Political Finance in City Elections:
Toronto and Calgary Compared

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ABSTRACT: Comparing candidate contribution and expenditure data from urban elections in Toronto and Calgary, the paper concludes that elements of the regulatory regime in Toronto contribute modestly to a more level playing field for political competition in that city. In particular, the limits on the size of contributions, when coupled with a rebate for political contributions, make candidates less reliant on corporate and development sources. These elements of Toronto's regulatory regime also appear to make elections slightly more competitive in Toronto than in Calgary, where election finance is effectively unregulated.

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Municipal governments in Canada control significant realms of public policy in areas that arguably affect citizens' daily lives more directly than other levels of government. Given the significance of municipal governments – and particularly big city governments – in the development of public policy, political scientists have paid disproportionately little attention to understanding the electoral politics of Canadian cities. Of particular significance to understanding the municipal electoral process is coming to terms with the role money plays in shaping electoral competition.

There is good reason to believe that money plays a significant role in shaping electoral competition at the local level. Political parties, which dominate electoral competition at the provincial and federal levels in Canada, are weak or absent in the urban political arena. The result is that elections to city councils are, for the most part, candidate-centered campaigns. This implies that individual candidates are responsible for raising their own election funds, and that voters' decisions will be based on their knowledge of and support for individual candidates, not political parties. Absent party discipline, individual members of urban governments have greater personal capacity to influence policy outcomes, and are consequently not buffered from organized interests by a party organization.

This paper is intended to explore the dynamics of electoral finance in Canadian cities by focusing on two cities – Toronto and Calgary – that are both economically vibrant urban areas with growing population bases and the development pressures that accompany growth. The two cases differ, however, in the regulatory regime governing election finance. Toronto has a reasonably robust regulatory regime governing election finance, including spending limits, modest public funding and contribution limits, while Calgary's regulatory regime can only be described as minimalist. By comparing patterns of election finance in these two urban areas, we are able to draw tentative conclusions regarding the ability of regulations to affect the patterns of political competition in local elections.

Literature Review

The comparative literature on election finance is extensive, while the Canadian literature, particularly that focused on the local level, is markedly thin. In this review, we draw on the relevant comparative literature, with particular emphasis on American studies. Because of the relative weakness of political parties in the United States and the consequent tendency toward candidate-centered campaigns, the American experience is highly relevant for understanding patterns of electoral competition in Toronto and Calgary. To the extent that a literature examining the effects of election finance on urban electoral competition exists, it is an American literature, and we draw heavily from this. Our review of the literature focuses on four issues that we address in this paper.

Does Money Matter?

Any examination of patterns of election finance must first address the thorny question of whether money really matters to the conduct of elections. It is certainly plausible to argue that money is a secondary factor in electoral politics, as voters may be swayed by a candidate's personal charisma or a campaign's labour intensive campaigning. More subtly, one can argue that money is epiphenomenal to other factors: popular candidates have less trouble raising money than unpopular candidates, so the observation that one candidate outspends the other does not imply that money leads to electoral support, but rather demonstrates the winning candidate's pre-existing electoral viability.

While it is difficult to dismiss these arguments out of hand, there is substantial evidence that election spending – a measure of access to money – does affect electoral outcomes. Several studies of the impact of constituency-level spending in Canada and Britain at the national and provincial level suggest that election spending makes a discernible, but modest, impact on a candidate's electoral support (Pattie *et. al.* 1995; Chapman and Palda 1984; Eagles 2004). American studies on the same subject generally concur with the finding that spending affects electoral outcomes (Jacobson 1990; Squire and Wright 1990; Gierzynski *et. al*. 1998; CCCF 1989; Arrington and Ingalls 1984), but diverge somewhat on the question of whether spending is more effective for incumbents than challengers. Some studies (Jacobson 1990; Abramowitz 1991) find that challenger spending is more effective, in that each additional dollar spent will yield more votes on election day, while others have concluded that there is little difference in effectiveness between incumbent and challenger spending (Green and Krasno 1990; Gerber 1998). Notably, however, one study of election finance in urban elections in St. Louis concluded that money was not a particularly strong predictor of election outcomes. In their analysis, Fleischman and Stein (1998) found that incumbency was a strong predictor of electoral support, but that money mattered relatively little.

Do Incumbents Enjoy a Fundraising Advantage?

While there is debate in the literature over the relative effectiveness of election financing for incumbents and challengers, there is consensus on the question of incumbent advantage. Incumbents have been found to enjoy a financial advantage over the individuals who seek to replace them in candidate-centered elections at the national level in the United States (Green and Krasno 1990; Cowden, Green and Krasno 1994; Gerber 1998), at the local level in the US (Fleischman and Stein 1998; Krebs 2001; CCCF 1998; but see also Arrington and Ingalls 1984) and in local elections in Canada (Stanwick 2000; Kushner *et. al.* 1997). The most comprehensive examination of electoral finance at the local level in Canada examined election finance in 136 Ontario municipalities. Kushner *et. al.* found that in smaller cities – those with populations under 100,000 - there were no consistent patterns of difference in spending between challengers and incumbents, whereas in larger cities incumbents outspent challengers by a margin of two to one.

Incumbents' greater access to financial resources has two potential implications. The first is that, to the extent that spending affects electoral outcomes, greater financial resources mean that incumbents compound their other advantages, including name recognition, media coverage and political experience. In the United States Abramowitz (1991) finds that the level of competition in the House of Representatives has declined as the financial advantage associated with incumbency has increased. The second implication is that incumbency's financial advantage may affect political competition before the election begins by deterring challengers. However, Green and Krasno (1988) find that preemptive spending and advanced fundraising by incumbents has no effect on the quality or number of potential challengers (but see also Baumgartner et al. 1988).

Who Contributes, and Why?

One of the perennial concerns in the study of election finance is the source and motivation for political contributions. The normative consideration underlying this is an apprehension that political contributions are given by corporations or wealthy individuals in order to obtain benefits of some sort from government. The *quid pro quo* anticipated in such a transaction could range from preferential access to government contracts (for advertising agencies, for instance) to policy or regulatory considerations for an industry or a particular business. While the former fall into the category of fraud or bribery, the latter sort of transactions are difficult to trace. They are, however, a particular concern in candidate and legislator-centered political systems, in which party does not serve as a buffer between organized interests and legislators, particularly on issues that are not publicly visible and that lack strong ideological divisions.

Efforts to determine whether there is a correlation between campaign contributions and outcomes have not been conclusive. For the most part, studies trying to find connections between contributions and particular policy outcomes have not found convincing evidence to this effect (Chappell 1982; Elliot *et. al.* 1993; Grenzke 1989; Neustadtl 1990; Wright 1990; Wawro 2001; but see also Frendreis and Waterman 1985). This does not mean that the sources of contributions are unimportant. There is, for instance, some evidence that contributions can be of importance on close legislative votes (Fleisher 1993; Gordon 2001). In addition, several studies have concluded that contributions from interests, including both corporations and unions, are motivated primarily by a desire to reward and protect the donor's political allies in government (Welch 1982; Fleisher 1993). This can affect the ideological orientation of the legislative body and consequently expand or constrain political opportunities for certain interests as issues arise.

The question of the orientation of legislators becomes particularly important in the context of urban governments, as there is a tendency for the business community to have the resources and unity to affect politics, while its opponents tend to be diverse, diffuse and resource poor (Krebs 2005; Stone 1989). Of particular concern is the influence of the development industry, which is heavily reliant on urban governments to pave the way for expansion and redevelopment. The California Commission on Campaign Financing (CCCF 1989) studied contributor influence in seventeen California cities and found that in large centers, the business community – and most notably developers – almost always provided a majority of the contributions received by incumbent city councilors. In fact, incumbents received 95 per cent of all corporate contributions, and in this way were almost solely responsible for the very different levels of resources available to incumbents and challengers. These conclusions have, however, been contested by Fleischman and Stein (1998) in their examination of political finance in St Louis and Atlanta. In these two cities, the general business community was responsible for 45 and 53 per cent of all contributions while the development industry accounted for an additional 29 per cent and 22 per cent. Based on this Fleischman and Stein argue that the financial influence of developers in urban politics in the United States is overstated. Similar results are evident in Los Angeles, as Krebs (2005) finds that business contributions made up 70 per cent of all contributions to city council candidates while developers accounted for an additional 15 per cent; non-corporate interest groups and organizations contributed the other 14 per cent, but Krebs argues that this is insufficient to offset the influence of business.

Does the Regulatory Regime Affect Patterns of Competition?

A core consideration in this paper is the issue of whether the very different regulatory regimes in place in Toronto and Calgary affect the patterns of political competition in the two cities. The literature examining this issue is relatively sparse, but warrants some attention.

One significant difference between these two cases is the limitations on the size of contributions in Toronto compared to the limitless environment in Calgary. Contribution limits are primarily designed to curtail the influence of wealthy contributors by preventing them from donating unlimited sums of money. Contribution limits further undermine the influence of wealthy donors by encouraging candidates to broaden their financial base. The evidence concerning contribution limits is mixed. Jeffrey Kraus's (2006) examination of New York finds that the city's limits did force candidates to broaden their base of support and the California Commission (1989) finds some instances of the same in Californian cities. However, Timothy Krebs (2005) finds that Los Angeles' contribution limits simply force contributors to rearrange the form in which they deliver their donations and do not significantly change or diversify the actual sources of contributions. California's Commission on Campaign Finance (1989) also finds evidence of contribution limits being undermined in the form of bundling[2] and donations by families and spouses. The Commission concludes that contribution limits alone are ineffective in regulating campaign finance.

Another key difference between Toronto and Calgary's regulatory regimes is the presence of spending limits in Toronto elections, and their absence in Calgary. In theory, spending limits help level the playing field between competitors, most notably in this instance between incumbents and challengers. There is some limited empirical evidence supporting this contention. The City of Albuquerque employed mandatory spending limits for candidates for a period of twenty year, starting in 1974. According to Gierzynski and Gross's (2003) analysis of this regime, candidates in Albuquerque spent substantially less per vote than their counterparts in similar California jurisdictions. They also conclude that spending limits have prevented the emergence of a significant financial gap between challengers and incumbents because Albuquerque's incumbent:challenger spending ratio was only 1.05:1 compared to 4.5:1 in similar California jurisdictions. An analysis of the optional spending limits employed in New York City elections concluded that the presence of spending limits did slow the growth of campaign spending in mayoral races, but generous public funding has paradoxically increased spending in council races (Kraus 2006).

The second important difference between Toronto and Calgary's regulatory regimes is the provision of modest public funding in the form of rebates for campaign contributions in Toronto. In theory, public funding should reduce the pressure on candidates to raise money and free them from contributions given with the expectation of a *quid pro quo*. As noted, Kraus (2006) argues that generous public funding in New York City has increased candidate spending without reducing incumbency advantage or increasing competitiveness.

Regulatory Regimes

Calgary

Of Canada's major cities, Calgary has one of the least regulated campaign finance environments. Elections in Calgary occur every three years as required by the province's *Local Authorities Elections Act*. The Act allows municipalities to require disclosure of contributions and expenses if a bylaw is enacted. The City of Calgary enacted a disclosure bylaw in 1994 called the *Municipal Elections Campaign Contribution Bylaw (35M94)*. Under the bylaw, all candidates for office in Calgary are required to disclose contributions of more than $100 on the first of February following an election. Candidates that spend more than $2,500 must also disclose their expenses and submit to an audit by a professional accountant. There are no other laws relating to campaign finance in Calgary making public opinion the only real check on candidates.

Toronto

Like most Canadian cities, Toronto's election finance is mainly regulated by provincial law; the *Ontario Municipal Elections Act*. The law requires that Toronto hold municipal elections every four years and deals extensively with campaign finance. Under the law, every March 31

[2] Bundled donations are donations made by individual members of a group with like interests, such as the directors of a corporation, to maximize their influence. Bundling can also refer to fundraising on behalf of a candidate and then transmitting the raised money to the candidate in one lump sum to maximize the fundraiser's influence.

following a municipal election, candidates must disclose contributions, how much money they spent and, if a candidate has raised or spent more than $10,000, s/he must also submit to an independent audit.

Unlike Calgary, contributors in Toronto elections are significantly limited. Only residents of Ontario or corporations and trade unions that are active in the province are allowed to contribute, and they cannot donate more than $750 to a city council candidate and $2,500 to a mayoral candidate.

Besides imposing limits on contributions, Ontario's *Municipal Elections Act* also prescribes spending limits. In a Toronto election, a candidate cannot spend more than $5,000 plus 70 cents for every voter. In practice this has meant that in 2003, Toronto councillors could not spend more than an average of $31,251. After the election, candidates are permitted to reimburse any money they contributed from their own personal finances from any remaining surplus. Any leftover funds greater than $500 must be then turned over to the city clerk's department to be held in trust for future election campaigns. Since spending is limited, but the money candidates collect is not, many successful politicians in Toronto have huge war chests held in trust by the city.

Ontario provides no public funding to candidates, but Toronto operates a contribution rebate program. Under the law, contributors who donate less than $300, but more than $25 receive 75 per cent of their money back, contributors who donate $300 to $1,000 receive $225 plus 50 per cent of the difference between their contribution and $300 and contributors that donate more than a $1,000 receive $575 plus 33.5 per cent of the difference between their contribution and $1,000, provided that their total rebate does not exceed $1,000. Toronto's rebate program tries to encourage small donations since the reimbursement is the most generous for contributions between $25 and $300. From this examination, it is clear that Toronto candidates operate in a much more regulated environment than their Calgary counterparts.

Table 1: Summary of Legal Regimes

City	Disclosure	Contribution Limits	Spending Limits	Public Funding
Calgary	Contributions >$100 Total Spent	None	None	None
Toronto	Contributions >$100 Total Spent	ON Only $750 Council $2,500 Mayor	Yes	Contribution Rebates (75% <$300)

Methodology

To examine the impact money has on city council elections, this paper uses election results and financial data from candidate disclosure forms from the 2004, 2000 and 1995 Calgary municipal elections and Toronto's 2003 municipal election. Although it would be preferable to include more than one Toronto municipal election in the study, this was not possible because the City of Toronto maintains copies of candidates' disclosures for only one election. Forms disclosing fundraising information from the 2000 and prior municipal elections have been destroyed.[3] Because the Calgary City Council is one-third the size of Toronto's, we have similar numbers of cases in both cities: a total of 42 races in Calgary and 44 in Toronto. Our dataset includes 153 Calgary council candidates and 199 in Toronto. Among these candidates, we find considerable variety in status: in Calgary, 35 candidates were incumbents, 57 were challengers and 61 were competing in open seats; this compares to 34, 93 and 72 in Toronto.

For each candidate, relevant data from the disclosure form was entered into the dataset. Contributions were categorized first according to size: less than $100 versus more than $100. Contributions of more than $100 were categorized according to the type of donor: individual versus corporate. Corporate donations were then classified as numbered corporations, non-development corporations, and businesses involved in property development. The category of developers includes property developers, home builders, and architectural and engineering firms. In cases where it was not possible to find information about a company, it was classified as general corporate. The dataset consequently under-estimates the total development contributions to candidates by some margin. Added to the data regarding political financing were variables indicating whether a candidate was an incumbent, and data showing the candidate's vote share. The dataset is based at the level of individual candidates, but for each candidate we have also created race-level variables to allow us to analyze patterns of fundraising and spending depending on the character of the contest.

Toronto and Calgary offer an interesting pair of cases for focused comparison. Both are large, affluent urban centres (Toronto the largest city in Canada and Calgary the fourth largest) that are experiencing steady rates of population growth. As such, their urban governments face similar pressures from the development industry and must make decisions about how to manage urban growth.

Analysis of the dataset described above allows us to draw tentative conclusions about the impact of regulatory regimes on political competition at the municipal level. In particular, it lets us ask the extent to which incumbent advantage in fundraising varies between regulated and unregulated systems. Our expectation is that incumbent advantage will be less a system with spending and contribution limits (Toronto). The data also lends itself to analyzing the relative importance of corporate (and within corporate, development) versus individual contributions. Again, our expectation is that candidates will be more reliant, in relative terms, on individual contributions in the city with limits on the size of contributions and public funding that defrays the cost of smaller contributions from individuals (Toronto). Third, the data allows us to analyze patterns of spending by candidates. Our expectation is that, once adjusted for the relative size of council districts, spending will be lower in the city where spending limits are in place (Toronto). Finally, our data allow us to compare rates of competitiveness in council races across the two cities. Our expectation is that we will find closer competition and less incumbent advantage in the city where political finance is heavily regulated (Toronto).

Findings

Do incumbents enjoy a fundraising advantage?

The presence of incumbent advantage is virtually universal in candidate-centered political contests. The question, then, is not whether we find evidence of incumbent advantage in our two case cities, but rather how extensive that incumbent advantage is. As noted above, we expect that incumbent advantage will be less in Toronto, because challengers will be able to raise funds from

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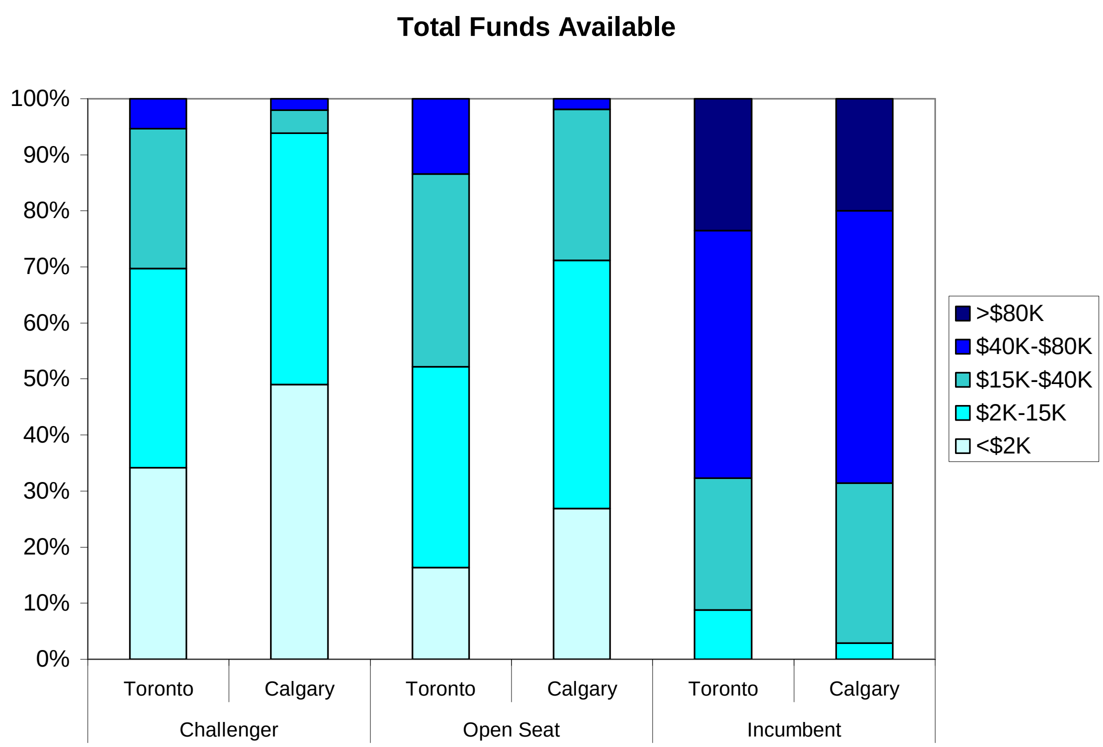
[3] This raises important issues regarding the integrity of the Toronto legislation. If the purpose of disclosure is to allow citizens to know whether undue influence has been exercised, this purpose is thwarted if records of contributions four years prior are destroyed.

individuals using the contribution rebate, and because incumbents operating under the constraint of a spending limit will not have the same incentive to raise money as those running in a system without spending limits.

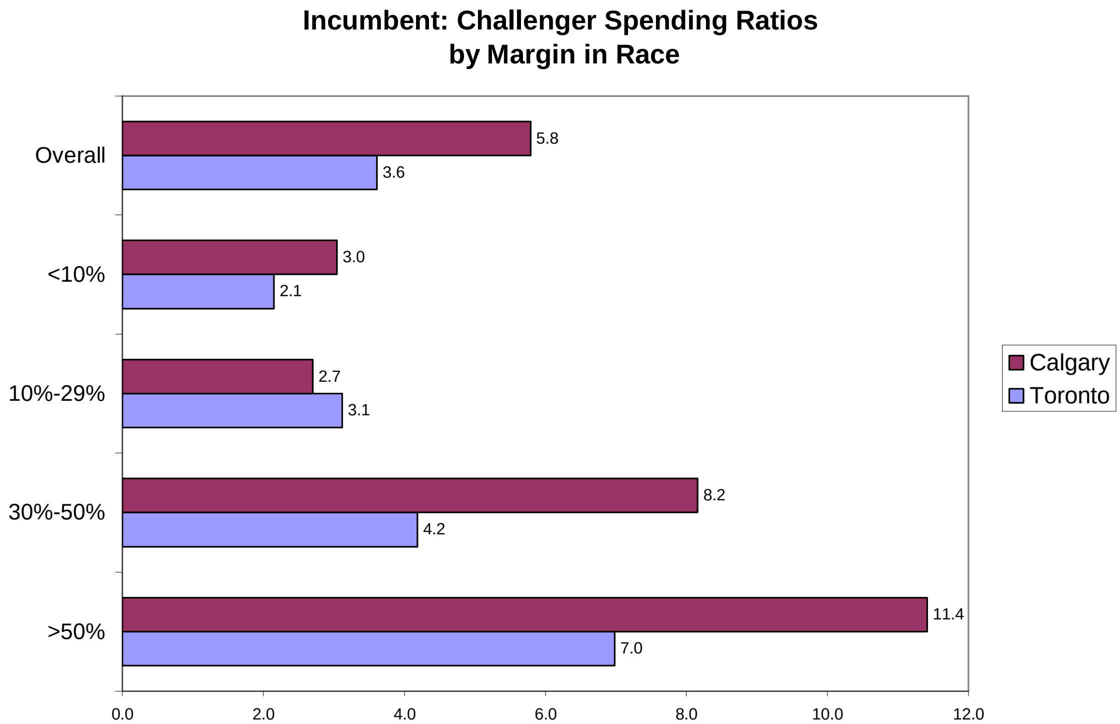
Figure 1 shows the total funds available[4] to candidates in Toronto and Calgary, categorized by their candidate type: Challengers (running against an incumbent); Open Seat candidates (running in a seat where there is no incumbent) and incumbents. It shows that there is virtually no difference in the funds available to incumbents in either Toronto or Calgary. In both cities, two-thirds of incumbents have more than $80,000 available to them to spend in their election campaign. Most of the remaining incumbents have between $40,000 and $80,000. Recall though that although Toronto candidates can raise as much money as they want, they cannot spend all of it because of the city's spending limits. In contrast to incumbents, very few challengers in either city have access to similar funds. In Toronto, thirty per cent of challengers had access to more than $15,000, while in Calgary less than ten per cent of challengers had this kind of money available. Challengers in Calgary were also substantially more likely to have less than $2000 available to them. This lends some credence to the idea that challengers are better able to raise money under the Toronto rules.

Figure 1:



[4] Total funds available includes both the amount the candidate raised for the campaign as well as any surplus carried over from prior campaigns.

Figure 2



This finding is supported by the data presented in Figure 2, which shows the mean ratio for incumbent to challenger spending in the two cities, broken down by the margin in the race. (Margin is measured as the difference between the percentage of the popular vote of the first place and second place candidates. The closer the number is to zero, the tighter the race). Clearly, incumbents in both cities enjoy considerable spending advantage over challengers. Calgary incumbents outspend challengers by an almost six to one ratio, while Toronto incumbents outspend challengers by over three to one. The incumbent to challenger ratios are smaller in both cities in the tightest races, where credible challengers are able to make serious efforts to unseat incumbents. But even in these tightest races (with margins of less than ten percent) Calgary incumbents outspend their rivals by a margin of three to one, and Toronto incumbents by a margin of two to one. Again, this lends some credibility to the idea that incumbent advantage is lessened somewhat by the regulatory framework in place. It is important, however, not to lose sight of the substantial advantage incumbents continue to enjoy in Toronto.

In the Calgary context, there has been some suggestion that incumbents have scared off challengers by amassing large warchests. While it is impossible to test this directly, we did break down the number of contestants in the each race by the size of the incumbent's surplus from the prior campaign, but found no evidence that the size of the surplus affected the number of candidates.

Who Contributes to whom?

Research in Canada and elsewhere suggests that the corporate community, and particularly the development industry, is likely to be heavily involved in funding the campaigns of candidates for city council. This is particularly the case in cities like Toronto and Calgary whose populations are expanding and where demand for housing is strong. Our expectation is that candidates will be more heavily reliant on corporate contributions – and particularly contributions from the development industry – in Calgary because there are no public incentives to encourage small individual contributions, there is no cap on the maximum size of a contribution, and there are no spending limits to curb candidates' demand for money.

Figure 3

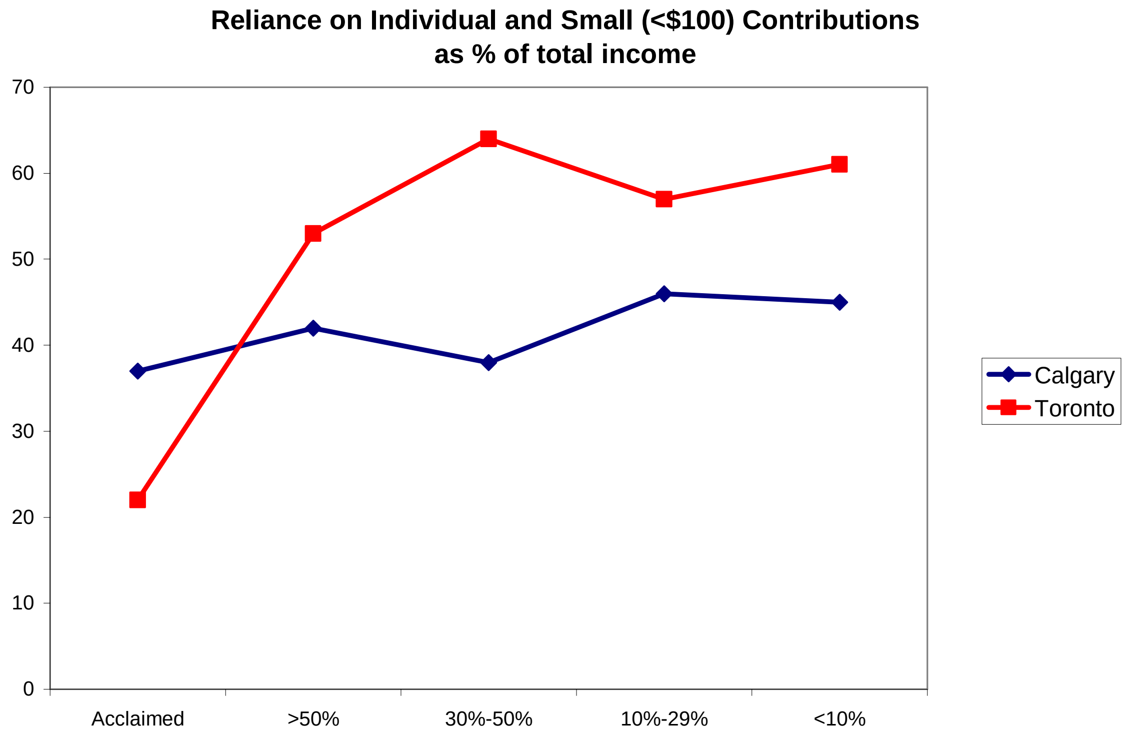


Figure 3 shows that Toronto candidates are more reliant than their Calgary counterparts on what we call grassroots support: contributions from any source of less than $100 and contributions from individuals. Overall, in Toronto more than half the money for campaigns is grassroots funding, as compared to forty per cent in Calgary. The only category of candidates for whom this pattern does not hold are candidates who were acclaimed. In Calgary, those candidates are able to keep any surplus they raise and spend them on anything they choose; as such, they have almost as great an incentive as other candidates to put in the effort to solicit contributions from all sources. In Toronto, no such incentive applies, and candidates have little reason to try to raise grassroots funds.

Figure 4

Source of Contributions

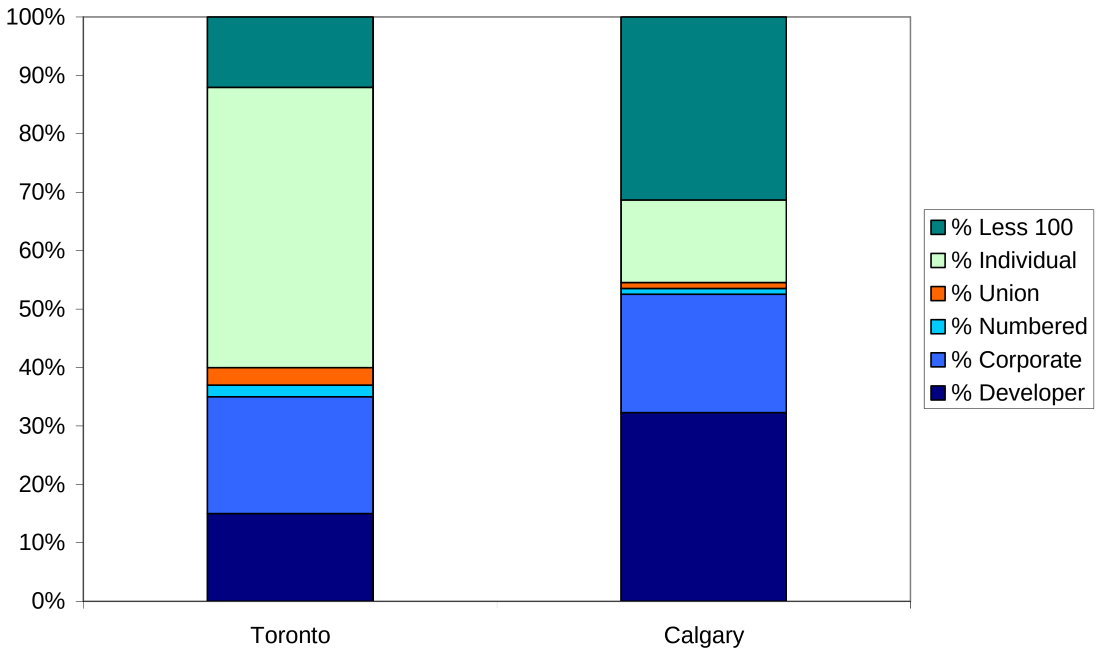


Figure 4 reinforces this conclusion, showing that Toronto campaigns are substantially more reliant on individual contributions than contests in Calgary. Calgary candidates are more heavily reliant on contributions under $100 than their Toronto counterparts. We speculate that these contributors are mainly individuals, and attribute the difference between the two cities to the presence of rebates for political contributions in Toronto. The rebates significantly reduce the cost of a contribution to the individual contributing, thereby encouraging individuals to give larger contributions in the Toronto context.

It is evident that, when compared to their Toronto counterparts, Calgary candidates are considerably more reliant on corporate contributions in general, and contributions from the development industry in particular. About half the funds flowing into Calgary campaigns come from corporate sources, as compared to only one-third for Toronto. It is important to recall that a corporate contribution in Toronto cannot exceed $750, whereas a corporate contribution to a Calgary candidate can be of any size; it is not terribly surprising, then, that Calgary candidates take in more from corporate sources.

Taken together, Figures 3 and 4 lend considerable credence to the idea that Toronto's regulatory regime lessens the role of corporate and development contributors and increases the role of individual and small contributors. Calgary has a greater tendency to contributions under $100; we speculate that these are mainly individuals. The rebates available in Toronto probably encourage individuals to give larger contributions, accounting for the greater proportion of contributions over $100 from individuals.

Figure 5

Mean Contributions from Development Industry

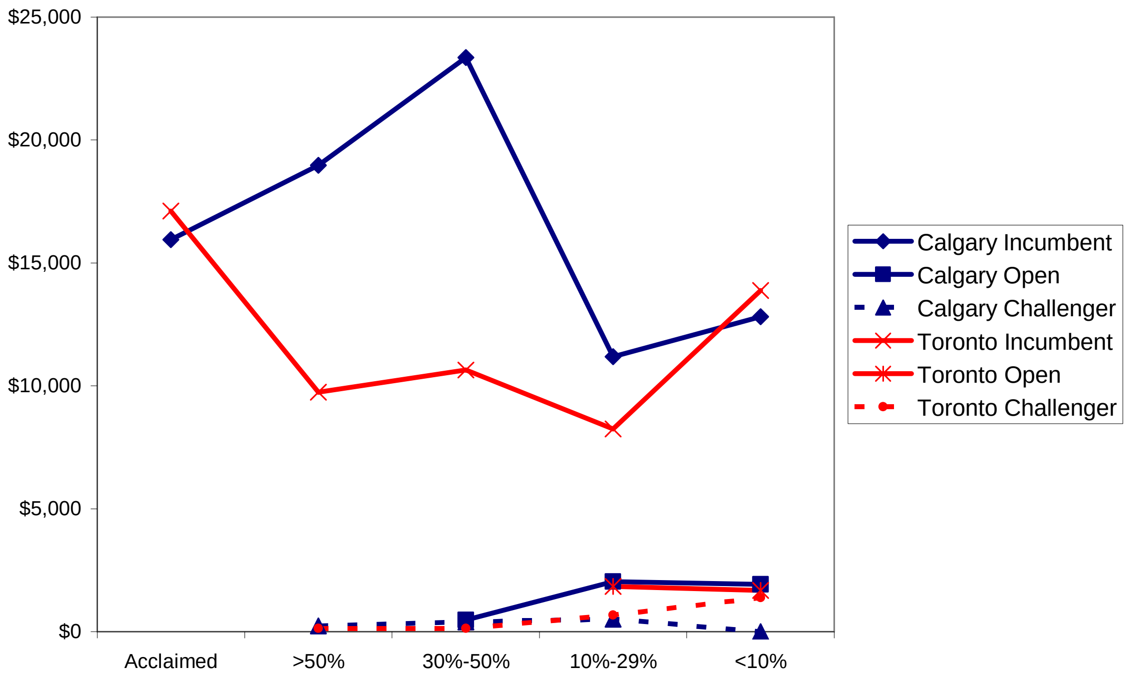
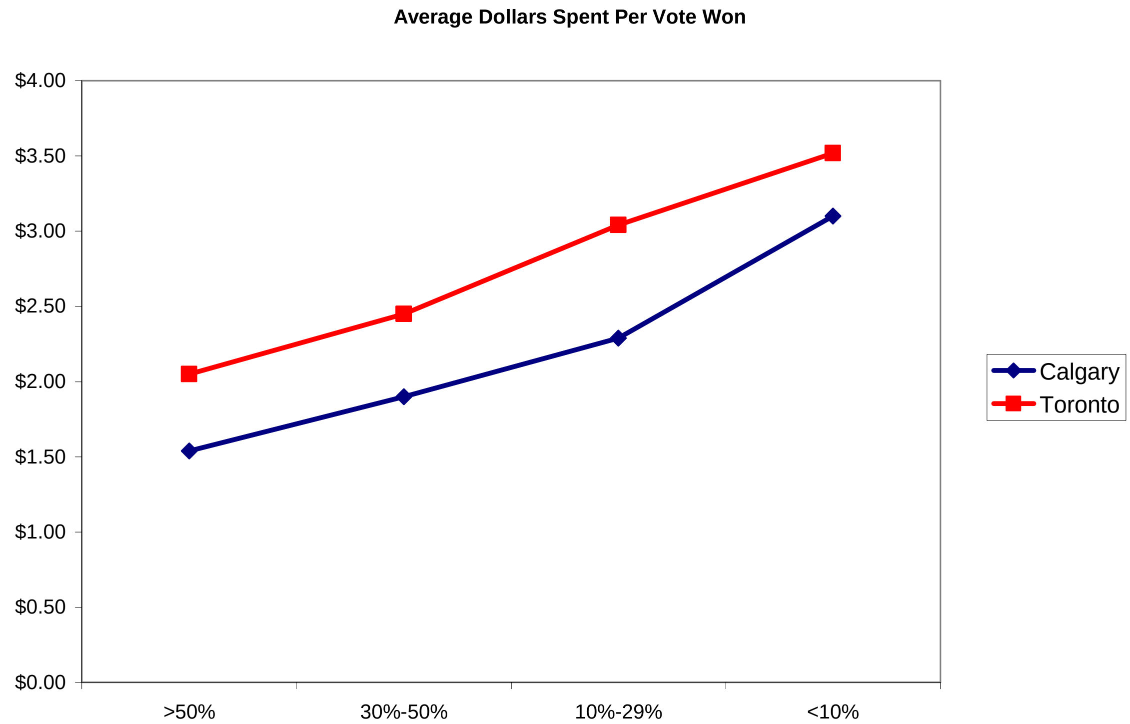


Figure 5 allows us to probe more deeply the question of which kind of candidates the development industry is supports. Tracking the average (mean) contributions by developers to candidates in both cities by candidate status and the competitiveness of the race, it demonstrates that developers in both cities are heavily inclined toward incumbents over either challengers or candidates running in open seats. This pattern tells us that the development industry is not prone to putting forward candidates to challenge incumbents or take on open seats, but is willing to back incumbents friendly to the industry. In Toronto, the development industry is the most generous to candidates who are acclaimed, and those who are in tight races. In Calgary, in contrast to this, the industry backs away somewhat from those candidates who are in tighter races.

Spending

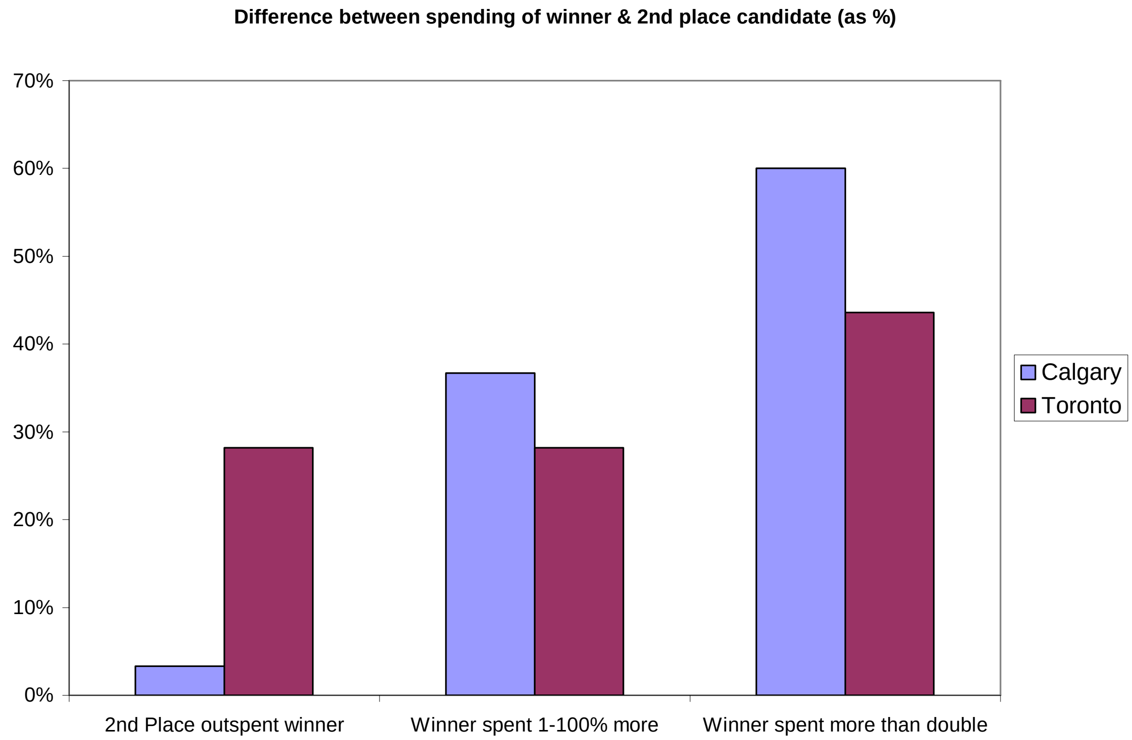
One of the normative concerns driving the regulation of electoral competition centers on the ability of well-financed candidates to win elections by outspending their rivals. Some observers worry that, in the absence of spending limits, candidates will enter into an upward spiral of spending, thereby significantly increasing the cost of electoral competition. This has arguably been the case in the United States at the federal level, where legislators and candidates spend an inordinate proportion of their time fundraising. To the extent that candidates are focused on raising money, they are potentially more vulnerable to contributors' efforts to exercise undue influence. Spending limits are often advocated as the solution to this set of problems.

Figure 6



The data presented in Figure 6, however, do not lend credence to this argument. Using dollars spent by each candidate per vote won by that candidate we find that at every level of competitiveness of the race, Calgary candidates spent less than their Toronto counterparts. The trend line for both cities is in the expected direction: as races become more competitive, the candidate has to spend more. Given the very similar slopes to the two lines, we believe that greater overall competitiveness cannot explain the higher spending by Toronto contests. The most plausible alternative explanation would be that the presence of even modest public funding encourages candidates to spend more. In addition, spending limits may have been transformed from a ceiling into a floor: a target to be achieved by candidates who might otherwise have spent less.

Figure 7



Competitiveness of Contests

Although spending limits appear not to have curbed overall candidate spending in Toronto, there is evidence of a more level playing field for electoral competition in that city when compared to Calgary. Figure 7 categorizes the magnitude of difference in spending between the winner and the second place candidate in each council race in the two cities. There was only one race in Calgary where the second-place candidate outspent the winner, in contrast to over one-quarter of Toronto races. Calgary winners were considerably more likely to outspend their closest rival by a margin of more than two to one. In fact, one Calgary candidate spent 11,000 per cent more than the second-place finisher in their race. This does not mean that all Toronto races were financially competitive, of course. Some forty percent of winners in Toronto spent more than double the amount spent by their second place finisher. Nonetheless, the data presented in this figure do suggest that some element of the Toronto regulatory regime has leveled the playing field somewhat.

Figure 8

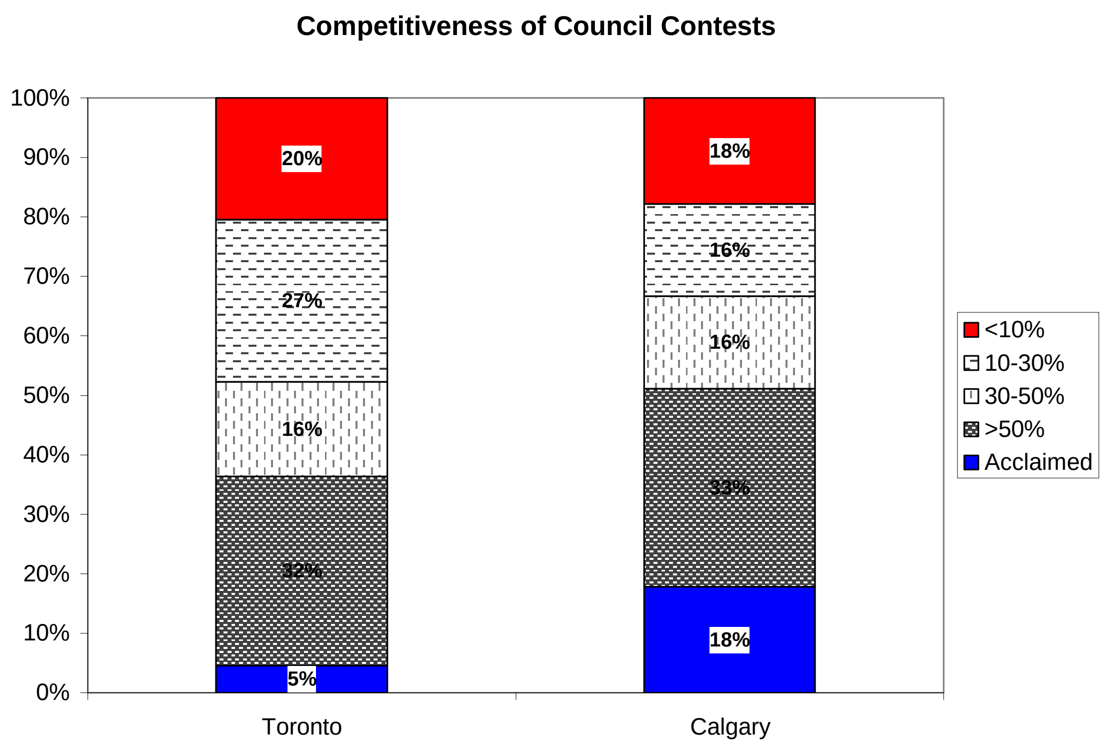


Figure 8 lends additional support to the idea that council races are more competitive in Toronto than in Calgary. Only five per cent of Toronto races were acclaimed, as compared to eighteen per cent of Calgary races. This might, of course, have been a function of particular character of the single Toronto election on which this analysis is based. While there were fewer uncontested races in Toronto, the proportion of races that were closely contested (with margins of ten per cent or less) was similar in the two cities. There was, however, a substantial difference in the proportion of races in which the margin was between ten and thirty percentage points; we find that almost one-third of Toronto races fell into this category, as compared to only one-sixth of Calgary contests.

Impact of Spending on Vote Share

Finally, as an admittedly crude way of determining whether candidate spending affects vote share, we ran an Ordinary Least Squares (OLS) regression for both cities, using vote share as the dependent variable, and incumbency (dummy variable), the candidate's total spending, the number of candidates in the race, and the spending gap (Winning candidate's expenditures minus candidate's expenditures) as independent variables.

Table 2: Regression results: Impact of Incumbency and Spending on Vote Share

	Toronto		Calgary	
	B	(Std. Error)	B	(Std. Error)
Incumbency	31.78	(2.874)	38.63	(2.991)
Spending	0.00032	(0.000005)	0.00022	(0.000006)
Number in Race	-2.602	(0.401)	-1.434	(0.269)
Spending Gap	-0.000117	(0.000004)	-0.000154	(0.000005)
R-square	0.786		0.848	

Clearly, incumbency has a substantial effect on vote share, once we have controlled for other variables. Incumbency increases vote share by 32 percentage points in Toronto, and by 39 percentage points in Calgary. Once incumbency has been taken into account, spending still has a discernible, if modest, impact. In Toronto, for each thousand additional dollars a candidate spent, s/he would increase vote share by 0.32 percentage points. In Calgary, a thousand dollars would increase vote share by 0.2 percentage points. To overcome incumbent advantage, a candidate in Toronto would have to spend $100,000, as compared to the $177,000 a Calgary candidate would have to spend. Again, this suggests a somewhat more level playing field in Toronto, although this finding should not be overstated.

For candidates who lose the contest, the gap between the amount they spent and the amount the winner spent also contributes negatively to vote share. For each additional thousand dollar gap between the winning and losing candidate's spending, the losing candidate's vote share is reduced by 0.12 percentage points in Toronto, and by 0.15 percentage points in Calgary.

Conclusion

This analysis of patterns of contribution, expenditure and political competition in Calgary and Toronto leads us to believe that regulation of political finance at the municipal level has a modest salutary effect on political competition. The Toronto mix of public funding via rebates for small contributors, limits on the size of contributions, and limits on spending appears to produce electoral competition in which the playing field is more level. In particular, incumbents' fundraising advantage is modestly reduced, and incumbents' electoral advantage, while still formidable, is lessened to some extent. In addition, Toronto's regulatory regime appears to have contributed to a situation in which there are fewer races in which voters are offered no choice because the incumbent runs unopposed.

Perhaps the most significant benefit of the Toronto regime is its apparent contribution to diversification of candidates' source of funds. Toronto candidates are less reliant on corporate contributions, and most notably development industry contributions, than are their Calgary counterparts. This suggests that providing incentives for individuals to make contributions to municipal candidates allows these candidates to free themselves somewhat from the need to accept donations with strings attached. This can only improve the quality of public policy decision making undertaken by the elected officials.

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