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## The per-vote subsidy: it's the best deal in town

By PHIL RYAN

Nov. 4, 1975, 10:30 p.m. After members of the U.S. House Ways and Means Committee had already exhausted themselves trying to put a major tax bill to bed, Georgia congressman Phil Landrum advanced an arcane amendment. It would allow capital losses to be set against capital gains taxes paid in previous years. If your eyes glazed over when reading that last sentence, you won't be surprised that the committee quickly passed the amendment, by a vote of 20 to 14.

But then a pesky *Wall Street Journal* reporter named Albert Hunt did some fruitful digging. The apparently trivial amendment would cost the government \$165-million, and one single taxpayer stood to gain more than \$15-million. The lucky fellow? Billionaire Ross Perot. Hunt also found that Perot had made campaign contributions to 12 committee members. The donations were tiny, totalling just \$27,400. Tiny, yet effective: 10 of the 12 who had received Perot contributions voted in favour of the amendment, while the other members rejected it by a vote of 12-10.

Predictably, committee members insisted this was a coincidence. The Congressman who had moved the amendment insisted that he never had "any idea" Perot would benefit. "If it happens to help Ross Perot," he added, "that's all right, too." A simple statistical test can show, however, that the odds against getting an outcome like this, were there no connection between donations and votes, are more than 31 to one. Adding to the improbability of coincidence was the inconvenient fact that a lawyer for Perot acknowledged that the amendment's wording mirrored a draft he had written. (The lawyer, incidentally, had formerly been a commissioner of the Internal Revenue Service. Perot clearly knows how to pick 'em.)

We can draw a few simple lessons from this tale. First, even a relatively unimportant government decision, the sort that hardly anyone notices, can make a big financial difference to specific private interests. Second, those interests can have a much clearer sense of what is at stake for them in specific decisions than do politicians, much less ordinary citizens. (This is particularly true when politicians don't have the resources they need adequately to study legislation, which is the case in Ottawa, according to the Parliamentary budget officer.) Third, at least some politicians, on the lookout for additions to their campaign coffers, can be influenced by surprisingly tiny donations. After all, they benefit directly from the donations, while others pay the price for their decisions. (Hunt eventually won a journalism prize of \$500 for the story, which might lead us to draw a fourth lesson: it's more profitable to wield political influence than to expose it.)

After *The Wall Street Journal* published Hunt's exposé, the amendment was overturned in the full House. It had become, as one Congressmen put it with admirable understatement, "somewhat of an embarrassment to the committee." But we have no way of knowing how many government decisions, in any modern democracy, have roots



Photograph by Jake Wright, The Hill Times

**Political party financing and special favours: Finance Minister Jim Flaherty's, pictured with junior finance minister Ted Menzies. Mr. Flaherty's budget on June 6 will scrap the \$2-per-vote subsidy to political parties. Phi Ryan argues that it shouldn't be scrapped. With the per-vote subsidy, parties can enjoy a basic level of financial support, dependent upon their electoral appeal rather than their ability to promise special favours, he writes.**

as murky as those of the Perot amendment, roots that are never brought to light.

Which brings us to the per-vote subsidy that the Harper government is poised to abolish. As readers of this paper know, the subsidy gives political parties a princely \$2 for each vote won in the previous federal election. Its annual cost to the public purse is roughly \$27-million. The subsidy is often defended as a boost to democracy. It is also, from the point of view of the average taxpayer, the best deal in town.

Modern political parties need money, lots of money. And they will find it, one way or another. With the per-vote subsidy, parties can enjoy a basic level of financial support, dependent upon their electoral appeal rather than their ability to promise special favours.

Now it is true that donations to parties are not the only way that money weighs upon the political process, which is why former chief electoral officer Jean-Pierre Kingsley urged that donations to party leadership campaigns be made public. So the per-vote subsidy on its own can't abolish the political influence of wealth.

So the per-vote subsidy on its own can't abolish the political influence of wealth. Nevertheless, it was a step in the right direction, a step that should not be reversed. It may be objected that the problem of special favours has already been addressed through the lowering of contribution limits for individuals. But keep the Perot tale in mind: out of small donations, big favours can spring.

Many great stories do the rounds in Ottawa. Some of them may even be true. One tells of a senior bureaucrat whose hat was stolen while on a government trip. He figured it was legitimate to include the cost of replacing the hat in his expense claim, but the claim was rejected. After his next trip, he submitted a new expense claim, at the bottom of which was scribbled "See if you can find the hat!" Taxpayers must understand that killing the per-vote subsidy is the falsest of false economies. We can pay for the "hat" up front, and know exactly how much we're paying. Or we can pay for it many times over, and never even notice we're doing so.

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