees of the same firm is hard to prove since the contribution is only illegal if it is being reimbursed by the employer.

Provincial Parties

For the purpose of comparisons, it is useful to first have a look at the details of political contributions at the provincial level. Table 1 shows the data for the years 2006 to 2010 and Table 2 for the years 2011–2012. When more stringent regulation came into force in 2011, contributions were capped at \$1,000 and the distinction between contributions of more and less than \$200 became irrelevant, so the DGEQ stopped compiling them.

The column “% of contributions to total voters” is obtained by dividing the amount of contributions to a political party by the number of voters eligible to make contributions. This enables one to estimate which percentage of the eligible voters made a contribution

Table 1: Political Contributions to Provincial Parties, 2006–2010

Party	Contributions	% of contributions of more than \$200	% of total contributions value from contributions of more than \$200	Average value of contributions of more than \$200	% of contributions to total voters
2006					
PLQ	26,710	34%	88%	\$809	0.48%
PQ	28,945	22%	71%	\$461	0.52%
ADQ	2,278	25%	68%	\$524	0.04%
ARP	61,642	27%	81%	\$653	1.10%
2007					
PLQ	17,520	42%	90%	\$871	0.31%
PQ	30,926	24%	73%	\$495	0.55%
ADQ	9,197	36%	86%	\$883	0.16%
ARP	62,972	30%	82%	\$709	1.11%
2008					
PLQ	22,442	42%	90%	\$876	0.39%
PQ	34,982	24%	71%	\$497	0.61%
ADQ	7,052	38%	79%	\$618	0.12%
ARP	69,974	31%	81%	\$678	1.22%
2009					
PLQ	19,487	42%	87%	\$772	0.34%
PQ	21,764	25%	71%	\$470	0.38%
ADQ	2,004	29%	73%	\$561	0.03%
ARP	45,839	32%	81%	\$640	0.79%
2010					
PLQ	16,178	40%	85%	\$651	0.28%
PQ	20,709	26%	71%	\$418	0.36%
ADQ	2,112	13%	63%	\$494	0.04%
ARP	42,655	30%	78%	\$536	0.73%

Source: DGEQ (2007; 2008; 2009; 2010; 2011)

PLQ = Quebec Liberal Party;

PQ = Parti Québécois;

ADQ = Action démocratique du Québec;

ARP = All Registered Parties

to a political party during a year. For instance, in 2007, the PLQ received 17,520 contributions from the 5,630,637 eligible voters, which means that the ratio of contributions to the total number of voters, expressed as a percentage, was of 0.31%. That same year, all eligible parties combined received 62,972 contributions, which sets the ratio of contributions to voters at 1.11%.

Such a statistic should be considered with caution for two reasons. First, the DGEQ reports the number of contributions and not the number of contributors. It is possible that the same contributor is counted twice if she donated to two different parties in the same year. Second, the number of eligible voters is only available for the electoral years 2003, 2007, 2008 and 2012, so the number of voters for the other years must be estimated².

These small distortions, however, are not a major issue since the goal of this statistical analysis is not to precisely track small variations over time, but rather to provide a general idea of the proportion of citizens who contribute to political parties. At the provincial level, we can see that the number of citizens who contributed to any political party barely exceeded the 1% mark at its peak within the observed period, in 2008. It dropped abruptly from 1.22% in 2008 to .79% in 2009 and to only 0.73% in 2010. These numbers could partially be explained by the DGEQ's findings that sectorial finance was reduced by 40% between 2008 and 2009 and by a further 75% between 2009 and 2010 (DGEQ, 2013C), most likely as a result of all the public attention corrupt political finance practices attracted beginning in 2009. The ratio of contributions to voters increased slightly in 2012, but since it was an electoral year, such an increase was to be expected.

It must be highlighted that during the 2006–2010 period, before contributions were capped at \$1,000, the contributions exceeding \$200 made up a large majority – up to 90% for the Liberals – of the total amount in contributions received by parties, severely outweighing small contributions of less than \$200. If properly enforced, lowering the cap on contributions to \$100 would at least help to bring the system closer to the ideal of political equality by reducing sharply the disparity between the rich contributors who could afford contributions of \$1,000 or more and the other contributors who contributed smaller amounts.

Table 2: Political Contributions to Provincial Parties, 2011–2012

Party	# of contributions	Average value of contributions	% of contributions to total voters
2011			
Quebec Liberal Party (PLQ)	16,814	\$224	0.29%
Parti Québécois (PQ)	16,985	\$147	0.29%
ADQ + Coalition Avenir Québec (CAQ)	3,436	\$143	0.06%
All Registered Parties	43,508	\$173	0.74%
2012			
Quebec Liberal Party (PLQ)	12,113	\$254	0.20%
Parti Québécois (PQ)	23,795	\$157	0.40%
Coalition Avenir Québec (CAQ)	8,734	\$227	0.15%
All Registered Parties	54,854	\$186	0.93%

Source: DGEQ (2012; 2013B)

Municipal Parties

Table 3 shows the data from the official reports for the main political parties in Montréal from 2010 to 2013. The year 2013 was an electoral year, while 2010–2012 were not. Since the metropolis has by far the most organized political party system in the province, it could be expected that the parties also have the greatest capacity to gather contributions. Yet, the total amount of contributions made to all political parties in Montréal did not exceed 1,600 in non-electoral years, despite the city having an estimated 1,110,000 eligible voters at the time. This translates into an extremely low ratio of contributions to voters. In the most staggering case, in 2010, only 0.02% of Montréal eligible voters contributed to Union Montréal, the party whose mayoral candidate Gérald Tremblay won the election the year before. In non-electoral years, the ratio of contributions to voters in Montréal did not exceed 0.14%, while at the provincial level that number did not go below 0.73%.

As should be expected, the number of contributions increased substantially in 2013 due to the election. Nevertheless, the ratio of contributions to political parties to voters remained under 1%, with the highest party (the party led by the elected mayor, Denis Coderre) receiving contributions from no more than 0.23% of all voters. Vrai Changement pour Montréal, whose mayoral candidate Mélanie Joly finished second, managed to run quite a successful campaign despite receiving contributions from only 0.04% of eligible voters.

Since the \$300 ceiling on municipal contributions came into force in the middle of the 2013 fiscal year, it is not yet possible to fully assess

the legislation impact on the funding of local political parties. What we can derive from the data, however, is that lowering the ceiling to \$100 annually as the PQ government intended to would seriously impair Montréal's political parties' capacity to gather funds, as the contributions they received in 2013 were on average more than twice as large as that contemplated limit.

Table 4 shows the political contributions data for 2012 and 2013 for a sample composed of all of Quebec's cities whose population is higher than 90,000 citizens and of other smaller cities randomly selected³. As in Montréal, 2012 was not an electoral year while general

Table 3: Political contributions in Montréal, 2010–2013

Party	# of con- tributions	Total value of con- tributions	Average value of con- tributions	% of con- tributions to voters*
2010				
Projet Montréal	602	\$81,102	\$135	0.05%
Vision Montréal	661	\$128,289	\$194	0.06%
Union Montréal	174	\$78,919	\$454	0.02%
All Registered Parties	1,475	\$300,903	\$204	0.13%
2011				
Projet Montréal	637	\$101,643	\$160	0.06%
Vision Montréal	415	\$107,809	\$260	0.04%
Union Montréal	536	\$142,541	\$266	0.05%
All Registered Parties	1,595	\$356,718	\$224	0.14%
2012				
Projet Montréal	557	\$118,772	\$213	0.05%
Vision Montréal	491	\$111,110	\$226	0.04%
Union Montréal	526	\$96,245	\$183	0.05%
All Registered Parties	1,589	\$331,842	\$209	0.14%
2013				
Projet Montréal	1,236	\$326,089	\$264	0.11%
Coalition Montréal–Marcel Côté + Vision Montréal	1,759	\$370,659	\$211	0.16%
Équipe Denis Coderre pour Montréal	2,528	\$453,743	\$179	0.23%
Vrai changement pour Montréal–Équipe Mélanie Joly	463	\$132,122	\$285	0.04%
All Registered Parties	6,673	\$1,434,199	\$215	0.61%

Source: DGEQ 2011, 2012, 2013D, 2014

*The estimated number of voters used to calculate the ratio is 1,101,102 and is the average of the number of registered voters at the 2009 and 2013 municipal elections, respectively 1,100,206 and 1,101,998.

Table 4: Political Contributions to some Municipal Parties in 2012–2013

Municipality	Population	Registered parties	Parties with at least one contribution	Contributions	Total value of contributions	Average value of contributions	% of contributions to total voters*
2012							
Beloeil	21,330	3	1	17	\$4,500	\$265	0.10%
Candiac	20,290	2	1	11	\$9,000	\$818	n/a
Delson	7,572	1	1	11	\$1,740	\$158	n/a
Gatineau	270,599	1	1	78	\$18,960	\$243	0.04%
Joliette	19,958	1	0	0	\$0	n/a	0.00%
Lac-Beauport	7,456	1	1	7	\$2,412	\$345	0.13%
Laval	409,528	3	3	306	\$169,128	\$553	0.10%
Lévis	140,931	2	2	47	\$15,648	\$333	0.04%
Longueuil	234,517	2	2	193	\$76,811	\$398	0.11%
Marieville	10,406	1	0	0	\$0	n/a	0.00%
Notre-Dame-de-l'île-Perrot	10,721	1	1	3	\$405	\$135	n/a
Québec	524,907	5	5	770	\$136,820	\$178	0.19%
Rawdon	10,626	1	1	6	\$2,250	\$375	0.07%
Saguenay	146,381	2	2	103	\$11,706	\$114	0.09%
Saint-Jean-sur-Richelieu	93,948	3	0	0	\$0	n/a	0.00%
Sherbrooke	157,517	2	2	128	\$28,499	\$223	0.11%
Terrebone	108,830	2	2	66	\$26,948	\$408	0.08%
Trois-Rivières	132,968	1	0	0	\$0	n/a	0.00%
2013							
Beloeil	21,330	3	2	84	\$32,230	\$384	0.50%
Candiac	20,290	2	1	9	\$7,000	\$778	n/a
Delson	7,572	1	1	13	\$1,980	\$152	n/a
Gatineau	270,599	1	1	383	\$78,595	\$205	0.20%
Joliette	19,958	1	0	0	\$0	n/a	0.00%
Lac-Beauport	7,456	2	2	69	\$18,630	\$270	1.25%
Laval	409,528	5	5	2194	\$366,390	\$167	0.74%
Lévis	140,931	3	3	344	\$64,219	\$187	0.32%
Longueuil	234,517	3	2	217	\$90,290	\$416	0.12%
Marieville	10,406	1	0	0	\$0	n/a	0.00%
Notre-Dame-de-l'île-Perrot	10,721	1	1	14	\$2,750	\$196	n/a
Québec	524,907	4	4	770	\$239,583	\$311	0.19%
Rawdon	10,626	2	2	83	\$20,906	\$252	0.93%
Saguenay	146,381	1	1	646	\$85,828	\$133	0.56%
Saint-Jean-sur-Richelieu	93,948	6	6	752	\$174,411	\$232	1.04%
Sherbrooke	157,517	2	2	181	\$47,921	\$265	0.15%
Terrebone	108,830	2	1	65	\$16,559	\$255	0.08%
Trois-Rivières	132,968	1	1	62	\$12,749	\$206	0.06%

Source: DGEQ, 2013D: 2014

*The number of voters is taken from the 2013 municipal elections official results. When the mayor was elected without opposition, this statistics is unavailable.

elections were held in all municipalities in 2013. The table shows that there is great disparity between the different municipalities. Registered parties in major cities such as Saint-Jean-sur-Richelieu and Trois-Rivières did not collect a single contribution in 2012, while Québec City featured a much higher contributions to voters. The difference between municipalities must be interpreted with caution, since not all of them have a well-established party system as Montréal does. In Saguenay, Trois-Rivières and Gatineau, for instance, the incumbent mayor was an independent, which reduces the likelihood that voters would contribute to a political party.

What we can conclude from this data is that political contributions to municipal political parties outside of electoral period are extremely scarce, with no more than 0.19% of voters contributing. In 16 of the 19 municipalities in the sample, less than 130 contributions were made, which should have us questioning whether or not each of those contributions can be considered insignificant. In Gatineau, for instance, the party which eventually won the 2013 elections gathered only 78 contributions in 2012 from a pool of 189,000 voters for a ratio of contributions to voters of only 0.04%. It is reasonable to assume that under such circumstances, the candidates of this party know personally most of these contributors. In smaller cities like Beloeil and Candiac, there were less than 20 contributions made, which makes it even more obvious that the impact of each of these contributions is more visible than that of a contribution made to a provincial party which receives thousands of contributions each year. In 2013, the number of contributions significantly increased, but the ratio of contributions to voters remained under 1.25% in all cases. Once again, the average value of the contributions for all municipalities is largely over \$100, which means that lowering the ceiling to that number would reduce these parties' income from contributions substantially.

The bottom line is that both provincial and municipal parties have to contend with the fact that less than 1% of voters contribute to political parties annually. At the provincial level and in large municipalities, parties still manage to gather thousands or at least multiple hundreds of contributions, which means that each one of them is not too significant in itself (though stratagems such as sectorial finance may make contributions from a firm quite significant). In smaller municipalities, however, the number of contributions can be dangerously close to zero. When it is the case, it is clear that the objective of political finance regulations to make each contribution too insignificant to be used to extract favors is not met.

IV. Political Finance and the Logic of Collective Action

Why do so few citizens financially contribute to political parties? The explanation proposed here is based on the premise that political parties are an association of people with similar policy objectives who compete for office in order to implement these policy preferences. In this perspective, political parties provide a public good to those who share similar political views. Indeed, the implementation of policies based on a specific ideology by the ruling party fits perfectly both conditions of a public good: supporters of this ideology cannot be excluded from benefiting from having their preferred policies being implemented (non-excludability) and one supporter's enjoyment of those policies does not reduce the other supporters' capacity to enjoy them (non-rivalry). In other words, once a political party is elected, its policies will benefit all those who adhered to its views, regardless of whether or not these people contributed in any ways to its electoral victory. Voters therefore have a strong incentive to free-ride: if, for example, an environmentalist would benefit from the Green Party's electoral victory regardless of whether that environmentalist made a contribution to the party or not, what incentive does he/she have to make such a contribution?

This free-riding problem of associations whose goal is the provision of a public good is most closely associated with Mancur Olson's seminal book, *The Logic of Collective of Action* (1971). Olson argues that rational individuals, even those with altruistic preferences, face a structure of incentives which discourages them from contributing towards the provision of the public good. This is due to the fact that within associations which rely on a large number of contributions to finance themselves, each contribution is in itself insignificant. As a consequence, the supporter of an association can stop contributing towards the association's goal without it having any noticeable effect on the organization's success.

It is easy to see how these mechanisms apply to political parties, as Hopkin (2004) already demonstrated. A supporter of a party's policies will see these policies implemented if the PLQ wins regardless of whether she contributed to the party or not. That supporter might consider contributing to the PLQ to increase the likelihood that it will be elected, but her contribution would not make any noticeable difference, so why bother? Hence, the idea of popular finance is plagued by the fact that its very objective – that no single contribution can have a significant impact on the electoral process – creates a strong disincentive for voters to contribute, therefore making it very difficult for political parties to finance themselves from a large number of individually insignificant contributions.

In order to overcome the challenge of free-riding, Olson observed that associations resort to what he calls “selective incentives,” private services which are provided only to those who contribute towards an organization’s goals. The classic example of a selective incentive is the labor unions’ closed shop policy, which prevents non-unionized workers from benefiting from the unions’ struggles for better conditions by preventing non-unionized workers from being employed in a unionized factory. The unions thereby supplement the non-excludable good they exist to provide (better working conditions for all employees) with an excludable private good that prevents free riding (the right to work at a factory). Other examples of selective incentives used by labor unions to make membership more attractive include the provision of collective insurance and the organization of professional training sessions, which are both excludable goods.

Political parties also recognized long ago the potential of selective incentives in increasing their capacity to raise revenue. Some of the selective incentives they came up with are mostly symbolic, such as inviting the important contributors to a dinner where important figures of the party are present. The PQ, for instance, used to have a “*Club des 400*,” a designation for the group of their supporters who contributed more than \$400. These would receive a mostly symbolic reward, such as free tickets to a golf tournament or a dinner with a Member of the National Assembly (MNA)⁴. In the United States, Bill Clinton was criticized during his presidency for hosting a dinner at the White House for some of the largest contributors to the Democratic Party (La Raja, 2008; 133–134).

More problematic is the fact that politicians can also be tempted to use their actual or eventual control over government levers in order to offer selective incentives to contributors. As mentioned above, many decisions made by governments are public goods in nature in the sense that once a rule is adopted it applies to all citizens equally, but not all governmental decisions are akin to public goods. Governments also make decisions of a private nature, such as the allocation of public works contracts and appointments to governmental offices. Obviously these contracts and appointments are both rival and excludable; they are pure private goods in the economic sense of the term, and as such they can be used by political parties in *quid pro quos* where political contributions are exchanged, explicitly or implicitly, for political favors.

To prevent such exchanges is one of the reasons why Premier René Lévesque implemented a system of public tenders when he was a minister in Jean Lesage’s Liberal government, and why he put in place Quebec’s modern political finance regulations. Yet, convincing

evidence that a significant proportion of Quebec's political parties' funding in the last decade was obtained through similar mechanisms has been provided by the DGEQ's investigation on sectorial finance (DGEQ, 2013A).

In 2005, a citizen who was being prosecuted by the provincial government for failing to report \$5,000 of taxable income defended himself by arguing, under oath, that the amount should not be considered as taxable income since it was given to him by his employer as a compensation for political contributions he had made. The story did not lead to any concrete actions from the provincial government or the DGEQ⁵. In 2006, a report from the DGEQ concluded that the fact that corporate contributions are being made using employees or other fronts is well-known and that the stratagem is frequently used. One witness said the practice was "endemic" (Moisan, 2006). No legislative actions were taken in response to the publication of the report.

In 2009, Quebec's media reported multiple stories of corruption in the construction sector, many of which involved political contributions. Under pressure, the provincial government created the *Unité permanente anticorruption*, a police unit dedicated solely to combating corruption. The head of the unit, Jacques Duchesneau, told the CEIC that about 70% of all political contributions were illegal or against the spirit of the regulation (CEIC, 2012).

Another important witness the Commission heard, Gilles Cloutier, has been a political organizer in Quebec for more than 30 years at both the provincial and the municipal level. He was employed by a major engineering-consulting firm as director of business development, which in practice meant that his full-time job was to "buy" politicians by contributing to their campaigns or outright organizing them. Cloutier estimated that about 20% of the value of political contributions at the provincial level were genuine contributions by ordinary citizens (up to 30% in the case of the PQ), while this proportion was only of 5 to 10% at the municipal level. He also described how double accounting was used to hide illegal contributions from the DGEQ (CEIC, 2013).

The logic of collective actions' predictions are coherent with Cloutier's estimates. The very low proportion of genuine contributions reflects the fact that there few incentives for ordinary voters to contribute. The much larger proportion of interested contributions can be attributed to the use of selective incentives to attract political contributions. The predictions are also coherent with the DGEQ's findings that the PLQ and Union Montréal, the governing parties at the provincial level and in Montréal at the time of its investigation, collected a large majority of the sectorial finance contributions (72.4% of all suspected sectorial contributions at the provincial level went

to the Liberals, while Union Montréal received 82.6% of those in Montréal (DGEQ, 2013A; personal communication with the DGEQ, March 2014).

The differences that can be observed between the provincial and the municipal level are not surprising considering the very different nature of politics at these two levels. Since Canada is a fairly decentralized federation with a strong provincial level, municipalities in Quebec are left with few responsibilities. Much of these responsibilities revolve around providing local services such as transportation, sewage and leisure infrastructures and coordinating other services such as trash collection. Municipalities' taxation power is accordingly quite limited. A significant proportion of the city councils' work is therefore very administrative in nature: decisions are largely based not on ideological considerations but rather on efficiency criteria. In sharp contrast, Quebec's provincial government is in charge of very ideologically charged issues such as education, language, identity, relations with the rest of the country, health care and social services. The majority of decisions made by the National Assembly are based not on technocratic criteria but rather on very subjective political views about national identity, economic redistribution, the efficiency of markets, and so on.

The administrative nature of politics at the municipal level has two complementary effects on political contributions incentives. On the one hand, since municipal politics is rarely ideological in character, voters have very little incentive to contribute to political parties. Why would a citizen want a certain candidate to coordinate trash collection or infrastructure renovation programs more than he would want another candidate to do it? Local politicians themselves often portray municipal politics as an apolitical, administrative matter (Chiasson, Gauthier & Andrew, 2011, 267; Collin, 2011, 347). From this perspective, it is easy to understand why more than 99.5% of voters choose not to contribute to municipal parties. At the same time, the administrative nature of municipal politics provides local politicians with valuable selective incentives to distribute. Public works contracts can be quite significant even in smaller municipalities. Local politicians also have control over urbanism rules, which are usually not a major concern for the average citizen but are very important for real estate developers. That is not to say that local politics never become polarized over important issues, but such events have a limited effect in the long run and cannot provide local political parties with the sort of ideologically-based support they need to properly fund themselves with small, disinterested contributions.

Since provincial politics is much more ideologically polarized, it is easier for political parties to extract contributions from like-

minded voters. The emotional appeal of the independence project, for instance, most probably explains why the PQ systematically receives more contributions than its opponents, and why it comes out first for “genuine contributions” in Gilles Cloutier’s estimates. The same can be said of *Projet Montréal*, the only truly ideologically-based party in Montréal (Colin, 2011, 316), which is relatively successful at gathering contributions compared to its opponents. Also relevant is the fact that most MNAs have virtually no control over the distribution of selective incentives: such decisions are heavily concentrated in the hands of the executive council, which only represents a relatively small subgroup of the MNAs.

Institutional differences between both levels can also lead to different strategies in terms of how political finance can be used as a means to gain influence over government. Information revealed at the public inquiry on corruption and in the media indicates that in some small to medium size municipalities, firms with an interest in public works contracts have attempted to and sometimes succeeded in rigging elections by offering mayoral candidates “all-included elections” (*élections clé en main*)⁶, in the sense that someone from the firm would take care of all of the electoral organization, as long as no question is asked by the candidate. In return, the candidate would guarantee that the firm would receive a major contract from a municipality. Such deals obviously imply a double accountability where the firm would pay for expenses with cash money and produce a false report to the DGÉQ and arguably constitute the worst form of political corruption induced by contributions: the outright buying of politicians by a single contributor who finances an entire campaign.

So far, nothing proves that a single contributor was able to do the same with a provincial candidate. This could be the case, as it is significantly harder to predict the outcome of a provincial election (as well as the composition of the eventual executive council) than it is to predict the outcome of a mayoral race in a 30,000 citizen municipality, especially if one of those municipal candidates receives massive illegal help from a major contributor. Information collected by the DGÉQ, at the CEIC and in the media rather suggests that political contributions have a more diffuse influence at the provincial level. Witnesses have told the different institutions that political contributions are often used as a mean to facilitate access to the inner circles of government more than it is a currency of exchange for explicit *quid pro quos* with candidates. A witness told the CEIC, for instance, that he made a \$3,000 contributions to then Prime Minister Jean Charest’s riding association, in Sherbrooke, with the hope of obtaining a governmental contract in return. The witness was able to voice his demand, but he

did not obtain the contract⁷. As political journalist Vincent Marissal observed while commenting on this story and the revelations of the CEIC in general, “Did we really think that one could buy off a Prime Minister and his government with a legal and public contribution of \$3,000?”⁸ (author’s translation). That same \$3,000, however, might have had a larger impact had it been offered to the mayoral candidate of a small municipality, where it could possibly have funded most of the campaign by itself.

The important point here is that municipal and provincial politics are significantly different in terms of number of actors involved, ideological divisiveness and areas of responsibilities. As a result, it is harder for municipal political parties to appeal to voters’ ideology in order to overcome the free riding problem of political finance, and it is easier for both local politicians and those interested in obtaining political favors to get into explicit quid pro quos agreement involving political contributions. For these reasons, we should question whether or not the provincial model of “popular finance” can or should be applied to municipal politics.

V. The Right Reform?

Municipal political finance in Quebec has been plagued by three interrelated problems:

- There are few incentives for voters to make contributions without expecting anything in return.
- The low amount of contributions makes each contribution more significant, which allows contributors to exchange contributions for favors.
- The existing regulation preventing firms from making contributions is hard to enforce and is often circumvented.

Can we expect the contemplated reforms to deal with these issues? Had it been adopted, Bill 53 would have introduced measures that would have reduced the pressure on political organizations to collect money such as a reduction of the expenses ceiling for municipal elections and different methods to increase public subsidies to political parties. This does not, however, address the issue of the low number of contributions, nor the problem of unreported cash money being used to pay for electoral expenses. Not addressing the later problem could cause the reform to backfire: the DGEQ was able to track down \$13 million dollars of sectorial finance contributions specifically **because** the old rules allowed firms to circumvent the system by using employees that would give large contributions to parties. Those contributions were illegal, but they were still legally reported, which eventually allowed an investigation to trace the contributions back

to the contributors' firms. With a contribution limit at \$100, such schemes would indeed be very difficult to put in place, but there is a risk that the firms that did not hesitate to break the law before might simply decide to make totally unregistered cash contributions to candidates instead. The DGEQ itself expressed concerns over this possibility.

The government's strategy to compensate for the lack of private contributions has been to substantially increase public subsidies to parties and candidates. Already in 2012, political contributions made up only 28.7% of political parties revenues (DGEQ, 2013D; 27), which clearly challenges the idea that they are popularly financed. Increasing public subsidies to political parties is not in itself positive or negative: the outcome of the policy is rather contingent on the details of its implementation and on the particularities of the political systems to which it applies (Casas-Zamora, 2005; 6). Since the structure of funding can strongly influence the internal and external political dynamics of parties (La Raja, 2008), it is important to think of the potential impacts of the reform.

In Bill 53, three types of measures to increase income were contemplated: increasing the percentage of electoral expenses reimbursed for the candidates who gather more than 15% of the votes to 70%, up from 60%; providing a public subsidy of \$2.50 to a party or candidates for every dollar they receive in contribution, up to a certain amount which is determined by the size of the municipality; and, extending to all towns of more than 20,000 citizens the allowance given annually to registered political parties which is distributed according to the results at the last election. This allocation is to be used for the party's political activities and cannot be used to pay for electoral expenses.

These rules and the already existing ones favor political parties over independent candidates in many ways. First, independent city counsellors and defeated candidates do not benefit from the party allowance. While the party allowance cannot be used to pay for electoral expenses, it still enables political parties to increase their visibility outside of electoral periods. Aware of this fact, the Union of Quebec Municipalities suggested that a similar allowance be given to independent councillors (UMQ, 2013). Second, while political parties can receive contributions at any moment during the electoral cycle, independent candidates can only be accredited and begin collecting contributions 10 months before an election. Third, the maximum combined expenses of all candidates in a party is much higher than the limit of an individual candidate, which allows party members to benefit from the synergy (for instance, the electoral sign of councillor

candidates often feature the portrait of the mayoral candidate of that party; yet it is counted as a district expense, not a mayoral race expense).

In Quebec, municipal political parties, while they do exist, are not the norm. At the 2013 elections, in municipalities of more than 5,000 citizens, 1,728 candidates were part of a political party while 2,361 were independent (DGEQ, 2013C). The ongoing reform is likely to create incentives for candidates to form political parties, but it remains unclear whether this would constitute a positive development. The role of political parties has traditionally been to regroup in a coalition a number of individuals with similar ideological views and to serve as an aggregator of political preferences. However, in environment with low ideological divide such as municipal politics, it is often unclear what unites the members of political parties other than the perceived electoral benefits from forming such a coalition. Municipal political parties are often loose electoral alliances around a strong personality as reflected, for example, in the name of the governing parties in Quebec and Montréal named after their respective leader, *Équipe Labeaume* and *Équipe Denis Coderre pour Montréal*. They have also been described as “often nothing but efficient electoral and political finance machines serving the interest of the mayoral candidate, to which city councillor candidates rally more or less loosely” (Collin, 2011; 340, author’s translation). In those circumstances, the limitations on individual politicians’ freedom of actions which necessarily comes with belonging to a political party might be far more detrimental to the democratic process than any benefits that the presence of political parties might bring. Before moving forward with the adoption of the measures proposed in Bill 53 (or similar ones), Quebec’s current government should consider whether having additional municipal political parties really is a desirable policy objective.

It would even be wise to question the fundamental principles of the political finance regulations at the municipal level in Quebec. If only one citizen out of five hundred is interested in making political contributions at the municipal level, is it relevant to maintain a system in which private contributions remain at the heart of the parties and individual candidates’ funding? If the ultimate objective really is to prevent political finance from being used to purchase political favors, then perhaps the complete elimination of private contributions coupled with an improved monitoring of electoral expenses is the way forward. This would require a paradigm shift away from the idea of popular finance which has effectively dominated the debate for the last four decades; the fact is, however, that in practice municipal political parties have long stopped to be genuinely popularly financed – if they ever were.

ENDNOTES

- 1 The video can be found on the Parti Québécois's official YouTube channel under the name "Souscrivez à la caisse propre – 1."
- 2 It corresponds to the number of citizens eligible to vote for the general provincial elections once the electoral list has been revised. To obtain an approximation of the number of voters for the years 2006, 2009, 2010 and 2011 the variation in eligible voters between two general elections is calculated. This variation is divided by the number of years in-between the two general elections as if the variation in eligible voters had been linear. For instance, the DGEQ reports that there were 5,738,811 voters in 2008 and 5,918,128 in 2012, a difference of 179,317 voters. Assuming a linear relationship, this amounts to 44,829 additional voters each year between 2008 and 2012. To obtain an estimate of the amount of voters a simple addition is required: 5,738 811 voters in 2008 + 44,829 additional voters per year = 5,783,640 voters in 2009, and so on.
- 3 Randomly selected cities were the first in the alphabetical order for each letter of the alphabet. The method yielded less than 26 random cities since many letters such as "A" did not have any city with at least one registered political party listed.
- 4 See Bovet, Sébastien, "400, le chiffre magique," *Radio-Canada*, March 2nd 2012.
- 5 See Boisvert, Yves, "Le directeur au bois dormant," *La Presse*, April 4th 2013.
- 6 See for instance CEIC, 2013 and Fournier, Sylvie, "Un ex-maire brise le silence sur les élections clé en main," *Radio-Canada*, March 10th 2011.
- 7 See Messier, François, "Jean Charest nie avoir reçu un chèque de 3000\$," *Radio-Canada*, January 29th 2014.
- 8 Marissal, Vincent, "La vérité? Bof...," *La Presse*, February 3rd 2014.

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