



The Economics of Elections

Introduction

Canadians have headed to the polls three times since 2004 in a federal general election, resulting in a minority government each time. “Canada’s 5 year experiment with minority government appears to have sparked a desire for majority governments to return.”¹ In a recent Harris/Decima poll, 64 percent of Canadians preferred the majority option, while 24 percent favoured the election of a minority government next time around. Election fatigue may be setting in.

Only 58.8 percent of eligible Canadian voters cast a ballot in the October 14, 2008 federal election, a historic low. In the January 23rd, 2006 general election, 64.7 percent of registered voters participated. Voter turnout has declined significantly since 1988 after fluctuating around 75 percent over the 1945 to 1988 period. (see Chart 1). Canada is not unique in this regard. Voter turnout has been declining in many industrialized countries.



“Democracy is based on the right of citizens to participate in making the decisions that affect them and in determining the rules by which they agree to live together. These fundamental rights find full meaning only when citizens engage, as actively as possible, in public life. The act of voting is an essential manifestation of the engagement.”²

1 Harris/Decima. « Canadians Say It’s Time for a Majority Government ». Le 12 juillet 2009.

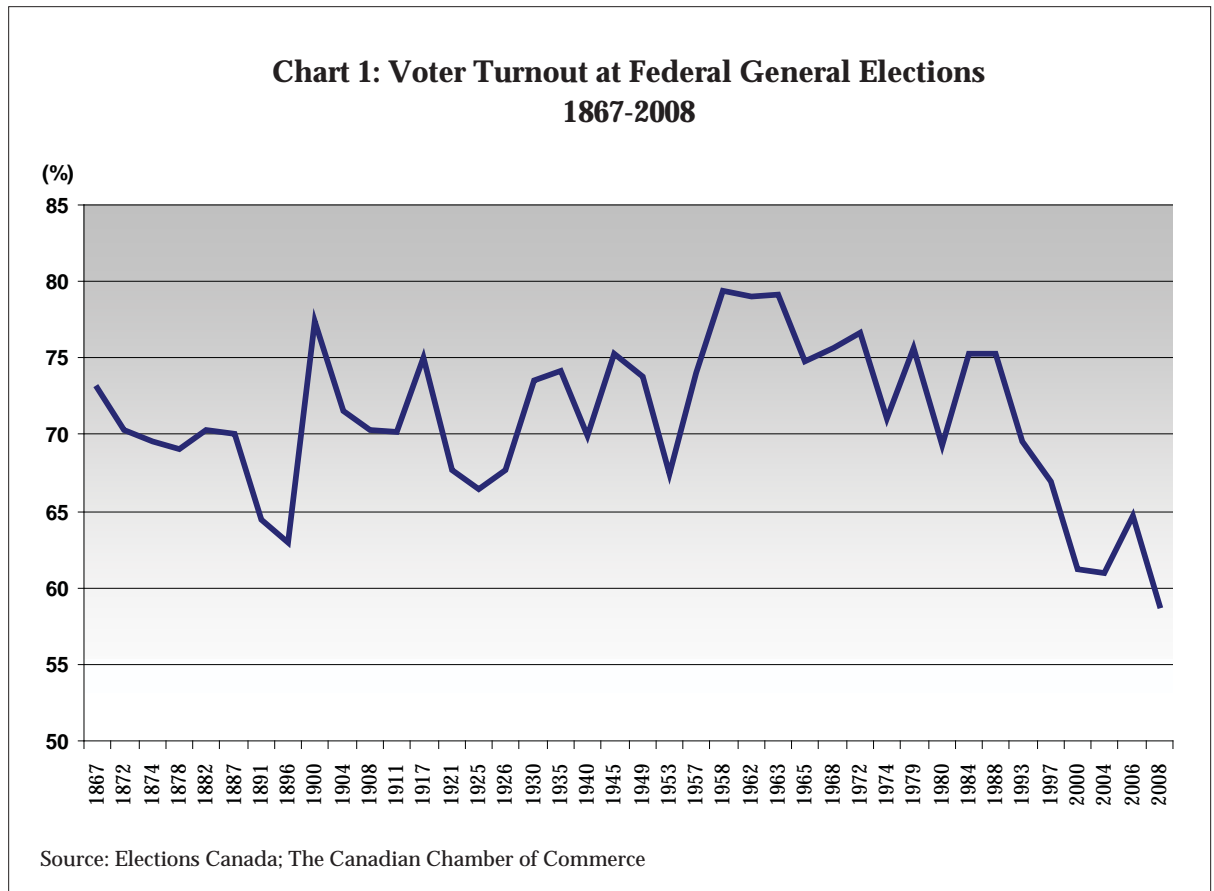
2 Élections Canada. « Les jeunes et les élections ». *Perspectives électorales*. Vol. 5, n^o 2. Juillet 2003.

The Canadian Chamber is committed to fostering a strong, competitive, and profitable economic environment that benefits all Canadians. This paper is one of a series of independent research reports covering key public policy issues facing Canada today.

We hope this analysis will raise public understanding and help decision-makers make informed choices. The papers are designed not to recommend specific policy solutions, but to stimulate public discussion and debate about the nation’s challenges.

The decline in turnout in successive elections has generated concern about the health of the democratic political system – “the extent of the democratic mandate that governments might claim, for the kinds of candidates who are elected and even for the types of issues that are discussed.”³

This paper examines the forces that drive voter participation – institutional, socio-economic and demographic. Without an understanding of these factors, “the problem of low voter participation could continue to plague the political system for years to come.”⁴ This paper also explains how elections are financed in Canada.



³ Elections Canada. “Confronting the Problem of Declining Voter Turnout Among Youth.” *Electoral Insight*. Vol. 5. No.2. July 2003.

⁴ Ibid.

International Differences in Voting Behaviour

Voter turnout varies considerably between countries. In Australia, Belgium, Cyprus, and Singapore, for example, it averages over 90 percent. South American countries also have relatively high voter participation rates – for example, Brazil 83.2 percent (2006), Chile 84.4 percent (2006), Argentina 73.1 percent (2007), and Peru 88.7 percent (2006). In Western Europe, voter turnout is relatively low – for instance, in France 40.6 percent (2009), Germany 43.3 percent (2009), the United Kingdom 61.4 percent (2005) and Italy 65.1 percent (2009).⁵ In the United States, it is estimated that 61.6 percent of registered voters cast a ballot in the 2008 presidential election, similar to recent turnout rates in Canada (58.8 percent in 2008) and Mexico (58.9 percent in 2006).

One of the strongest factors accounting for differences in voter turnout internationally is compulsory voting. Compulsory voting has been estimated to increase turnout by 10 to 15 percentage points, and its impact depends on enforcement.⁶

There are 32 countries with compulsory voting, of which 16 pursue it through enforcement. These 16 include Australia, Argentina, Belgium, Brazil, Chile, Cyprus, Singapore, and Turkey. Nine of the 30 members of the OECD have compulsory voting.⁷

In Australia, for example, compulsory enrolment for federal elections was introduced in 1911. The *Commonwealth Electoral Act 1918* states: “It shall be the duty of every elector to vote at each election.” As a result, voter turnout in Australia has dropped below 90 percent. It was 95.2 percent in the 2007 general election.⁸

In a survey conducted in Canada in 2000 by the Institute for Research and Public Policy, respondents were asked what they thought of introducing a law that would compel citizens to vote, or face a small fine. The majority of Canadians (73 percent) indicated they are opposed to the idea.⁹

Empirical research has found no statistical correlation between voter turnout and a country’s literacy level, wealth (as measured by GDP), or population size.

Some studies have found that countries with proportional representation (PR) have higher voter turnout.¹⁰ Under PR, seats in legislative bodies are distributed in proportion to the votes received. For example, if a party gets 40 percent of the vote, it gets 40 percent of the legislative seats. “Because nearly every vote will help a party win more seats, voters have more incentive to participate, and parties have incentives to mobilize their supporters.”¹¹ Additionally, nations with PR

⁵ The International Institute for Democracy and Electoral Assistance. www.idea.int

⁶ See for example, Jackman (1987); Blais and Carty (1990); Blais and Dobrzynska (1998); Franklin (1996 & 2004); and Blais and Aarts (2005).

⁷ The International Institute for Democracy and Electoral Assistance. www.idea.int

⁸ The Australian Electoral Commission writes to all apparent non-voters requesting that they either provide a reason for their failure to vote, or pay a \$20 penalty. If, within 21 days the apparent non-voter fails to reply, cannot provide a valid and sufficient reason, or declines to pay the penalty, then prosecution proceedings may be instigated. If the matter is dealt with in court and the person is found guilty, he or she may be fined up to \$50 plus court costs.

⁹ Howe, Paul and David Northrup. “Strengthening Canadian Democracy: The Views of Canadians.” *Policy Matters Vol. 1, No. 5*. Institute for Research and Public Policy. July 2000.

¹⁰ In contrast, Canada has a simple plurality, first-past-the-post or winner-takes-all, voting system. The candidate with the most votes in each riding obtains a seat in the House of Commons.

¹¹ Richie, Robert and Steven Hill. “The Case for Proportional Representation.” *Boston Review*. February / March 1998.

tend to have a multitude of parties; therefore, the greater the choice, and the greater the likelihood that voters will be able to identify with a particular political party's platform. However, PR (and a large number of parties) increases the likelihood of coalition governments. As a result, voters may actually have little say in the final composition of the government, and be less inclined to vote. "These two contradictory effects of PR wash out, and the net overall impact of PR on congruence is nil."¹²

Voter fatigue can lower turnout if there are many elections in close succession as the public tires of participating.

On the other hand, as the stakes and importance of the election increase, more people are likely to vote.¹³ A good example is the 2008 U.S.

presidential election. In a Gallup Poll conducted just before election day, 74 percent of Americans said the outcome of the 2008 election mattered more to them than in previous years. Voters' personal investment in the outcome was further underscored by the findings which showed that 92 percent of registered voters agreed with the statement that "the stakes in this presidential election are higher than in previous years."¹⁴ The November 2008 presidential election had the highest turnout rate in 40 years.

Lastly, weather-related factors and timing of the election can affect turnout. During weekends and summer months, individuals are less interested or not around to vote. Nations with fixed election dates usually hold elections midweek, and during the spring or fall to maximize turnout.

Why People Vote? – Individual-Level Differences in Voting Behaviour

Political scientists, economists and psychologists have many theories on why people vote. A sense of civic duty, concern for the well-being of others, strength of party identification, and perceived importance of an election play a focal role in individual turnout decisions.

Socio-economic factors significantly affect whether or not individuals vote. The most important of these is education – the more educated a person is, the more likely he or she will vote. Wealthy people are more likely to vote regardless of their educational background. Age is also a leading predictor of voter turnout. Older citizens are far more likely to vote than younger individuals. Married people are more likely to vote than single

individuals. Factors like ethnicity, race and gender appear to have little effect on voter participation in Western democracies. Occupation has little effect on turnout; however, public sector employees are more likely to cast a ballot than private sector workers.¹⁵

Individuals interested in politics/public affairs, and those who identify more strongly with a political party, are more likely to vote. Those with easier access to a polling station are also more likely to cast a ballot.¹⁶

"It is the interaction of these two factors that significantly contributes to turnout behavior."¹⁷

¹² Blais, André and Marc André Bodet. "Does Proportional Representation Foster Closer Congruence Between Citizens and Policymakers?" University of Montreal. 2005.

¹³ Edlin, Aaron, Andrew Gelman and Noah Kaplan. "Voting as a Rational Choice: Why and How People Vote to Improve the Well-being of Others." Department of Statistics. Columbia University. September 21, 2005.

¹⁴ Gallup. "Voters Have High Personal Investment in Election Outcome." November 4, 2008.

¹⁵ Sigelman, Lee, Philip W. Roeder, Malcolm E. Jewell and Michael E. Baer. "Voting and Non-Voting: A Multi-Election Perspective." *American Journal of Political Science*, Vol. 29, No. 4. Pages 749-765. November 1985.

¹⁶ Ibid.

¹⁷ Fowler, James H. "Altruism and Turnout." *Journal of Politics* Vol. 68, No. 3. Pages 674-683. August 2006.

Top Reasons Given By Canadians For Not Voting

In 2003, Elections Canada published a study¹⁸ based on a survey conducted by Decima Research to explore why a significant number of Canadians stayed away from the polls at the 2000 federal election. On the aggregate, the top reasons given for not voting were general disinterest, lack of caring and/or apathy. Some non-voters did not find the candidates, parties and/or issues appealing, while others expressed a lack of faith/confidence in the candidates, parties and/or issues.

Younger non-participants, in particular, showed a lack of interest, or they indicated they were too busy with work/family/school. Older individuals

who did not cast a ballot cited health issues and being away from their riding as their top reasons for not voting, followed by lack of faith/confidence in the candidates, parties and/or issues.

These findings were confirmed in Elections Canada's "Report on the Evaluation of the 40th General Election." In a survey conducted as input to this report, non-voting Canadians cited apathy (14 percent), being on holidays/out of town (16 percent), being too busy (15 percent), and dislike of all candidates/political parties/platforms (12 percent) as their top reasons for not participating in the October 2008 federal election.

Declining Voter Turnout – Apathy Among The Young

In exploring the dynamics of the decline in electoral participation in Canada, one trend is clearly evident. Canada's youth is not voting at the same rate as their elders, or at the same rate as previous generations when they were the same age.

In the 2006 general election,¹⁹ approximately 4 in 10 young voters (43.8 percent) age 18 to 24 turned out to vote, some 20 percentage points below the national average (64.7 percent).²⁰ Turnout steadily increased in each age bracket (see Chart

2), reaching 77.5 percent in the 65-to-74 age group, and decreased to 61.6 percent among the 75-year-olds and over. Worldwide, it is a well-established fact that the propensity to vote increases with age.²¹

"What is new is the widening generational divide. There is something about this generation of young Canadians that makes them less likely to vote than their parents or their grandparents when they were in their twenties."²²

¹⁸ Pammett, Jon H. and Lawrence LeDuc. "Explaining the Turnout Decline in Canadian Federal Elections: A New Survey of Non-voters." Elections Canada. March 2003.

¹⁹ Data on voter turnout by age group in the 40th federal general election (October 2008) is currently not available, but will be forthcoming from Elections Canada.

²⁰ Elections Canada. "Estimation of Voter Turnout by Age Group at the 39th Federal General Election January 23, 2006." March 2008.

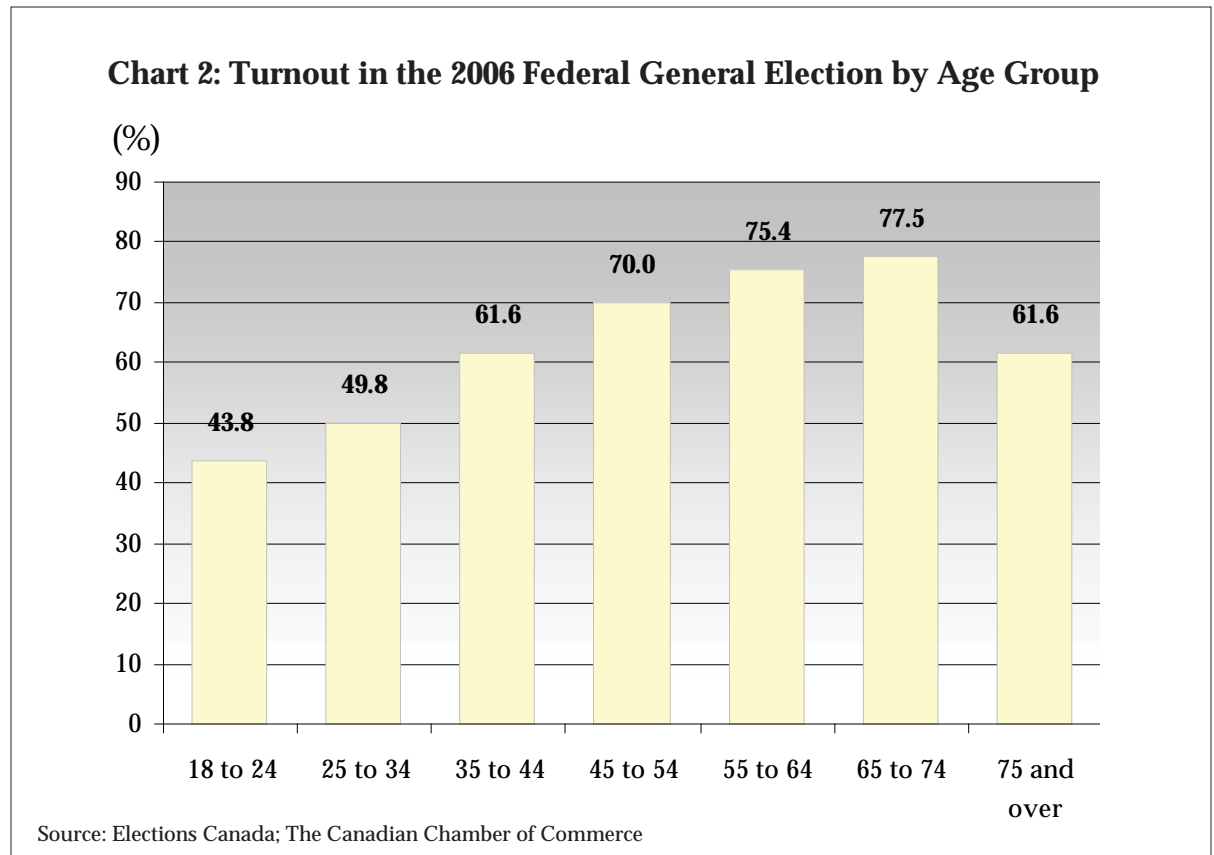
²¹ Ibid.

²² Elections Canada. "Turned Off or Tuned Out? Youth Participation in Politics." *Electoral Insight*. Vol. 5, No. 2. July 2003.

In general, young Canadians exhibit lower levels of political knowledge, voter apathy, and a declining sense that voting is a civic duty – which is one of the most powerful incentives for turning out to vote.²³ However, it is not clear why this lack of knowledge and limited interest is more pronounced today than in previous generations.

Perhaps our right as Canadian citizens to vote is a privilege that more and more young people are taking for granted.

The challenge is to get Canada's youth interested in politics and elections to arrest the decline in voter turnout levels.



²³ Blais, André. *To Vote or Not to Vote: The Merits and Limits of Rational Choice Theory*. University of Pittsburgh Press. 2000.

Boosting Voter Turnout – Engaging Canada’s Youth

Governments, educators, parents and the private sector can work together to motivate and engage young people in voting, and other forms of civic engagement.

- Between elections, governments could promote the importance of voter/civic engagement through multimedia campaigns – the election period is far too short to persuade young Canadians that voting is a worthwhile endeavor. Politicians could engage young people in meaningful and ongoing dialogue by participating in youth roundtables at high schools and universities, discussing issues that are relevant to young Canadians, and exploring ways to increase political awareness through the Internet. E-voting could be explored. According to the *2000 Canadian Election Study*, 64 percent of non-voter respondents indicated they would have voted if telephone or Internet voting had been available.²⁴ In a fall 2007 Elections Canada survey, 69 percent of youth indicated an interest in voting on-line.²⁵ Elections Canada has concluded there are both potential benefits and drawbacks to e-voting. Resolving security concerns is key.
- Encouraging young Canadians to stay in school is important. The more education young people have, the more likely they are to vote.
- The *2000 Canadian Elections Study*²⁶ revealed that turnout in the youngest generation was almost 50 percentage points higher among university graduates compared to those who left high school without a diploma. In schools, greater emphasis could be placed on the importance of voting, and civic and political engagement. Models could be developed that allow students the opportunity to engage in realistic political exercises in high schools.
- Parents could discuss politics and civic engagement more with their children – the degree to which an individual feels a sense of civic duty stems, in large part, from one’s early influences. “People with a politically active parent who communicates with them about political issues are much more likely to vote.”²⁷ Parental turnout is also strong predictor of voting in young people.²⁸
- The private sector – non-profits and corporations – can also play a role in creating a new norm for civic participation, for example, “resourcing Civic Education initiatives (media campaigns, production of materials).” “Partnerships can be established either with private sector representative bodies such as business associations or chambers of commerce or directly with private sector operators.”²⁹

²⁴ Elections Canada. “2000 General Election Post-event Overview.”

²⁵ Elections Canada. “Report on the Evaluations of the 40th General Election.” Chief Electoral Officer of Canada. 2009.

²⁶ The Canadian Elections Study is a research project undertaken by researchers from three Canadian universities (Montreal, McGill, and Toronto). The study is based primarily on a large survey of Canadian voters. <http://ces-ec.mcgill.ca>

²⁷ Gross, John. “The Influence of Parents in the Voting Behavior of Young People: A Look at the National Civic and Political Engagement of Young People Survey and the 2008 Presidential Election.” *Public Opinion and Survey Research (PS115)*. December 13, 2007.

²⁸ Plutzer, Eric. “Becoming a Habitual Voter: Inertia, Resources, and Growth in Young Adulthood.” *American Political Science Review* 96, No. 1. 2002. Pages 41–56.

²⁹ United Nations. “Civic Education: Practical Guidance Note.” United Nations Development Programme. April 2004.

The Financing of Elections

Cost of Elections

The October 2008 general election cost Canadian taxpayers \$288.2 million. This was slightly higher than the cost of the 2004 and 2006 elections (\$277 million and \$270 million, respectively). Activities in the 308 electoral districts accounted for 47.1 percent of the cost (\$135.6 million); expenses at Elections Canada 32.4 percent (\$93.3 million); reimbursements of eligible election expenses to candidates and political parties 20.1 percent (\$57.9 million); and evaluations conducted to learn from the experience so Elections Canada can continue to improve its performance 0.5 percent (\$1.4 million). The election created 194,000 electoral staff positions.

Contribution Limits

Strict restrictions in Canada govern campaign financing. Legislative changes introduced in the *Federal Accountability Act* (granted Royal Assent on December 12, 2006) made individuals the only eligible class of contributors to election campaigns. Additionally, contribution limits were decreased. As of January 1, 2007, individuals' political contribution limits were reduced from \$5,000 to \$1,000 (adjusted for inflation to \$1,100 in 2008-2010).³⁰ These legislative changes accelerated the transition to fundraising as a permanent, full-time feature of political parties.

Spending Limits for Candidates, Registered Political Parties, and Third Parties

The *Canada Elections Act* sets separate limits on the election expenses of candidates and registered political parties. Election expenses are defined broadly to include advertising, promotion, remuneration of campaign workers, and costs to conduct surveys and research. The election

expenses limit for political parties is based on the number of names on the lists of electors for all electoral districts in which the party has endorsed a candidate. In the 40th general election (October 2008), the final election expense limit for the New Democratic Party was \$20.1 million, Conservative Party of Canada \$20.0 million, Liberal Party of Canada \$20.0 million, Green Party of Canada \$19.7 million and Bloc Québécois \$5.1 million. All parties combined (19 were registered) had 1,601 confirmed candidates with a combined spending limit topping \$100 million.

Caps on election spending come into play only during an election period – from the time the writ is issued to polling day. This has encouraged political parties to spend considerably more heavily outside the writ period, creating a virtual permanent campaign.

The *Canada Elections Act* also sets limits on the amount a third party³¹ may incur in election advertising expenses. In the 40th general election, the limits amounted to \$183,300 for a national campaign and \$3,666 per electoral district. Sixty-two third parties registered with Elections Canada.

Public Funding

The *Canada Elections Act* provides for candidates to receive reimbursement for eligible expenses, including paid election and personal expenses. Candidates qualify for reimbursement of 60 percent of their actual electoral expenses (up to a maximum of 60 percent of their election expense limit) provided the candidate receives at least 10 percent of the vote in his or her electoral district.

³⁰ The 40th general election (October 2008) was the first under these new rules.

³¹ A third party is defined as an individual or a group that is not a candidate or a political party.

Registered political parties that received 2 percent of valid votes cast nationwide, or 5 percent of the valid votes cast in constituencies in which they endorsed candidates, also receive election expenses reimbursements equal to 50 percent of their paid election expenses.

In the 40th general election, Elections Canada issued reimbursements to candidates and political parties totaling \$57.9 million.³²

Additionally, political parties are entitled to an annual allowance of \$1.75 (multiplied by an inflation adjustment factor) for each vote received by the party in the previous election, provided that candidates endorsed by the party receive at

least two percent of the number of valid votes cast nationally, or five percent of the valid votes cast in electoral districts in which the registered party endorsed a candidate. This allowance is paid quarterly. Political parties received, in total, about \$28.6 million in 2008.

Public funding has significantly decreased the significance of both corporations and organized labour in the political process. Additionally, public funding makes it much less risky for parties that have problems raising money in between elections to force a vote; they can borrow money against the reimbursement that will come after the election.

It's the Economy Stupid!

"It's the economy, stupid!" was a phrase widely used during Bill Clinton's successful 1992 U.S. presidential campaign. "That the economy matters is now almost a truism, but economic effects on election outcomes are not universal."³³ Some studies have found that the performance of the economy matters more than policy per se, as people tend to reward or punish the incumbent party for economic conditions; that national-level conditions matter more than personal ones; and that short-run economic change matters more than long-term economic levels. The greater the attachment to a party, the smaller influence economic conditions has on voter turnout. As attachment weakens, economic growth becomes more important.³⁴

Other empirical research indicates that the issues (i.e. public policies on fiscal and social issues) matter more than the performance of the economy. Because the state of the economy hinges on external factors beyond the government's control, voters may pay greater attention to the issues for which they can hold the government directly responsible.³⁵

This raises the question of whether turnout increases or decreases during an economic downturn. The majority of studies have found no overall effect. If an economic downturn has caused individuals great hardship, they may be more inclined to cast a ballot to redress grievances, but it may lead other individuals to withdraw entirely from the political process.

³² Elections Canada. "Report of the Chief Electoral Officer of Canada." Chief Electoral Officer of Canada. 2009.

³³ Kayser, Mark Andreas and Christopher Wlezien. "Performance Pressure: Patterns of Partisanship and the Economic Vote." University of Rochester. March 6, 2009.

³⁴ Ibid.

³⁵ Blais, André, Mathieu Turgeon, Elisabeth Gidengil, Neil Nevitte and Richard Nadeau. "Which Matters Most? Comparing the Impact of Issues and the Economy in American, British and Canadian Elections." *British Journal of Political Science*, 34(3). 2004. Pages 555-563.

Summary

Voter turnout has been steadily declining for a number of years. A variety of theories explain the phenomenon. It is important that we have a firm understanding of these forces to reverse the trend. “It goes without saying that there are serious implications if turnout is declining in established democracies. The main implication is that the leaders elected and the interests they represent are determined by a shrinking number of people.” “System legitimacy is necessarily suspect if few people vote.”³⁶



³⁶ Koch, Luther Allen. “As the World Turns Out: Economic Growth and Voter Turnout from a Global Perspective.” Graduate College of Bowling Green State University. August 2007.

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