State Funding of Elections

Why in news?

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The Prime Minister wants a debate on transparency in political funding, as part of the drive to clean up black money.

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How black money plays a role in elections?

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- Indian elections cost huge sums of money.
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- These money can hardly come from retail contributions of political-party sympathisers. It has to come from big corporate houses.
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- But, contributions from corporate houses are largely from undeclared income and, hence, the contribution is not recorded.
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Why transparency in political funding is needed?

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- This is a **prerequisite** for any sustained and effective cure for black money.
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- As long as India’s politics is systemically dependent on unaccounted money for its finances, there can be **no decisive political will** to eradicate black money.
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- Political parties spend huge amounts in election years but report income that is only a fraction of what they spend. When the bulk of their spending is financed by unaccounted income, it **compromises the integrity** of governance, **corrupts the civil service**, **promotes crony capitalism** and makes managing the government a decisive core competence of

entrepreneurship.
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- All this will change only if the sources of political funding are made fully transparent.
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What is state funding?

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- The idea of **state funding of elections** is a concept designed to reduce corruption by funding elections with government money as opposed to individual campaign contributions.
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- Many recommend that state funding of elections can be the best way to achieve transparency in political funding.
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- It is also believed that state funding is a natural and necessary cost of democracy. It brings new and growing parties in par with the established parties, thus ensuring fair elections.
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- If parties and candidates are financed with only private funds, economical inequalities in the society might translate into political inequalities in government.
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Is the state funding a good idea?

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- In theory, State funding would provide a level playing field for political parties and cut out money power from the equation, but in practice, things may not work out so linearly. India collects only about 16% of GDP as a tax.
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- The state expenditure on many essential public goods such as primary health care and public health engineering is very small.
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- Given this situation, the public resources have to be channeled towards and not diverted from such essential services, and that too to finance something that already gets abundantly financed.
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- Further, the state funding of elections will not prevent parties from lobbying and getting undisclosed supplementary private funding, with associated implications.
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- Therefore State funding is not the solution to the opaque funding of politics in India.
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What is the solution?

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- In India, the main reason for the prevalence of black money in election spending is the **unrealistically low limits** set by the Election Commission of India on campaign spending by political parties and candidates. More realistic campaign spending limits should be set.
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- Part-public funding of election campaigns is a practice in some countries. e.g United States and Britain. We could have our own version.
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- The strict monitoring of expenditure by political parties and their functionaries at every level, starting with the panchayat, polling booth area and municipal ward should be done.
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- Every party should **disclose its expenditure every month** at every level.
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- This should be **open to challenge** by rival parties, media, etc.
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- The Election Commission could determine the actual expenditure and ask the parties to show the source of income.
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- Parties will have to collect money in the open.
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- These steps will ensure transparency.
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