

Winner-take-all Political Funding*

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It's true: there's a lot to be outraged about in India these days. The proliferation of heinous occurrences and very problematic policy choices is alarming, and the misinformation spread through official and unofficial media often makes things worse. All this can induce protest-fatigue and exhaustion from having to comprehend and then confront so many causes for concern and anguish on multiple fronts.

This may be why there has (thus far at least) not been enough public outcry about something that will touch at the very core of our electoral democracy and erode it to the point where it could be handed over to the control of an opaque and corrupt nexus between crony capitalists and elected politicians. This is the proposal for electoral bonds, which was quietly inserted into the Finance Bill of the government as a Money Bill (which therefore does not have to pass the Rajya Sabha) even though its implications are much more far-reaching and affect both the funding of elections and the transparency of our polity.

In the Goebbelsian fashion that has become so typical of the functioning of this government, a proposal that will actually make things more secretive and provide information only to the government in power, thereby enabling more corruption, has been presented as its complete opposite: a move to cleanse the system of poll funding and make it more transparent and accountable! Finance Minister Arun Jaitley, speaking in Parliament, is [reported to have said](#) "People have been wanting to pay (political parties) by cheques but there has been a fear that they could land in trouble as their identity would stand exposed. (Through the electoral bonds) we have addressed both the issues – ensuring clean donations and keeping the identity of the donor confidential."

What exactly are electoral bonds and how are they supposed to work? Suppose there is a donor – a person, an organisation or a company – that wants to donate funds to a political party. The donor can purchase a bond, using only cheques or digital payments, from a notified bank. This bond is like a bearer cheque (which does not carry the name of the donor and so facilitates anonymity) that will then be transferred into the bank account of the chosen political party for a fixed period of time. The party can then use this money in their account, which must have been notified to the Election Commission.

This is supposedly providing anonymity to both donor and recipient – although of course the bank will know exactly who purchased the bond and in favour of which political party. This anonymity dramatically increases the lack of transparency about electoral funding, and it has even required amending several laws that earlier provided such information. The Income Tax Act that earlier required that all parties disclose their sources of funds above the limit of individual donations of Rs 2000, has been amended, since in the new system the parties would not know who has donated to them. The Companies Act earlier put a limit of 7.5 per cent of profits on political donations, and required companies to disclose the parties to which they were donating. These conditions have both been removed – companies can now donate any amount, without revealing the beneficiary.

The supposed reason for all this secrecy is “to protect donors from harassment”. But in fact, the donors and their beneficiaries will be known to the banks, and therefore to the Finance Ministry that controls the banks, and therefore to the party in power in the central government. What has happened therefore is that the power to harass has been centralised in the hands of the party controlling the Centre – and both its information about political donations and its ability to pressurise and harass those who donate to opposition parties have become that much greater and also will be completely unknown to other parties and to the general public.

What is more, this system also enables much more effective money laundering, since anyone can buy a bond, the sources of income that enable the purchase are not to be questioned, and once the money enters the system, it is effectively part of the white economy. Bearer bonds are basically the same as cash in a monetary system, so this must be one of the simplest, safest and politically influential ways for those holding illicit wealth to transfer some of it into legally valid channels, even as they earn brownie points with the ruling dispensation.

This is an extraordinary move, and one that is so blatant that only a government like the current NDA regime would have had the audacity to introduce it and hope to pull it off. This not only legalises all kinds of illicit flows to the party in power (the BJP) but effectively allows corporates to buy the governments of their choice well into the future, and that too without any public knowledge of the extent of their involvement. The nexus between large capital and ruling parties that try to promote their own interests while riding roughshod over the rights of citizens, will only gather strength.

Not surprisingly, many of those who have real knowledge about the funding and conduct of elections in India are deeply concerned about this. The Election Commission of India has deemed this to be a retrograde step; the previous Chief Election Commissioner, before he demitted office, pointed out that this would rob political funding of the necessary transparency; former legal representatives of previous governments have noted that this move to create opaque electoral bonds fails all the required tests of being transparent, reducing corruption, and being fair across political parties.

Somehow, the enormity of this move has not yet hit the general public consciousness, so that many people are not even aware of how significantly this will impact upon the conduct and the money power and crony capitalist control of future elections. Once again, the forked tongue double-speak of the ruling party and their amazing capacity for effective media management, appear to have won the day, at least for the moment. But this cannot be allowed to continue, because far too much is at stake in a country in which electoral democracy still remains a significant means of giving some voice to those persistently marginalised, oppressed and denied their rights in a very unequal socio-economic system.

If this government were truly serious about cleaning up the system of poll funding, there are some very evident solutions already in the public domain, with state funding of elections at the top of the list. Former Chief Election Commissioner S.Y. Qureshi has suggested setting up a National Electoral Fund to which all donors can contribute. The funds would then be allocated to all registered political parties in proportion to the votes obtained. This would address donors’ concern for secrecy. Once public funding of political parties is ensured, private donations would be totally banned and

an annual audit by CAG of all donations and party expenditure would be made mandatory.

There are several similar proposals available, which would address not only the massive current problems associated with state funding, but eliminate much of the “black money” activities that are geared around poll funding (and indeed do so much more effectively than the expensive and failed demonetisation exercise). By introducing the opaque and hugely problematic system of electoral bonds. The current government has clearly indicated that it is not really interested in fighting corruption, but only concerned with extending and expanding its hold on power.

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