



**FROM THE
ARCHIVES**

THE ECONOMIC COSTS OF VANCOUVER'S ELECTORAL REFORM

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In June, Vancouver's Electoral Reform Commission, headed by former BC Supreme Court Judge Thomas Berger, made its recommendation for electoral changes at the municipal level. Specifically, Mr. Berger recommended moving from an at-large system of electing city councillors to a ward system with district representation. Unfortunately, the municipal commission and its subsequent recommendation seem to have ignored, or at the very least neglected, the economic costs of electoral reform.

Under Vancouver's current at-large electoral system, voters choose the city's councillors and mayor from an exhaustive list of candidates. The top vote-getters are elected to the 10 seats available on city council. Under a ward system, the city would be divided into smaller voting areas (wards) and citizens would vote for candidates in their geographic area.

Essentially, the ward system is similar

to the current provincial electoral system in which each MLA is elected by, and represents, a specific riding.

There are, of course, benefits to moving to a ward system; the Berger Report points to greater representation for geographical areas (specifically the East side), improved opportunities for smaller parties and independents, and a simplified ballot. That said, economic theory and empirical research indicate that such a transition will be accompanied by significant economic costs.

ECONOMIC THEORY

Economic theory, developed largely by the public choice school of economics, suggests that the ward system will produce two main changes.

First, district councillors elected under the ward system will face incentives very different from those of councillors elected at-large. Specifically, councillors elected at-large will promote policies generally in line

with the average voter's preferences, whereas policies advocated by district councillors will be more closely tied with particular interest groups in their respective districts. As a result, councillors elected under the ward system will focus more on their districts, whereas at-large representatives will be more attuned to the general interests of the city.

Such trade-offs lead to increased spending on projects that are mainly of interest to a limited constituency.

In addition, vote trading (where councillors support measures in order to receive commensurate support for their own district projects, or “logrolling” in economic language) will increase. For example, Councillor A supports a new community centre in East Vancouver for the sole purpose of securing Councillor B's support for a road project in his own Point Grey district. Such trade-offs lead to increased spending on projects that are mainly of interest to a limited constituency.

Both changed incentives and increased logrolling will lead to more spending, more taxes, and ultimately, more debt.

EMPIRICAL EVIDENCE

Unfortunately, Vancouver's Electoral Reform Commission, which cost taxpayers an estimated \$300,000, failed to adequately review the academic literature on the economic costs of moving to a ward system. In fact, all told, the 158-page report mentions only two studies of the economic costs of different election systems.

The first “study” is actually a memo from the Vancouver Economic Development Commission (VEDC), an organization funded by the City of Vancouver, whose mandate is to promote economic development in the city.¹ Unfortunately, VEDC's memo relies solely on anecdotal evidence collected through conversations with city administrators, elected officials, and two political scientists. In fact, the survey contains no data, no empirical analysis, and no review of existing academic research. Using



anecdotal evidence, the Vancouver Economic Development Commission concludes, without due diligence, that economic development would not be affected by a move to a ward electoral system.

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The second and only academic study referenced by the Berger Report analyzed the impact of ward systems on government spending and taxation. The study, published some 24 years ago (1980), analyzed a mere 22 US cities, using only 11 years of data from the mid 1940s to the early 1950s (see Morgan and Pelissero, 1980). In fact, the authors themselves point out the limitations of their analysis in the conclusion of their study: “the time span is somewhat limited, and a relatively small number of cities are involved.”

Citing these two references, the Berger Report concludes that, “the cries of alarm about the impact that representation of neighbourhoods [a ward system] would have on economic progress seem to be without real justification” (Berger, 2004).

Several other studies published in respected academic journals however, directly contradict the Berger Report's conclusions regarding the economic costs of electoral reform. For example, DalenBerg and Duffy-Deno (1991) assess differences in public infrastructure spending between at-large and ward electoral systems. They conclude that if other demand and supply factors are constant, ward systems result in higher public capital stocks. In plain English, “ward councilors are biased toward large capital projects which are visible and have concentrated neighbourhood benefits” (DalenBerg and Duffy-Deno, 1991).

The most comprehensive study, written by Professor Lawrence Southwick and published in 1997 in *Economics and Politics*, empirically tested whether or not ward systems

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lead to higher local government taxes, spending, and debt in over 630 US cities.² The results show that a purely at-large council spends 17.6 percent less than an all-ward council. On the tax side, an all at-large council taxes 16.3 percent less than an all-ward council. Finally, per person local government debt is 68.5 percent lower in an all at-large council than in an all-ward council. In other words, ward systems result in higher levels of government spending, higher levels of taxation, and higher levels of debt.

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CONCLUSION

While electoral change is in the air, it will ultimately be Vancouverites who, through a referendum to be held in October, will decide whether or not to move to a ward system for electing their local politicians. While there are some benefits to a ward system, Vancouverites must decide if paying higher taxes and accumulating more debt in order to finance more municipal spending are worth these benefits. 



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Notes

- 1 The Vancouver Economic Development Commission's memo can be obtained by contacting the VEDC's Director of Communications.
- 2 Southwick criticizes Morgan and Pelissero's study (cited by the Berger Report) for using statistics that were "very limited."

References

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