

Delhi polls: When it comes to funding, keep it white and keep it right

Abhijit Banerjee | Updated: Feb 04, 2015 02:18 IST



The benefits of trying to move to a more transparent system for funding political parties are potentially enormous. (Arun Sharma/ HT Photo)

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I must say that I am a bit baffled by the rather sneering media reaction to AAP's using meals with Arvind Kejriwal to raise money. The objection seems to be that the average aam aadmi does not have Rs 20,000 to give away. This is plain silly. For whatever it's worth — and I am actually not a fan of their particular brand of urban populism — AAP claims to be for the aam aadmi, not (exclusively) of them. To insist that no one can support the interests of the aam aadmi without being one himself is like saying that no man can support women's rights. Indeed anyone who cares about Indian democracy should be pleased that many people who clearly have more money than the aam aadmi have come forth with support for AAP because it signals that there is something essential we share, despite growing inequalities.

However, AAP has also been careful to make sure that the price of 'tea with Arvind' is set so that enough people can afford it — avoiding the risk of becoming too beholden to single donors. In fact there is a list of donors to AAP posted on the web for anyone to see, which has over 34,000 names. The average donation is about Rs 4,000. AAP claims the list is more or less complete, and I suspect that is true, if for no other reason than the fact their opponents right now are gunning to expose them and if they have not succeeded, it is probably because there isn't so much to expose. In contrast, there is literally no way to get comparable data about the other major political parties, even if I were willing to take whatever they report at face value, which is perhaps revealing in itself. A few months ago, I read in an article in the Economist magazine that "93.8% of the income reported by Congress (to the tax authorities), and 91.3% of the BJP's, comes from unlisted sources". This is despite the fact that there is no restriction on donations to political parties — the only rule is that any donation of Rs 20,000 or more needs to be publicly disclosed.

The reasons for this reticence are well-known. A substantial part of the earnings come from the party's own sources — typically money that they have pocketed while in power somewhere. Obviously no one wants to

own up to this. Another chunk of it comes from people who want to buy favours — more irrigation water for their sugar cooperatives, more loans for their failing enterprises — and have good reasons to not want that publicised. Another reason for secrecy is that many (rich) people like to donate to all the relevant parties as a form of insurance — but they probably prefer every one of their beneficiaries to believe that they are the only one. Finally there is good old-fashioned black money: Many of the potential donors have taken some trouble to hide the money from the tax authorities — why would they want to invite trouble by telling the world that they have money to give away.

For all of these reasons, the benefits of trying to move to a more transparent system for funding political parties are potentially enormous. If we could make it much more costly for political parties to spend money that they cannot account for, there would be less pressure to (ab)use political offices to generate party funds; if the public were in a position to easily connect political donations to future favours, politicians would perhaps hesitate a bit (though on current evidence, mere shame might not always be enough). On the other side, the fact the donations are public will presumably discourage many donors — for example, those who were planning to donate in black money. Parties will be poorer, but politics may not be: A lot of the spending is competitive, with each party trying to outdo the others. If there is less money, less will be spent — but there is no reason why that would make the race any less exciting. Indeed it might encourage competing on performance rather than glitter and giveaways, and help parties that don't have money to throw around.

How will we get there? The first step is for the election commission to require all parties to follow some version of the AAP rule — to electronically disclose all contributions (excluding those that are in coins). Indeed for anything above ₹100, the donor would have to provide her Aadhar number, and even those below should be acknowledged by a receipt in the person's name, signed and dated, to stop parties from claiming that all their money comes in 99 rupee instalments (right now most of the contributions magically turn out to be of less than Rs 20,000).

At the same time, parties will also be required to disclose their spending on every single item that costs more than a few thousand rupees, which means every advertising contract, every newspaper ad and every public meeting, all of which are relatively easily verified by a third party. The total expense on these things will be tallied with the amount of money the party claims to have raised, so there will be a strong incentive to raise funds that can be disclosed.

These are fairly standard requirements. Based on my reading of the International IDEA 2012 Political Finance database about two-thirds of the OECD countries have them. The US does not, but then it is also one of the more corrupt countries.

Mandating these will not do very much if there is no enforcement. The election commission will need to issue show-cause notices and actually disqualify candidates in areas where their party clearly broke the rules. Investigations and sting operations, including those by rivals, should be encouraged to expose candidates who overstep. At the same time, the public needs to be educated on what the rules are and why, so that they can choose to punish the transgressors (and look out for violations).

This won't stop black money in politics — that will still be how parties pay for drinking on election eve. But it will make white money much more salient, and the ability to raise it much more valuable.

There are many things at stake in this week's Delhi elections. Among them is the idea that it is possible to be competitive without getting into the shadowy world of under-the-table finance. Just for that reason alone, anyone who cares about Indian democracy should be rooting for AAP on February 7.

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