

The Implications of Canada's New Regulatory Regime for Local Party Organization

Munroe Eagles
Political Science
University at Buffalo – The SUNY
eagles@buffalo.edu

David Coletto
Political Science
University of Calgary
dcoletto@ucalgary.ca

Prepared for presentation at the Annual Meeting of the Canadian Political Science Association, University of British Columbia, Vancouver, BC, June 4 – 6, 2008
We are grateful to Lisa Young for her invaluable assistance in obtaining much of the data on which this analysis is based, and the SSHRCC Grant on which she is principal investigator for making this research possible.

The passage into law of Bill C-24 in 2003 introduced sweeping changes to the financing of Canada's political parties, many of which profoundly alter the status and (potentially, at least) the importance of their electoral district associations (EDAs). Beginning in January 2004, the local organizations of all federal political parties no longer were private associations. Rather, these grassroots organizations were required by law to register with Elections Canada and to submit regular financial reports to this agency detailing their contributions and expenditures. In 2006, the Conservative government again amended the *Election Finances Act*, further limiting the sources of funding available to EDAs. Along with the central parties and candidates, EDAs could not accept political contributions from corporations, trade unions or other private associations. Both pieces of legislation, therefore, bring three important consequences for party finance. First, for the first time financial contributions to local party organizations were limited. Prior to 2004, only national party organizations were required to submit annual financial reports to Elections Canada. Local organizations were not subject to reporting limits, nor were contributions to a party's electoral associations (EDAs) constrained. After 2004, local party organizations were integrated in the overall regulatory apparatus that applies to all levels of party organization.

Secondly, local party finances are now transparent and open for scrutiny. The C-24 reforms therefore close an important loophole in the regulation of election campaign financing. Prior to 2004, local party associations could amass sizeable war chests (from private contributors or the reimbursement of election expenses). These funds could be transferred to their candidates for campaign purposes. This loophole made it impossible to trace the original sources of these transferred funds, thereby blunting the disclosure requirements of Canadian campaign finance regulation (Young, 1991: 20-22; Stanbury, 1991: 419-421; Geddes, 2000). The C-24 reforms extending disclosure regulations governing contributions and expenditures to local electoral district associations of Canada's parties have therefore tightened the regulatory regime.

Serendipitously, the 2004 reforms have opened up a valuable window for political scientists into the operation, activities, and vitality of these grassroots party organizations. It has been customary to discount the importance of EDAs. These organizations, along with other features of local political distinctiveness, have long been assumed to have been overtaken by the centralizing and modernizing forces associated with mass media markets, and professionalism in the party's national campaign. These assumptions prevailed despite mounting evidence from a variety of academic surveys of local party officials that gave evidence of the vitality of grassroots party organizations (Carty, 1991; Cross, 1996). However, as valuable as these studies have undoubtedly been in demonstrating the continued vitality of political life at the grassroots, the data collected is potentially subject to response bias (depending as they do on the voluntary compliance of local officials in completing and returning questionnaires) and they do not support longitudinal analyses. Beginning with 2004, the reporting provisions required by C-24 will generate a comprehensive (or at least reasonably so) supply of financial information regarding EDA activities that is growing in value with each passing year.

Of course, the advantages of comprehensivity are offset somewhat by the necessarily narrow focus on financial records and the validity of the data depends on the compliance of many hundreds of local party officials with the legal regulations. Nonetheless, along with volunteer labour, money is among the most important assets that these organizations deploy, both during and between campaigns (Stanbury, 1991: 5). As such, financial records have the potential to offer concrete and important insights into the organizational vitality of party organizations. Sources of money give an indication of the structure of the local party's relationship to important components of their constituency. The level of expenditures serves as a reasonable proxy for the volume of party activity. For these reasons, a comprehensive financial portrait of Canada's local parties is a highly worthwhile undertaking.

Lacking detailed information on the pattern of contributions and expenditures of these grassroots units over the years prior to 2004, it is difficult to develop explicit hypotheses about if and how the C-24 and Accountability Act reforms are likely to impact upon EDAs. What follows in this paper, then, is an exploration of putative "effects" of the new regulations, holding up what we know in the post-2004 period (thanks to the reporting requirements for EDAs) against what we understand from previous research to have been the situation in the period immediately preceding its implementation. Three dimensions organize the empirical analysis. We know from previous research that many dimensions of grassroots politics in Canada vary widely according to party. For example, in Duverger's terms the NDP is a "mass" party, whereas the Liberals and Conservatives are "cadre" parties. This distinction is important for understanding a variety of aspects of party organization and territorial integration, and as cross-party comparisons are prominent in this analysis. Secondly, we also know from previous research that local associations for incumbents tended to be larger and more vigorous than those for non-incumbents (Carty, 1991: 39-46), so one prominent focus of our explorations will investigate differences in local associations who won the seat as compared to others who do not. We explore these dimensions in a discussion of the sources of revenue coming into EDAs and in patterns in the inter-election expenditure of funds. Finally, recognizing that Canada's parties are essentially vote-raising machines, a final section explores whether their success in this regard is attributable to the financial strength of their EDAs. The result of these empirical explorations is a benchmark portrait of grassroots party activity at the outset of the new regulatory regime. Before turning to this, however, some general comments on the potential impact of C-24 and Accountability Act reforms on EDAs are in order.

Some Possible Impacts of C-24 and Accountability Act Reforms on EDA Financial Life

As electoral machines, Canadian parties – at the federal, provincial, and local levels – tend to concentrate activity on the election campaign. Federal and provincial levels of the main parties maintain some organizational continuity between elections, but party life and vitality in the constituency trenches has traditionally been depicted as more closely tied to the electoral cycle. Here we encounter something of a paradox: EDAs themselves have only a tenuous relationship to this most important party activity. As Carty (1991: Figure 7.3, p. 156) has shown, local campaigning has traditionally been a

candidate-centered affair, with official agents, campaign managers, and other key personnel often being appointed by the candidate rather than the local party organization (the exception is the NDP, where the party's local executive exercises relatively more control over candidate recruitment and the election campaign). This, coupled with the relative permeability of the major parties to insurgent or "outsider" candidates mobilizing large numbers of "instant members" through the nomination process, implies that there are potential divisions between local campaigns and parties. Until 2004, formal financial accounting was required only of the campaign team during the election period itself rather than of the local party organization, which was unregulated.

Existing research suggests that there may be considerable uncertainty and autonomy in terms of the relationship between a party's campaign organization and its EDA, between EDA and higher levels of party organization, and between candidates' local campaign organizations and higher levels of the party. With successful campaigns often able to raise more money than required (after reimbursement of half their election expenses from Elections Canada), transferring this surplus to the party's EDA could provide the local organization with a significant war chest.¹ Perhaps for this reason the central offices appear to have come to regard their EDAs as a source of revenue. Carty's (1991: 77) research suggests that, to the extent that funds are flowing across levels in a party at all, it seems as though the direction of flow is from the grassroots to the center.

The centralizing nature of intra-party financial flows has a parallel in the relative lack of central party financing of local election campaigns. In contrast to the experience of a number of other countries (see Carty & Eagles, eds., 2003), Canada's national or provincial party offices tend not to get heavily involved in the financing of candidates' campaigns. Rather, candidates and their campaign teams are expected to raise their campaign funds primarily from local sources. For example, a study of the transfers to candidates from registered parties in the context of the 1997 election campaign suggested that while between half and three-quarters of candidates received party money to help with their campaign, the amounts transferred accounted for less than a quarter of all the funds available to candidates (Carty & Eagles, 2005: 89-90). In significant respects, then, Canada's federal parties tax their grassroots outside of campaigns and do not compensate with transfers of funds at elections.

It seems likely that several of the C-24 and Accountability Act related reforms have the potential to impinge on a number of these traditional patterns and relationships. In particular, elimination of corporate and union donations to all levels of the party organization has the potential to tighten the financial situation of some local associations by drying up a potential source of revenue. Now EDAs will need to compete with other levels of the party for these relatively modest amounts of legally-permissible funds. The public funding that is designed to replace these sources of party money goes now to central parties and not the EDAs (who nonetheless will remain responsible for mobilizing

¹ However, the disposition of campaign surpluses is an internal party affair and there is no requirement that these surpluses remain in local coffers. For example, the Liberals in 1988 required candidates to sign over, at the beginning of the election campaign, one-half of all reimbursements to the national party and some of the NDP's provincial wings have made similar claims on their federal candidates (Carty, 1991: 191).

the votes upon which these subsidies are based and calculated). As such, it is possible that EDAs will grow more dependent on transfers from central party coffers. This may erode some of the traditional autonomy of grassroots party politics, perhaps making it easier for central party organizers to intervene in constituency election campaigns and target resources to marginal seats along the lines of parties in other settings (see the studies in Carty and Eagles, 2003).

On the other hand, however, the C-24 reforms have the potential to invigorate and energize grassroots party politics. For example, requiring the formal and legal registration of EDAs as part of the regulatory apparatus governing party and campaign finance, and the requirement for regular financial record-keeping and reporting, may well help institutionalize and stabilize local associations. Compliance with the new regulatory regime will certainly call forth higher levels of expertise and more continuous and intense levels of commitment on the part of local volunteer activists. These developments have been shown elsewhere to have been associated with more institutionalized and stronger EDAs (e.g., Johnson, 1991: 54-55). While it will be some time before the full impact on EDAs of these reforms will be fully evident, we can begin to address these issues by inquiring about the state of EDA finances in the immediate period of the reforms' implementation.

The State of Local Party Finances Post C-24: Revenue, Expenses, and the Bottom Line

Perhaps the most basic and important question to ask regarding the state of local party organization in the post-2004 period concerns the financial health of local party organizations. Ken Carty's research (1991: 94-98) has shown that there is considerable variability in the financial circumstances of constituency associations, even within parties. In the past, the financial strength of an EDA has been closely associated with the ambitions and activities of a small core of local activists. Often these coalesce around a would-be candidate who works to invigorate the organization to support a future campaign (Stanbury, 1991: 98). Previous research based on surveys of local party officials suggests that relatively few local party organizations had amassed significant assets (only one in five overall reported more than \$10,000 in income for 1990; see Carty, 1991: Table 4.5, p. 79), and those which had managed to do so were in seats where they had won (Carty, 1991: 75).

How does this portrait stand up in light of the annual EDA financial reports required since 2004? Complete financial records, including sources and amounts of revenue and the nature and amount of expenditures, for all EDAs are available for 2004, 2005, and 2006. Including the "opening balance" that EDAs reported for 2004 as an indicator of the state of grassroots party finance immediately prior to the introduction of the C-24 reforms, we can identify the financial situation facing grassroots party organizations at four points in time – the beginning and end of 2004, the end of 2005, and the end of 2006. Table One presents information for the five major parties at these points in time.

Table One About Here

The figures reported in Table One suggest that EDAs are generally solvent but far from wealthy. Liberal Party EDAs, coming off more than a decade of being the governing party and the only one with electoral strength in all regions, had significant advantages in terms of their average income and expenditures in 2004, and maintained a sizeable advantage in terms of the bottom-line balance of assets and liabilities. At the end of 2004, Liberal Party EDAs averaged net assets of \$16,143, compared with \$15,823, for the Conservatives, \$9,372 for the Bloc Quebecois and \$3,748 for the NDP.

However, following 2005, the Liberal Party EDAs soon lost their advantage. During 2006, Conservative EDAs averaged income of \$45,907 compared with \$23,836 for the Liberals. Furthermore, at the end of 2006, Conservative EDAs were on average over \$26,000 richer than their Liberal counterparts. Conservative EDAs had average net assets of \$40,109, compared with \$23,659 for the Bloc Quebecois, \$14,408 for the Liberals and \$4,100 for the NDP. Regarding the putative impact of C-24 reforms on EDA vitality, it is of course too early to offer any definitive assessment. However, it is interesting that over the 2004-2006 period the average net assets of EDAs increased for only the Conservatives and Bloc Quebecois EDAs. While this might appear promising for EDAs in the post-C-24 period, this was not an ordinary couple of years. Given that two elections transpired over this relatively short period, it is possible that a substantial portion of the revenues of the major parties resulted from the infusion of surplus campaign funds and expense reimbursements from Elections Canada. Equally, however, having to mount two election campaigns in relatively rapid succession may have depleted EDA treasuries to a greater extent than usual. Establishing the post-C-24 equilibria in EDA finances will take time, and to understand how these forces balance out will require information from at least several more years of accumulated financial data. At this point, however, it is clear that there is no evidence to be found in this initial period of the C-24 reforms of an imminent crisis in grass-roots party financing.

As was found in earlier studies of local party finances, there is considerable diversity of circumstance to be found within as well as between parties. At the end of 2006, a total of 35 EDAs have been successful in amassing substantial war chests. All but four of these EDAs were Conservative with the top five Conservative EDAs being Pontiac EDA (\$211,703 balance); Abbotsford EDA (\$208,496 balance), Don Valley West EDA (\$201,751), Calgary Southwest (\$196,167 balance) and Laurier (\$181,566 balance). Two EDAs in Toronto, Trinity-Spadina (\$165,808 balance) and Eglinton-Lawrence (\$120,028) had the highest net assets for the Liberals. None of the other parties had EDAs with more than \$90,000 in net assets.

Table Two About Here

Outliers such as these extremely affluent EDAs have the potential to distort the party averages reported in Table One. As Table Two illustrates, the averages reported are in fact substantially inflated by the wealth of the most affluent outliers. However, even between 2004 and 2006, there does appear to be some significant changes in the distribution of EDA assets within political parties. In 2004, 35% of Conservative EDAs had less than \$1,000 in assets but by 2006, only 7% had such small asset reserves. In

contrast, over two thirds of Conservative EDAs had more than \$10,000 in assets, a 39 percentage point increase from 2004.

The overall picture of EDA financial health that emerges from Tables One and Two suggests that most EDAs have extremely modest assets – sufficiently modest compared to the average cost of fighting an election (for which the allowable limits range from roughly \$60,000 to \$100,000 per candidate) so as not to provide a serious inducement to assist in the recruitment of candidates who might be considering running for a local party’s nomination.

Previous research on grassroots party organization in Canada has found sharp differences associated with the incumbency status of the local organization (Carty, 1991: 94-95). The comparisons of the balance sheets of EDAs that won their seat in 2004 with those that did not dramatically confirms the persistence of this pattern in the 2004-2006 period. The differences are quite striking in magnitude, and not particularly concentrated in the NDP, the party where these differences were most evident in the past. These dramatic differences do not diminish over the three year period we cover. In all five parties, winning EDAs had bank balances that were at least three times (and in many cases many times more than this) higher than their counterparts which were electorally unsuccessful in 2004. Clearly, there is a close association between the ability of a party to raise money locally and the ability of their candidates to raise votes. We will return to explore the electoral connection and party financing in the final section.

Table Three About Here

Sources of EDA Revenue – Contributions and Intra-Party Transfers

In addition to the accumulated assets (or liabilities), the financial health of an EDA rests on its ability to attract financial contributions, according to the guidelines laid out by the Elections Act, and transfers of resources from other affiliated organizations within the party. Understanding how a local party organization raises its funds is revealing of a series of important relationships. First, patterns regarding the sources of financial contributions reveal something of the relationship between the local party and its (presumably primarily local) environment. Intra-party transfers are an unobtrusive indicator of the party’s organization-building strategy, and depending on the net amount being transferred, could either be a source of revenue or a form of intra-party taxation on the EDA. The volume and direction of financial flows are therefore particularly revealing of a party’s strategic orientation. On both of these dimensions, the motivation lying behind the decision to invest in an EDA is likely to be responsive to whether or not the local MP is a member of the party. For this reason, we distinguish between seats held and not held by a party in the analysis that follows.

Of course there are a number of financial strategies imaginable. A case in point is the recent controversy concerning the so-called ‘in-out’ transfer of resources between the national and local Conservative Party campaigns in 2006. These transfers are suggestive of another logic than simple party building or even ‘targeting the marginals.’ In this case, when the central Conservative campaign organization bumped up against its spending

limit, the party transferred money into 67 local campaigns to help them buy nationally-focused advertising that is not counted towards the national party's legislated spending limit. Those candidates receiving these transfers then immediately returned the money to pay for ads which were almost identical to those being run by the national party. Not only did this allow 'national' spending to exceed the legal limit but the recipient candidates were able to claim reimbursements for these election expenses from Elections Canada totalling approximately \$1.3 million (CTV News, April 22, 2008 http://www.ctv.ca/servlet/ArticleNews/story/CTVNews/20080422/in_out_080422/20080422?hub=Politics)²

Table Four shows the sources and magnitude of contributions to local EDAs for each of the major parties for 2004. Since a federal election took place that year, it is important to remember that these funds are separate from, and in addition to, anything contributed to the official candidates of these parties. As such, the data speak rather generally but forcefully to one of the concerns raised by students of cartelized party systems, namely that the parties reliance on state funding in such systems is likely to erode their ties to civil society (Katz & Mair, 1995). On the face of it, the evidence in Table Four suggests that these concerns are misplaced – or perhaps premature – in the immediate aftermath of the C-24 reforms. Even in an election year, when candidates' campaigns are hungry for political cash to fuel their campaigns, the EDAs at the base of the party system were able to secure significant amounts of money to fund their activities.

Table Four About Here

The results reveal some interesting inter-party differences in the raising of party money. For example, Liberal and BQ EDAs were greatly advantaged in terms of their ability to attract funds over the other parties. The total inflow of contributions to the EDAs of these two parties is almost twice that going to Conservative EDAs, and more than twice as much as that going to the NDP and the Greens. As expected, there are significant differences in each party between the amounts raised by EDAs whose candidate won the race in 2004 and those where they lost (though of course the Greens failed to win any seats, so there is no comparable comparison for that party). The gap is particularly large in the case of the NDP, confirming what we have long known about the sizeable difference in vitality separating successful and unsuccessful local organizations in that party (Carty, 1991: 241-42).

² While the legality of this practice following the RCMP raids on the Conservative Party headquarters in April 2008 remains unclear, many, including opposition MPs, argue that it breaks the spirit of the *Election Finances Act*, since it allows the national party to usurp national spending limits and the local campaigns to be reimbursed for what are essentially expenses of the national campaign. Of course, the very existence of this controversy is evidence of the impact of C-24 reforms, since without them this behaviour would not likely have been discovered. Defenders of the practice argue (variously) that the distinction between national and local expenditures is arbitrary and unclear in practice (Coyne, May 7, 2008); or that local campaigns are ineffectual and therefore local parties are behaving rationally in transferring their spending to the national campaign (Frum, April 18, 2008; Coyne, April 23, 2008)

Given the constraints on union and corporate donations in place for the first time that year, it should not be surprising to find that all parties' EDAs raised substantially more money from individuals than from all other sources. Indeed, EDAs for the Liberals and the Bloc were the only ones with much success getting substantial corporate money over the year, and trade union contributions were negligible across the board (including even the NDP). In every party, EDAs which experienced an election victory in June 2004 were more highly supported by contributions than others. Corporate donors to Liberal and Bloc EDAs were especially generous when the local party held the seat in 2004.

In addition to contributions, the other main source of revenue for EDAs comes in the form of financial transfers from unspent (or reimbursed) campaign funds from its candidates and from other parts of the party organization. Such transfers must now be recorded but they are otherwise not constrained by the legal regime governing party financing. So parties are free to move resources as they see fit in accordance with their strategies of organization building. This may result in a net source of income for an EDA, but if the outflow of money to other levels of the party is not exceeded by the amount transferred in, then such transfers will be a drain on EDA resources. If money flows from other (higher) levels of the party into the EDA, this reveals a relatively strong grassroots orientation for the party. However, if financial flows are from the EDAs outward to other levels of party organization, the party will have opted for a centralizing organization-building strategy. Given the enormous discrepancies we have seen in the financial situation of incumbent/non-incumbent EDAs, parties themselves are likely to distinguish between its winning and losing grassroots organizations when adopting a strategy of financing its operations. So it is important to continue with this distinction in our analysis of intra-party financial flows.

Based on the detailed financial records available for 2004, Table Five presents an overview of the parties' approach to organization building. The breakdown shows four different sources of transfers from party sources into their EDAs. Most obviously, money can come into the EDA from higher levels of the party itself. However, it may also be transferred from the party's candidates in the 2004 election. As noted earlier, parties can decide which level of the organization receives any surplus from the campaign funds of its candidates, and which result from any reimbursement of allowable expenses from Elections Canada. Since the electoral map was redrawn before the 2004 election, many local EDAs had to legally reconstitute themselves to accommodate the changes to their district boundaries. The Act allows for the transfer of funds from the old associations to their replacements. Finally, the C-24 reforms extended contribution and spending limits to the internal party nomination contest candidates for the first time in 2004, and provided for the transfer of any surplus remaining for candidates to be transferred to the party (without stipulating which level of the party should receive this money).

Of course, political parties are free to move funds to any level of the organization they see fit. We have seen that EDAs are not without the means to raise their own money through contributions. As such, it is also possible that parties may decide to transfer money out of the local organization to fund the operations of higher levels of the party, or

simply leave the EDA alone. Carty's (1991: Table 4.2; p. 77) analysis of the situation in the late 1980s suggested that, except for the NDP, most parties opted for a policy of grassroots financial autonomy (no significant flows in or out of EDAs). Of those instances where money was transferred within the parties, however, it was almost always flowing out from EDAs to other, higher levels of the party organization. Inferences regarding party strategy, therefore, must incorporate both the inflow and outflow of money.

Table Five About Here

The data in Table Five offer a contrast with previous scholarship in suggesting that there is considerable movement of money within Canada's parties. Much of the flow of money into EDAs comes from transfers from their general election (and to a much lesser extent, nomination) candidates. Of course, these sources will not be a factor in non-election years. However, it is also clear that EDAs – and particularly ones which won the local contest in 2004 – receive money from higher levels of the party organization. In every case, the total amounts transferred into the EDA from party coffers exceeded the totals transferred from their election candidates. And taken collectively, the totals transferred into EDAs provide a source of revenue that is generally comparable to the amounts we have shown that they raise through contributions. With the exception of the BQ, parties tend to move almost twice as much money into the EDAs of their winning candidates as they send to their unsuccessful counterparts. This suggests that most parties tend to build around their strengths – only the BQ appears to use intra-party transfers as a mechanism to expand their party into territory where it is weak.

However, the sixth row of Table Five shows that party strategies also involve 'taxing' their local associations. In fact, the average amounts taken from EDAs by Canada's parties in all cases exceeded the total amounts transferred into grassroots organizing. This was the case with all parties, but the negative balances of Liberal and NDP EDAs were especially large in 2004. It is helpful to consider the magnitude of these net transfers in terms of the overall financial position of EDAs. This is done in the bottom row by expressing the negative net flow of funds in terms of a percentage of the total assets available to the EDA. These figures show that the NDP assigns the highest 'tax' to its local associations, and extracts an especially steep amount from its losing associations (an amount representing an astounding 260% of the net assets of these EDAs). The Liberals also tax their EDAs heavily, with average net outflows of money in 2004 representing over 100% of the net assets of their grassroots organizations. Also noteworthy is the BQ pattern of extracting much more money from their winning than their losing seats. This suggests that the Bloc is the only party that does not unambiguously pursue a centralizing strategy with respect to party finances.

What of the possibility that central parties "target the marginals" with their transfers to their EDAs? there is also the possibility that the national parties transfer funds down to EDAs in a strategic manner. Figure 1 examines the relationship between transfers from the national party to the EDA and the 2006 margin of victory for each province. As the scatterplots indicate, the relationship between national party transfers to the EDA and electoral margin is strongest for the NDP, while more moderatest for the Conservatives. It appears that the competitiveness of the local election is not a

significant factor in transferring money to EDAs for the Liberals, BQ or the Greens. Furthermore, as would be expected, availability of funds within the national party would be an important factor in their ability to transfer money to EDAs. As Table Six illustrates, the Bloc Quebecois transferred the most money to EDAs on average in ridings they ran a candidate, followed by the Conservatives, New Democrats and Liberals. As a result, it appears that wealth at the national level can and is being transferred to the EDAs, and more significant to this study, the inclusion of public funding, particularly in the case of the Bloc Quebecois, seems to aid local party organizations.

Table Six About Here

While it is too early to make definitive conclusions on the impact of C-24 on party behaviour, there does seem to be some incentive for the national parties to adequately finance the EDAs and local campaigns. As one of the main instruments of voter mobilization, and the relationship between votes and public funding (at an inflation-adjusted rate of \$1.75 per vote), parties have an interest in maximizing votes even in non-competitive ridings. Therefore, it seems plausible that for the Liberals and Conservatives, who have traditionally had more financial resources than the NDP or Greens, supporting weaker EDAs or campaigns in non-competitive ridings with financial transfers makes some strategic sense.

In general, it appears from these data that intra-party finances involving EDAs have become significantly more integrated than was the case in the 1980s. Despite the fact that the monetary allowances to Canada's parties provided by the C-24 reform package have flowed to the central party apparatuses, these organizations continue to extract significant resources from their grassroots counterparts. Whether this extends to the party in non-election years is a question that must be asked when the detailed EDA financial information for 2005 is available.

Building Local Organizational Capacity: Extra-Campaign EDA Expenditures

Local party associations exist to further a political party's interest in the riding by recruiting candidates and members, raising funds, and communicating the party's message. Some of these activities are basic to the self-maintenance of the local organization, and while volunteer labour is often available, most cost money (even fund-raising requires some investment). Carty's (1991: 59) analysis of the situation in the 1980s revealed that local associations of Canada's then-three major parties almost universally took on tasks self-maintaining such as fund-raising activities, social events, and membership campaigns. Carty also found that most local associations (65%) engaged in policy study and development, and many undertook communications activities such as public meetings (52%), publishing a newsletter (46%), and getting exposure on local or cable TV (14%). Only 9% reported doing any local polling. Taken cumulatively, Carty's portrait is one of relatively vigorous local party organizations even outside of an election campaign.

Table Six About Here

The data contained in the detailed EDA reports for 2004 and reported in Table Six refer only to financial expenditures, and therefore are not directly comparable to Carty's

results. However, they do confirm that EDAs are active outside the election campaign. Only the Green Party's EDAs appear to have largely folded up shop outside the campaign period itself. Organizational self-maintenance activities (fund-raising, office expenses, professional services, salary and benefits, travel and hospitality, and "other" spending) figure prominently in the other four parties. These expenditures reflect the cost of doing business as a local party and while there is some discrepancy between EDAs which won and lost seats and across the parties, these are relatively small. One interesting and somewhat surprising feature of the item for "salaries and benefits" shows that the NDP EDAs that were successful in the June 2004 election spent considerably more on average on this item than the other parties.

Again confirming earlier research, the NDP also stands out in most expenditure categories for having the largest gap between its electorally successful and unsuccessful grassroots organizations. In other parties (except of course for the Greens, where there were no winning EDAs), this gap exists but it is more muted. Even in an election year very little radio or TV ads are run by EDAs. In the case of Conservative, Liberal, and NDP EDAs, a somewhat higher priority attaches to "other advertising" which presumably includes newspaper ads and leafleting. Relatively little is spent on polling or political research, and it is likely that the high levels of policy study and development noted by Carty in his survey of local party associations is a voluntary activity undertaken by activists rather than paid professionals.

Financial and Electoral Strength – Is There a Relationship?

From the foregoing, it is clear that EDAs in all parties look quite different depending on whether or not the party's candidate won in 2004. In general, the most affluent and vigorous (in terms of extra-campaign expenditure activities) EDAs are, irrespective of party, ones in which their local candidate took the local seat in the June election. These differences are apparent in the detailed 2004 data, but they also persist in the evidence of the balance sheets for 2005 and 2006. This suggests that there may be some relationship between the strength (proxied here by financial wealth) of an EDA and the electoral performance of its candidate.

As plausible as this relationship sounds, establishing the causal connection between money and votes in statistical research is a challenging undertaking. This is because both measures are indicators of party support within the local community and there is no easy way of saying which causes which. While local organizational strength may contribute to a candidate's electoral success, it is also possible that the local organization may itself benefit from a candidate or party's prior local popularity. This subtlety notwithstanding, it is interesting to begin the by looking at the general relationship between a local organization's financial and its candidate's electoral strength.

Figure Two About Here

Perhaps the easiest way to appreciate the general nature of these relationships is to inspect scatterplots of local EDA assets and their electoral performance. Figure One

illustrates these simple bi-variate relationships in terms of a local party's 2006 net assets and its candidates' share of the total vote in the January 2006 election. These plots show only a modest positive relationship between these measures, implying that electoral and EDA financial support at the local level are somewhat distinct. In all cases, the superimposed linear regression line performs almost as well at summarizing the nature of these relationships as do the quadratic alternatives. The relationship between local organizational assets and popular vote is strongest for the Conservatives, but there is considerable scatter around the lines (and only about 30% of the variance in votes across ridings can be statistically attributed to the local asset balance). Among the other parties, the size of the local party organization accounts for 24% of the NDP's electoral vote percentage, for 23% of the Liberal Party's electoral vote percentage and 16% of the Green Party's popular vote percentage in each riding. The relationship is weakest among Bloc Quebecois ridings, explaining only 10% of the variation in the BQ vote percentage. The weakness of these relationships contrasts sharply with the much stronger ties uncovered in previous research between campaign spending by candidates and their vote shares (in 2000, for example, the ranged from 24% variance explained for Liberals to 76% for the NDP; See Carty & Eagles, 2005: 48). Clearly, there is no simple correspondence between local EDA organizational strength and the conduct of successful campaigns, and further research will be necessary to more fully appreciate these connections.

Conclusion

What, then, is the general 'state of the local party' following the adoption of recent reforms? Most obviously, there are signs of the continued vitality of grassroots party politics virtually across the partisan board. Local EDAs raise substantial amounts of money, are generally financially solvent, and often serve as sources of revenue for higher levels of party organization. While Canada's parties remain primarily electoral machines designed to mobilize support in terms of votes, there appear to be significant EDA activities that occur outside the campaign period. The substantial financial transfers involving EDAs and other levels of the party suggest that – if anything – the financial integration of Canada's parties has been increasing over the past several decades.

What, then, can be said about the impact of C-24 reforms on local party organization based on their annual financial reports? Definitive responses to this question are rendered difficult by the absence of EDA financial data from the pre-2004 period, and by virtue of the fact that detailed data on the post-reform period is available only for the first year. The situation is complicated further by the fact that 2004 and 2006 are federal election years and therefore do not represent 'business as usual' for these electorally-oriented organizations. While the release of the complete data for 2006 is helpful in this respect, given that the lack of a majority for the government formed in 2004 and the expectation (correct, as it happened) of an imminent election call, it could be that several years will need to pass before we can observe EDAs in circumstances that have in recent decades come to be considered normal. Finally, there is every likelihood that the relations between EDAs and higher levels of party organization will continue to evolve, in part at least as a response to the new transparency in party finances. Political parties are voluntary organizations and the ties that unite and motivate activists are continually

subject to negotiation and renegotiation. Arguably, the terms of the agreements reached across the levels of Canada's party organizations in the future will be more clearly defined, and therefore altered, by the very presence of reliable EDA financial data. The available data do speak more or less clearly to several hypotheses that might be advanced about local associations in this heavily 'cartellized' party system. First, there is no sign that the local associations have been rendered anachronistic by the flow of significant public funds to the central party organizations. EDAs in all five parties in most constituencies (except for the Greens, which have reporting EDAs for only 80 of the 308 federal ridings) have been able to maintain some positive asset balances (with no sign yet that these are diminishing), and undertake significant fund-raising and party maintaining activities. Their ability to attract significant amounts of financial contributions suggests that concerns about weakening linkages between grassroots party and civil society are either premature or exaggerated in the Canadian case. However, as evidence from the Bloc Quebecois EDAs reliance on central party funds, and the Conservatives' "in-out" scheme, the relationship between EDAs, the campaigns they mount, and the central party is still in a state of flux. With the strict restrictions on the sources of funding, and the highly competitive nature of federal politics, EDAs, if they are to be valuable components of a political party's electoral apparatus, may require more intervention from the central party. With the influx of regular, predictable, and sizeable allowances from the public treasury going to central parties, it is perhaps surprising to see their continued tendency to "tax" their grassroots organizations. Whether this situation is tenable over the long term is unclear, now that the books on party finances are completely open for all the participants to see. But for now, at least, the grassroots of Canada's party system seem to be in a reasonably healthy.

References

- Carty, R.K. (1991). *Canadian Political Parties in the Constituencies: Vol. 23 of the Research Studies for the Royal Commission on Electoral Reform and Party Financing*, Toronto: Dundurn.
- Carty, R. Kenneth., and Munroe Eagles, (eds.). (2003). "Party Organization and Campaigning at the Grassroots: Special Issue," *Party Politics*, 9, 5 (September).
- Carty, R. Kenneth., and Munroe Eagles, (2005b). *Politics is Local: National Politics at the Grassroots*, Toronto: Oxford University Press Canada.
- Coyne, Andrew, (2008). "Local Campaigns are Largely a Fiction Anyway," *Maclean's*, (April 23rd)
http://www.macleans.ca/columnists/article.jsp?content=20080423_16408_16408&id=8 (accessed May 3, 2008)

- Coyne, Andrew, (2008). "Let the Parties Work it out for Themselves," *Maclean's* (May 7)
http://www.macleans.ca/canada/opinions/article.jsp?content=20080507_51975_51975 (accessed May 10, 2008)
- Frum, David, (2008). David Frum on Elections Canada: Power-crazed bureaucrats or dangerous speech-censors? *The National Post*, (April 18)
<http://network.nationalpost.com/np/blogs/fullcomment/archive/2008/04/18/david-frum-on-elections-canada-power-crazed-bureaucrats-or-dangerous-speech-censors.aspx> (accessed 5/7/08)
- Geddes, J. (2000). "The Black Hole of Election Money," *Maclean's* (March 27th): 34-6.
- Johnson, David (1991). "The Ontario Party and Campaign Finance System: Initiative and Challenge," in F. Leslie Seidle, ed., *Provincial Party and Election Finance in Canada: Vol. 3 of the Research Studies for the Royal Commission on Electoral Reform and Party Financing*, Toronto: Dundurn, pp. 39-88.
- Katz, Richard S., and Peter Mair, (1995). "Changing Models of Party Organization and Party Democracy: The Emergence of the Cartel Party," *Party Politics*, 1, 1, (January): 5-28.
- Stanbury, W.T. (1991). *Money in Politics: Financing Federal Parties and Candidates in Canada: Volume 1 of the Research Studies for the Royal Commission on Electoral Reform and Party Financing*, Toronto: Dundurn.
- Young, Lisa (1991). "Toward Transparency: An Evaluation of Disclosure Arrangements in Canadian Political Finance," in F. Leslie Seidle, ed., *Issues in Party and Election Finance in Canada, Volume 5 of the Research Studies for the Royal Commission on Electoral Reform and Party Financing*, Toronto: Dundurn, pp. 3-43.

Table One
Mean EDA Revenues, Expenditures, and Balance (Assets and Liabilities), by Party,
2004- 2006

		Conservatives	Liberals	NDP	BQ	Greens
\$ Opening Balance 2004		14,944	25,761	5,620	5,044	346
\$ Income	2004	23,546	38,256	12,492	39,291	4,038
\$ Expenditures	2004	31,658	51,965	16,556	42,924	4,083
\$ Income	2006	45,907	23,836	10,420	57,537	3,982
\$ Expenditures	2006	22,388	25,219	9,118	42,270	2,824
% Change Income	04 to 06	95%	-38%	-17%	46%	-1%
% Change Expenditures	04 to 06	-29%	-51%	-45%	-2%	-31%
\$ Balance Assets/Liabilities	2004	15,823	16,143	3,748	9,372	836
	2005	20,140	29,113	5,792	6,786	277
	2006	40,109	14,408	4,100	23,659	1,921

Table Two
EDAs and Their Assets (2006), By Party*
Column Percentages (N)

	Conservatives		Liberals		NDP		BQ	
	2004	2006	2004	2006	2004	2006	2004	2006
< \$1,000	35% (109)	7% (20)	28% (81)	14% (36)	51% (136)	42% (106)	13% (6)	4% (2)
\$1000 - \$5,000	17% (52)	15% (42)	21% (66)	26% (67)	30% (80)	30% (76)	35% (17)	6% (3)
\$5,000- \$10,000	14% (44)	9% (25)	13% (36)	15% (38)	10% (26)	10% (26)	21% (10)	8% (4)
> \$10,000	33% (103)	69% (195)	36% (102)	45% (116)	10% (26)	18% (45)	31% (15)	83% (43)

* None of the 80 Green Party EDAs reporting to Elections Canada in 2004 registered any assets.

Table Three
Building Local Organizations – The Importance of Incumbency*

		2004 Balance (Assets/Liabilities)	2005 Balance (Assets/Liabilities)	2006 Balance (Assets/Liabilities)
Conservatives	Won seat 2004	33,930	40,510	70,546
	Did not win 2004	7,175	10,397	22,834
Liberals	Won seat 2004	27,493	46,378	24,474
	Did not win 2004	7,775	15,640	5,931
NDP	Won seat 2004	17,825	32,098	19,106
	Did not win 2004	2,684	3,884	3,349
BQ	Won seat 2004	9,605	7,322	23,404
	Did not win 2004	5,876	219	19,446

*** No Green Party candidates were elected in 2004.**

Table Four
Contributions to EDAs, 2004
(Mean \$)

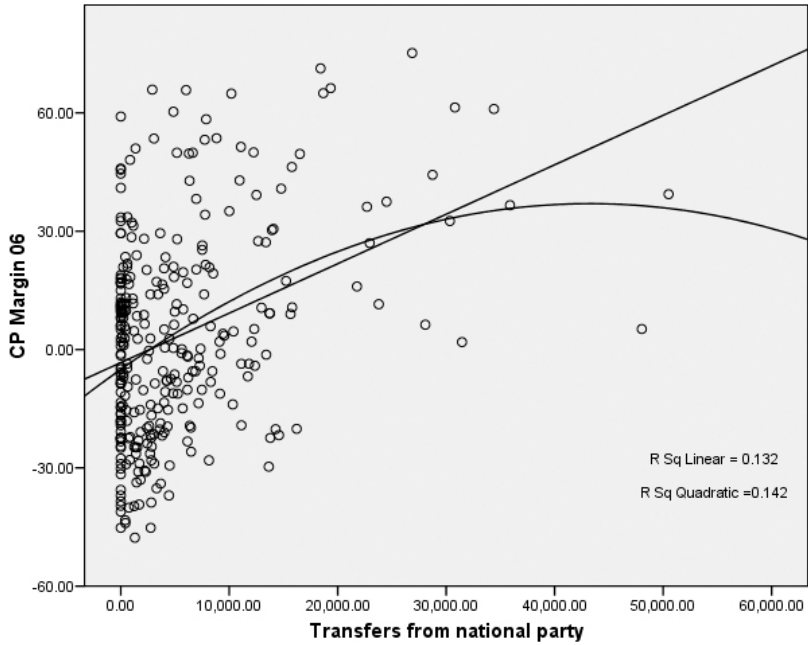
	Conservatives			Liberals			NDP			BQ			Greens
	Total	Seats Won	Seats Lost	Total	Seats Won	Seats Lost	Total	Seats Won	Seats Lost	Total	Seats Won	Seats Lost	Total
Individuals	7,950	9,680	7,123	12,027	16,698	8,189	7,203	19,200	6,288	16,131	16,672	8,018	2,502
Corporations	1,566	1,818	1,446	5,698	9,951	4,670	204	703	166	3,838	4,062	467	203
Trade Unions	0	0	0	92	191	11	5	21	4	75	80	0	0
Registered Associations	18	2	26	111	5	197	0	0	1	0	0	0	1
Total Contributed	9,524	11,500	8,580	17,767	23,807	12,803	7,393	20,182	6,417	18,607	19,282	8,485	2,726

Table Five
Party Financial Strategies for Grassroots Organization
\$ Mean, 2004

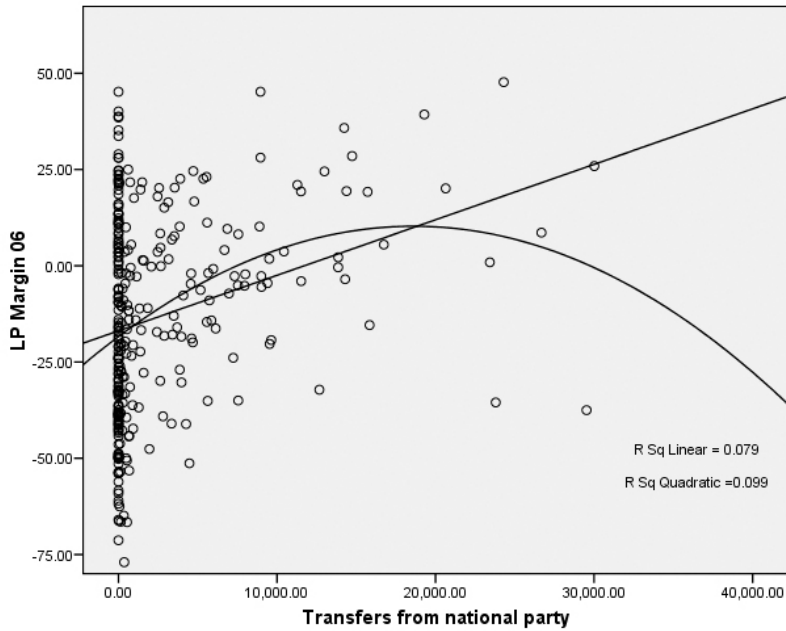
	Conservatives			Liberals			NDP			BQ			Greens
	Total	Seats Won	Seats Lost	Total	Seats Won	Seats Lost	Total	Seats Won	Seats Lost	Total	Seats Won	Seats Lost	Total
Transfers from Party	6,804	10,177	5,209	5,087	7,480	3,121	869	4,663	579	8,700	8,317	14,443	62
Transfers from Candidates	4,942	10,063	2,522	4,021	5,698	2,654	2,426	11,748	1,714	2,396	2,501	817	479
Transfers from Registered Associations	2,568	4,120	1,834	1,620	1,005	2,122	149	891	93	306	321	81	55
Transfers from Nomination Contestants	33	92	6	15	4	24	3	14	2	0	0	0	0
Total Transfers TO EDA	14,150	23,885	9,548	11,020	14,853	7,871	3,426	17,316	2,366	11,401	11,139	15,342	608
Transfers FROM EDA to Party	17,547	28,024	12,543	29,002	39,341	20,508	11,274	36,100	9,380	31,179	32,125	16,999	2,303
Intra-Party Balance to EDA	-3,397	-4,139	-2,995	-17,982	-24,488	-12,637	-7,848	-18,784	-7,014	-19,778	-20,986	-1,657	-1,695
Net Transfers as % of Net EDA Assets,	21.5%	12.2%	41.2%	111%	89.1%	162.5%	209.4%	105.4%	261.3%	211%	218.5%	28.2%	202.8%

Figure One
National Party Transfers to EDAs by Electoral Margin
2006

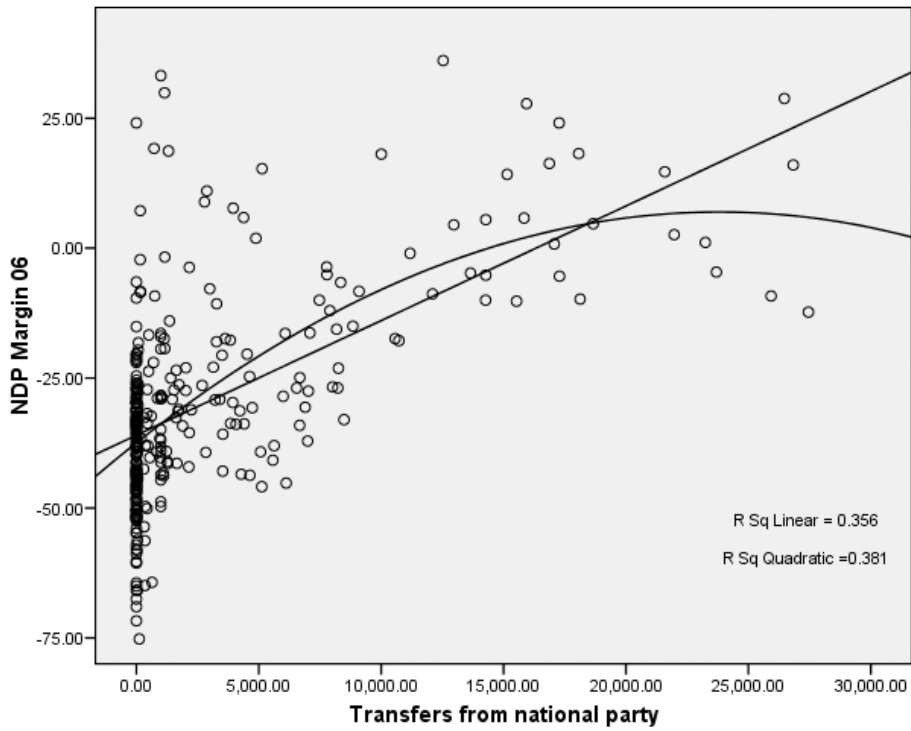
Conservative Party



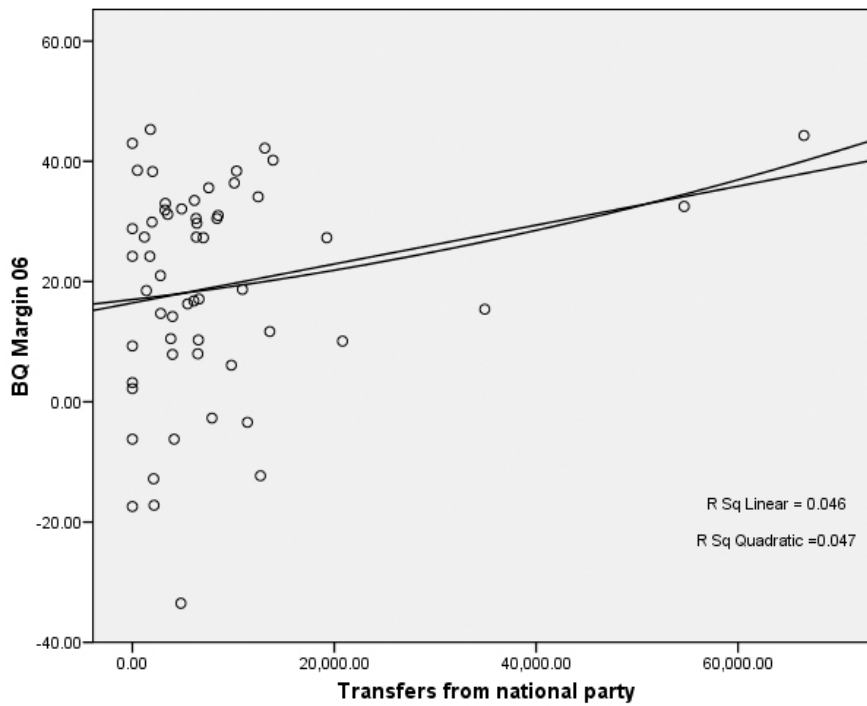
Liberal Party



NDP



Bloc Quebecois



Green Party

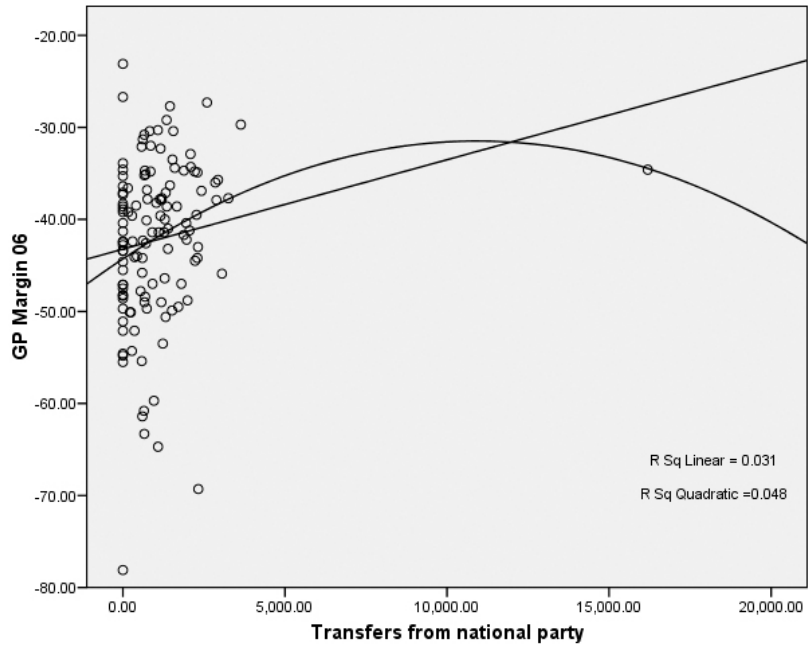


Table Six
National Party Transfers to EDAs, 2006
(in dollars)

Party	Total Transferred to EDAs	# of Candidates	Average Transfer to EDAs with Party Candidate
Bloc Quebecois	469,290	75	6,257
Conservative	1,602,421	308	5,203
NDP	889,947	308	2,889
Liberal	787,026	308	2,554
Green	132,818	308	431

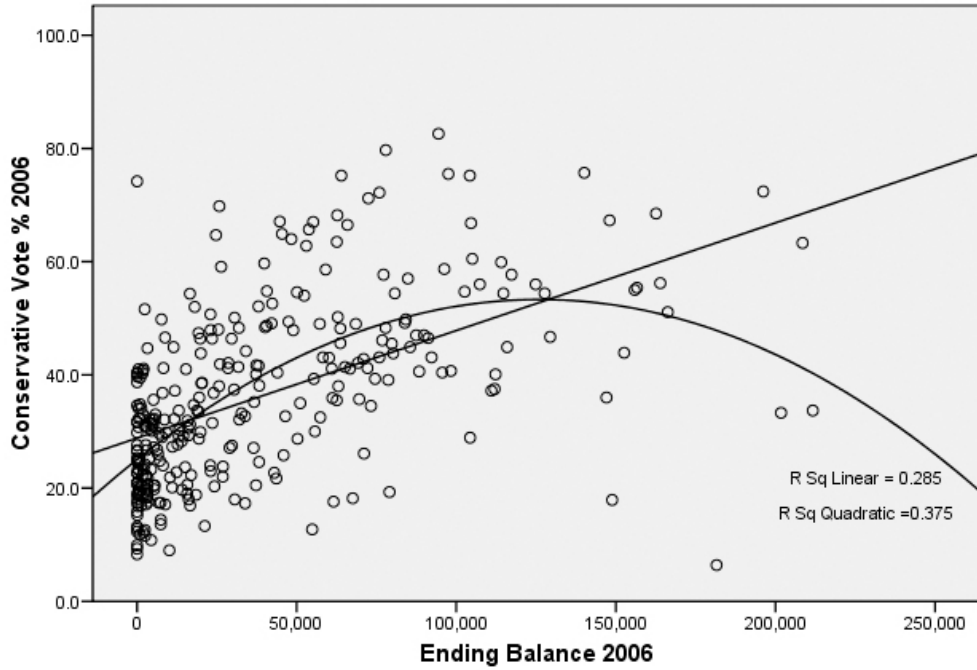
Table Seven
Extra-Campaign EDA Activities, 2004
(Mean \$ Expenditures)

	Conservative		Liberal		NDP		BQ		Greens
	Won Seat 2004	Lost Seat 2004	Won Seat 2004	Lost Seat 2004	Won Seat 2004	Lost Seat 2004	Won Seat 2004	Lost Seat 2004	All EDAs
Radio Ads	41	190	337	74	52	7	0	0	1
TV Ads	295	58	90	18	0	3	0	0	2
Other Ads	5,927	2,377	4,826	3,807	4,164	639	535	355	867
Fund Raising Activities	1,969	982	5,128	2,471	5,235	591	3,942	17	211
Office Expenses	6,281	3,641	6,740	3,095	8,256	1,083	1,839	1,542	332
Polling	552	573	2,495	309	346	140	0	0	0
Professional Services	883	422	1,346	653	2,069	649	172	70	55
Research	449	290	100	131	0	1.61	25	0	0
Salaries & benefits	416	114	530	482	2,564	241	0	0	25
Travel & Hospitality	805	461	3,117	654	710	218	653	1,339	98
Other (bad debts, conventions)	3,704	730	8,097	2,590	534	340	3,999	499	104
TOTAL*	49,517	23,127	75,514	35,081	60,963	19,591	44,088	25,454	4,083

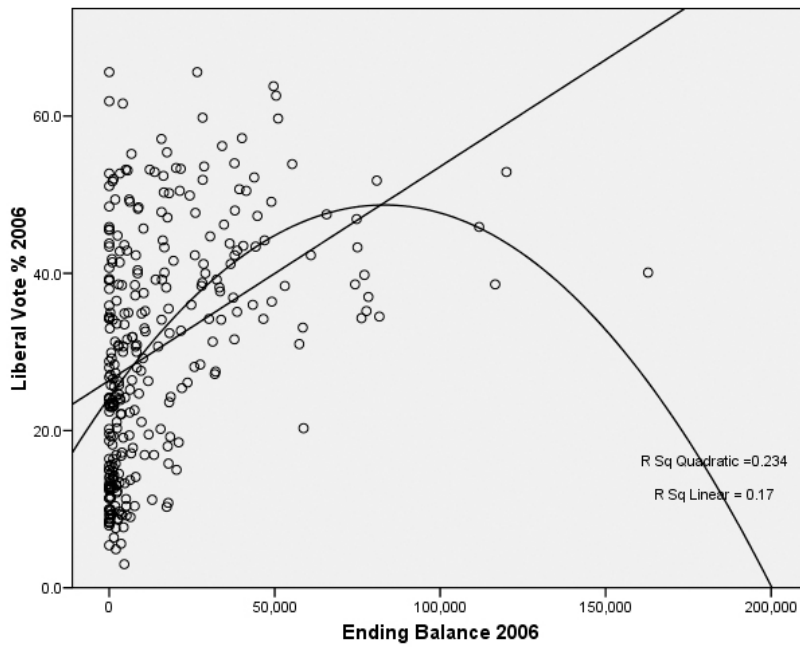
* Total includes funds transferred from the EDA to other levels of the party organization.

Figure Two
Impact of EDA Financial Strength on Popular Vote Percentage
2006

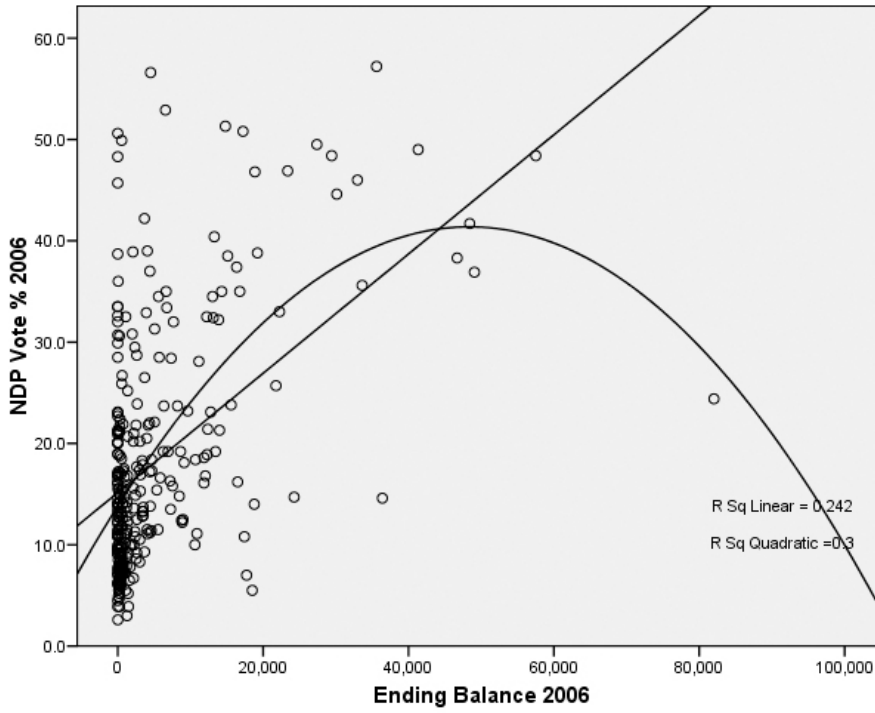
Conservative EDA Balance by Conservative Vote Percentage



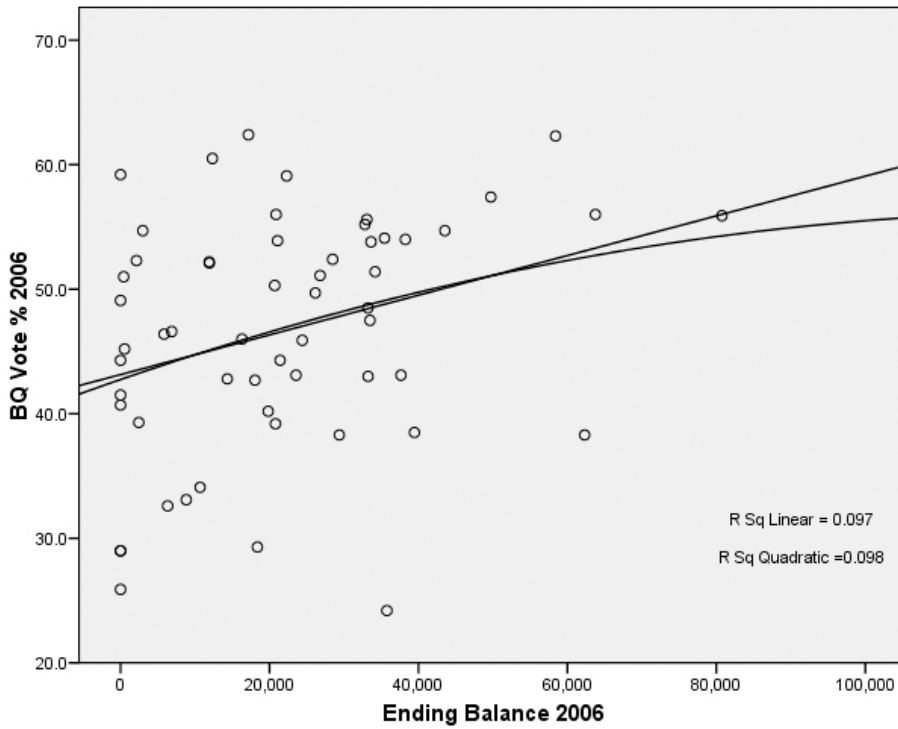
Liberal EDA Balance by Liberal Vote Percentage



NDP EDA Balance by NDP Vote Percentage



Bloc EDA Balance by Bloc Vote Percentage



Green EDA Balance by Green Vote Percentage

