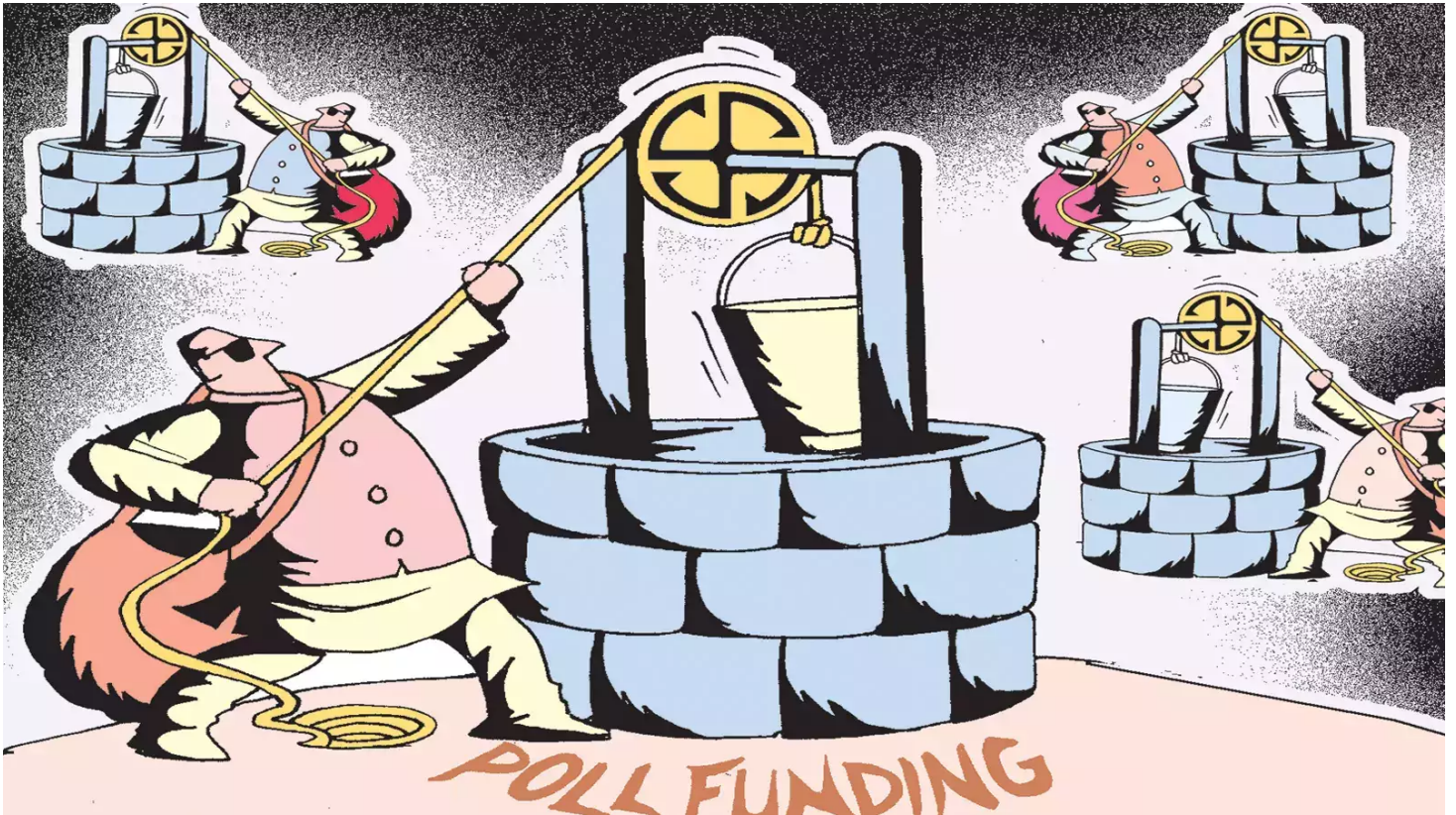


Why electoral bonds haven't 'cleansed' political funding



TOI+

Raghuram Rajan & Rohit Lamba

Oct 18, 2022, 11:57 IST



Electoral bonds ensure white money donations but fall short of full transparency

This is the sixth article in an occasional series by the two authors

Fighting elections is costly. An estimated Rs 55,000-60,000 crore was spent in the 2019 Lok Sabha election; the Centre for Media Studies called it the "most expensive election ever, anywhere". There are widespread worries that such massive spending is neither cleanly nor transparently funded.

The late finance minister, Arun Jaitley, concerned that "political parties continue to receive most of their funds through anonymous

donations which are shown in cash” argued that “an effort, therefore, requires to be made to cleanse the system of political funding in India.”

To do so, electoral bonds were introduced in 2018. Anonymous cash donations were capped at Rs 2,000, while electoral bonds in denominations ranging from Rs 1,000 to Rs 1 crore could be bought by Indian citizens from the State Bank of India and donated to any political party of their choice. Over the past four years, more than Rs 10,000 crore worth of bonds have been issued.

Last week Solicitor General Tushar Mehta told the SC bench examining electoral bonds that the mechanisms for receiving monies make it impossible for political parties to get unaccounted or black money as bond donation.

Mehta added that because this scheme provides for the most transparent mode of political funding, to say that it “affects democracy” just does not hold water.

Unfortunately, electoral bonds in their current form do have problems.

- These bonds do not improve transparency insofar as the name of the donor is hidden from the public and other political parties.

- According to the Association for Democratic Reform, over 90% of the amounts issued so far are in the Rs 1 crore slab, which must come from very rich individuals and corporations.
- The public simply cannot judge whether these donations were made out of goodwill or whether there was a quid pro quo involved.
- For instance, if the public saw that companies from sectors that benefited from tariff protection, from state subsidies, or from public sector bank loans, donated more, they could put two and two together and vote in a more informed way.
- This is not possible under the current system, which makes it fail the test of cleanliness Jaitley talked about.
- No wonder the Election Commission had objected to the bonds.

There's more. Since the bonds are issued by a public sector bank, some critics have asked, can a government get to know the list of donors and recipients? If so, given the carrots and sticks at the government's disposal, few individuals or corporations would chance donating large sums to non-incumbents through these bonds. Any donations would have to be made through the now illegal, but hidden from government, cash route.

Consistent with the advantages electoral bonds offer incumbent govts, both in the Centre and states, governing parties are the leading recipients

Consistent with the advantages these bonds offer incumbent governments, both at the Centre and in states, governing parties are the leading recipients. Of course, the flow to incumbents may also be because they are popular. We simply cannot tell, though this explanation would be more plausible if the donations were in small denominations.

Regardless of why incumbent governments get the majority of bond donations, the money obtained from electoral bonds is “white” in the sense that it is legal and can be used to make payments by cheque to the formal sector.

Two factors could further combine to increase the value of this money, and hence the incumbency advantage. First, those using unaccounted cash could come under investigation, allowing the governing party to label them corrupt. Without defending illegality, one can see how the system may be skewed.

Second, the incumbent could use its white money to influence what voters read, hear, and see from ostensibly independent sources. To understand this, think about how voters decide whether to demand jobs or organise around cultural identity. Clearly, the constant bombardment of selective information and opinions, the brahmastra in today's electoral politics, influences their choices.

At election time, incumbents can pay for massive advertising campaigns with white funds, while others may have much less white money. Since investigative agencies can scrutinise the payment trail behind the all-too-public advertisements, non-incumbent parties may be restricted to a modest advertising campaign.

Social media is even more salient.

- Elections today are literally fought on Facebook and WhatsApp, where sophisticated digital campaigns, with pointed and well-targeted political messages are rolled out.
- These include the hiring of myriad local influencers, data and digital communications firms, and advertising companies for creative campaigns.
- Any formal sector providers among these require white resources, which again skews the advantage to the incumbent.

Our objective should indeed be that all electoral spending is clean. The problem with electoral bonds is they make clean payments easier for the incumbent and hard for others, with all the attendant consequences. While making the list of donors public will help, a complete solution would protect donors from harassment irrespective of the party they donate to.

Raghuram Rajan is a professor at the University of Chicago and Rohit Lamba is an assistant professor at Pennsylvania State University