

A Little Bit of Spring Cleaning

Bruce Manion

Another winter, another spring. There's nothing like a bit of spring cleaning to clear out some cobwebs and get rid of unnecessary stuff. So, I've decided to do a bit of spring-cleaning myself. This could sound like another one of my newly acquired writer tricks to cobble together a column without a great idea, or any idea at all. Readers that are thinking this are very cynical...they're right, but very cynical just the same.

So how do we go about doing spring-cleaning in a financial journal column that was designed to stir the pot and possibly provoke some debate on issues of the day? Well, in this poor offering, I propose to go over some of my past rants, update some of the main issues and possibly table a few more for your consideration while you sip a cool libation on the back deck waiting for the pool to open.

In past columns I have brought up the basic and sometimes fatal differences between the public and private sectors, the need for different measures in these two distinct realities, the danger of overreacting to rare occurrences of financial misconduct by company and public sector officials and the impact of a highly unregulated and ever-pervasive media on decision-making in both sectors. I have also taken a flight of fancy and argued that management systems need not all be of the super whiz-bang variety for them to add value to the organization.

In all of these columns, I have been provocative, superficial and sometimes downright insulting albeit with doses of sparing wit. The result of all of these columns has been polite silence. Oh I get the odd *'Read your column the other day, thought it was pretty funny'* or the occasional *'Right on, keep poking fun at the obviously ridiculous'* but I have yet to really hit a nerve. You know, the kind of result where someone walks right up to and gives you

what for or takes a swing at you. Either my readers are too typically Canadian to tell me where to get off or I better start getting down and dirtier on these hallowed pages.

Item one for your consideration: What is the vote of a single Canadian worth? Sound stupid? Hang on a minute; think about it. I am a government finance guy who has been hearing a lot over the past few years about needing to show a more stringent reporting to Canadians about what their tax dollars are getting for them. That plays out in the need to better explain where those dollars were spent and the results they produced. In addition, it means that I am expected to produce good analysis for government decision makers in order to determine where those dollars go.

Well, if you are a regular reader, you know that I am a keen proponent of better insight for effective decision-making. One of the sources of this insight is good program costing. A wise old costing guru once told me that *'a good coster can cost anything and a bad coster will cost everything'*. I am not a big fan of costing for costing sake and many of my financial brethren can and perversely do enjoy costing up a storm at the drop of a costing software package. This one is for them.

Okay so what am I going on about? If politicians have a hard-wired need to be elected and re-elected, this means that they need to generate a specific return on their investment (of our money): votes. Not just any votes but votes in significant quantities and in the right areas that will add up to a majority. So, when politicians are deciding on the results of a new program or spending initiative they need to know what the broader results will be, reduced crime or unemployment, increased economic activity or attachment to Canada, but they also need to know what this will do for their stock price as a government on the vote market.



Bruce Manion

Mr. Manion was born in Ottawa, Ontario in 1959 and graduated from the University of Ottawa with a Bachelor of Commerce degree. He was accepted into the Society of Management Accountants of Ontario in 1986. In April 2004, Bruce has been appointed Assistant Deputy Minister, Planning and Corporate Affairs Sector at PCH. His main objective is to promote Excellence in management at PCH.

Economists can assess the economic impact of a give tax measure. Drop the rate of the GST and you can measure the day-lights out the anticipated impact on consumer spending and the like. But can you measure the impact on the number of votes the governing party will get next time around?

During the last election, yeah the winter one, I heard a report on CBC Radio about a bunch of guys out west who have actually built a model by which people can 'invest' in political parties much as they do in the stock market. They actually can buy and sell stock in each political party on a free market and the fluctuating share prices are considered a reasonably accurate predictor of final voting outcomes. The authors of this process have been doing this for several years and have empirical data that appears to show that this method is more accurate than public polling. They explain the success of their measure this way: if you are willing to actually put your money where your vote is, you tend to be better informed about the issues and the party platforms. You also tend to follow through on your intent to vote for your stated preference, unlike an opinion poll where no one has any skin in the game.

One could, and probably should, opine that this process could be unfairly manipulated by unscrupulous speculators. **Dubhh!!!** What do you call broken election promises? Okay, I am now treading on very thin ice for a public servant. But lets take this a little further. Under the model I've stolen from the western guys, each political

party has a stock price that is driven up or down by the perceived value electors have for them. This is based on their assessment of the benefit they expect will accrue to them as an individual or to their family, city, region or the country as a whole, if they elect the party in question. More folks value a certain party and want to buy their stock, supply and demand being what it is, the stock goes up as it is traded on an open market. The same thing happens in reverse for parties that are falling out of favour.

But are all votes created equal? Is an incremental vote in a riding where a party traditionally wins the seat by a comfortable margin worth the same as a vote in a riding

where a party has lost the seat by a very slim margin over the past several elections? What happens when you take a regional perspective where a parties election results have been very strong or very weak? Now we have a big ticket costing analysis on our hands!

So here is the challenge. I am asking all my colleagues who are predisposed to costing anything that moves to develop a full-up costing model on the impact of government spending decisions on the marginal value of votes along whatever aggregations you see fit. What's in it for you? Eternal bragging rights to having solved one of the most elusive and important questions

for modern western democracies. You will be seen as one of the immortals by not only fellow costers but also political scientists and maybe even politicians as well. The glory of it all!

That's it. I've cleaned my house. Tied all of my previous columns up into one highly-contrived challenge and possibly made a number of groups mad at me in the process, including a bunch of guys out west. I can now sit back and sip my virgin margarita and watch my kids play with my puppies on my freshly mowed lawn and think about lighting up the BBQ and when I will play my next round of golf. Life is good. ■