

Arun Jaitley on Electoral Bonds*

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Arun Jaitley had outlined a scheme of electoral bonds in his budget speech on February 2, 2017. Now, exactly 11 months later, the notification of the scheme and some details of it have finally been announced in a Press Information Bureau release on January 2, 2018. Along with this release Jaitley himself has also written an explanation-cum-defence of the scheme, from which it is clear that the scheme, far from countering the threat to democracy arising from large-scale corporate funding of elections, does not even address this issue. On the contrary, its implementation will have the very opposite effect of greatly enhancing this threat.

What is more, the scheme will not even meet the objective that Jaitley himself proposes for it, which is to introduce greater “transparency” into electoral funding. Instead it will immensely increase the power of the central government and thereby pose a further authoritarian threat to Indian democracy.

The problem of election funding has of late exercised people all over the world. It consists in the growing reliance by political parties on corporate donations which poses a serious threat to democracy. Elections have been costing more and more over time as competition between parties for wooing the electorate has intensified; and to fund their election campaigns political parties have been typically turning to corporate donors. Wall Street for instance has become a major source for election funding in the U.S., and even Obama, who claimed that his campaign funds came from a large number of small donations, rather than from Wall Street, is suspected surreptitiously to have relied mainly on Wall Street funding.

When corporates fund elections they do so not out of charity but in expectation of some tangible benefits in return. Funding political parties for them is an act of investment, on which they demand a return; and this means that the winner in the elections has to pay them back in some way.

Political parties opposed to pro-corporate policies cannot raise funds for running election campaigns that increasingly become prohibitively expensive, and therefore are squeezed out of the race, while pro-corporate parties increasingly come to the top. Corporate funding of elections therefore leads to a corporate take-over of politics, which is a negation of democracy. The suggestions made for countering this trend have ranged, severally or jointly, from strictly enforcing statutory limits on election expenses, to State funding of elections, to putting a ceiling on corporate donations to political parties.

Jaitley however is not at all concerned with this issue of threat to democracy. His sole concern is that election funding should occur not through cash, but through cheques or on-line payments or electoral bonds purchased from specified branches of the State Bank of India, to be encashed by the recipient within 15 days. In other words his sole concern is not with the quantum of corporate donations but with the form of corporate donations (or of any other donations for that matter): this form of donation, beyond a small threshold, must not be cash.

Not only is he not concerned with the quantum of corporate donations to political parties but he actually proposes that such donations can be of an unrestricted amount.

His electoral bonds scheme, while suggesting no restrictions whatsoever on the quantum of corporate donations, amount merely to carrying forward the idea of “cashlessness” that had underlain the disastrous de-monetization exercise earlier.

But why should cashless donations be any better than what prevails at present? His answer is that they would be more “transparent”, so that instead of “unclean money coming from unidentifiable sources” as is the case now, we shall have “clean money”, by which he presumably means non-“black” money, coming from sources that would be known to the bank branches, to auditors, to tax-authorities, and to a host of other concerned agencies. This, I repeat, has nothing to do with corporate control over politics; nonetheless the question arises: will it actually bring “transparency”?

There is certainly no question of any transparency under the proposed scheme as far as the public is concerned, regarding corporate donations to political parties. And since in a world where there are such corporate donations, the least that must be demanded from the point of view of preserving democracy is that the people should know about these donations, so as to exercise a watchdog role, clearly the transparency that Jaitley is talking about has nothing to do with preservation of democracy.

If for instance all political donations above a certain threshold amount, no matter by whom, were open to scrutiny under the Right to Information Act, then there would be a certain transparency that has some meaning; but that is not what Jaitley is talking about.

It may of course be thought that if corporate donations are to figure on the expenditure side of their accounts, which they must if the corporates are to obtain tax rebates on them, then such donations are ipso facto available to the public. But even here what would figure in the accounts made public is the total amount of such donations, and not how much is given to whom. This effectively rules out any watchdog role by the people, since they cannot, with this information, compare the favours done to particular business houses with the donations given by these houses.

It is of course another matter that the BJP government, even if it was found to dispense favours correlated to the donations it got, would remain completely unfazed, as is clear from the fact that the suspicious movements in the financial fortunes of Amit Shah’s son, far from being investigated, have been defended by a host of central ministers. But the point here is that Jaitley’s “transparency” does not mean transparency before the people.

Even so however, two points may be made in favour of Jaitley’s scheme. First, if more accurate information on campaign funding is available to the Election Commission, as would be the case in a world of non-cash donations, then it may be able to implement election expenditure ceilings more effectively. But, as is well-known, several election expenditure items are not included within the ceiling calculation, which leaves ample room for exceeding the ceiling; more accurate information on campaign funding therefore is of little use.

Secondly, it may be argued that his proposed electoral bonds will at least curb the use of “black money” in campaign funding. His scheme in other words may make no difference to corporate control over politics, which is anyway independent of whether corporate donations are funded by “black money” or “white money”; but it would,

according to this argument, make a difference to the extent of “black”-money-use in elections, and hence to the size of the “black economy”.

Even this argument however is not true. It repeats the same fallacious understanding that had gone into the decision to demonetize 86 percent of the country’s currency in November 2016, namely that curbing cash-use somehow reduces the size of the “black economy”.

The “black economy” is merely a set of undeclared activities carried out not by a separate group of persons, but by the same capitalists who also undertake “white activities”. Let us suppose that the total money holding in their empire, taking its “white” and “black” components together, before election funding, is Rs.200, of which Rs.100 is cash and Rs.100 is bank-deposit, and suppose election funding is Rs.50. If this funding was earlier in cash and now has to be in the form of a cheque, then the cash-holding after election funding goes up by Rs.50 compared to what it otherwise would have been and deposit holding goes down by Rs.50.

Now, going by the BJP government’s own assumption, which underlay demonetization, that “black” transactions are carried out by cash, it would follow that the means for carrying out such transactions would have expanded because of the change in the form of election funding. As a matter of fact in this case such surplus cash assumed to be available for “black” transactions would be used for the “white” transactions earlier carried out via bank deposits whose size has now gone down. The point here however is this: the idea that changing the form of election funding will curb the black economy does not stand scrutiny.

There is however a further aspect of the proposed move that needs to be highlighted. While the information about who gave how much money to whom for election campaigns would not be available to the people, it would certainly be available to the government from the banking system which it owns; and this information would be used by the government to terrorize potential donors for the opposition parties.

The very anonymity of cash donations which Jaitley finds objectionable, has at least the virtue that the donors to opposition parties cannot be victimized. With donations in cheques or online payments or electoral bonds this anonymity vis-à-vis the government goes, which provides the government with a handle to starve opponents of campaign funds. In other words, the proposed move, instead of being a means of improving the health of the political system, becomes a means of consolidating the authoritarianism of the BJP government.

In fact it is this above all that perhaps underlies the proposal to shift to electoral bonds in lieu of cash donations. It provides the Hindutva government an additional and powerful means of centralizing power in its hands and crushing any opposition to itself, which is why it must be strongly resisted.

*** This article was originally published in the People’s Democracy on January 14, 2018.**