The centralisation of politics and business

Over the past decade, there have been two observable trends: rapid economic centralisation and the changing face of business-politics relations in India.

In September 2020, protests against three controversial farm bills passed by the Parliament erupted. While there might be legitimate arguments in favour and against the farm bills, the protests in April 2021 began to escalate and gained momentum, with a larger number of corporate interests supporting the ruling Bharatiya Janata Party-led government (BJP). To my mind, the persistence of these protests has less to do with debates on the agricultural sector (which are quite necessary) and more to do with the rapid economic centralisation and the changing face of business-politics relations in India.

In this piece, I seek to grapple with how the relationship between big capital and politics has changed over the past decade, and how it complements the political centralisation we have seen since 2014.

Concentration of wealth and profits: The rise in economic inequalities in India, and the consequent concentration of wealth in major companies, is not mere speculation. According to the World Inequality Database developed by scholars at the Paris School of Economics and UC Berkeley, the share of national income held by the top 10% of the population in India grew from about 40% in 1980 to 57% in 2019. Over the same period, the share of income of the middle class (40% of the middle class) dropped from 41% to 30%.

But the rise in income inequality is not just a short-term trend resulting from economic liberalisation reforms in the 1990s. The greater concentration of wealth among top corporate firms has been a more recent phenomenon. In an analysis from 1994 to 2018, Rajeev Kumar has shown that the percentage of profits earned by the top 10 companies in India has grown from around 50% of total corporate profits in fiscal year 2014 to over 60% in fiscal year 2019. This suggests a significant centralisation of wealth in India. In the biggest companies since the EIP took power in 2014, indeed, the greatest increases in the percentage of profits earned by the top 20 companies occurred from fiscal year 2017 onward after Independence, according to their demonstration exercise.

Money and politics: As I have written elsewhere, India’s one-person-one-vote system has resulted in increasing electoral contests, often lows of remuneration and anti-incumbency among legislators, have made parties rely increasingly on wealthy “self-financing” candidates. Indeed, political scientists of the EIP’s elected members of the legislative assembly (MLAs) have been running candidates compared to those in the 1980s. These candidates have been predicated from the “local” sources of wealth, like real estate and transport.

But such local sources of wealth generate major challenges for any party seeking to engage in political centralisation at the national level. First, Indian politicians are far from dedicated members of political parties, often defectors from one party to the other.

The volatile nature of party membership, and the need for local wealth, engenders complex bargaining with local political leaders. Second, as scholar Pratap Mehta has shown persuasively, differences in local business interests can create pressures on different political parties at different levels of government.

The greater concentration of economic wealth observed since 2014, and especially after India’s demonetisation exercise, aids in political centralisation at the national level in key ways. If economic wealth is disproportionately in the hands of the biggest firms that likely operate at an all-India level, then the demands that capital makes on the political system are likely more “national” and less “local” in nature. This necessarily advantages the party in power at the Centre, and weakens the Centre’s ability to act as a hub for national-level demands.

Political financing and political centralisation: India has seen a spectacular level of political centralisation at the national level by the BJP since 2014. This can be seen in many areas, including party policy and federalism. In the current political centralisation, the role of the BJP in central leadership is likely to play an even greater role in political decisions at the Centre, rather than a fragmented coalition or a collection of different regional parties. The Centre also finds itself in the position of having to negotiate with a smaller number of business leaders with less local demands.

The relationship between big capital and political financing has undoubtedly been strengthened through India’s adversarial electoral process, which allows for large-scale donations in anonymous Campaign. Anonymity is key for political financing from businesses, as parties do not want to be seen as being in favour of any particular business and businesses do not want to be perceived as engaging in corruption.

According to an analysis of party funding in the 2014-2016 election cycle, the BJP has the most funding from unknown sources, which is higher than the funding from known sources for all other national parties combined. There is no evidence of linking this to “crony capitalism” from 1990 onwards, referring to this as “crony capitalism,” which is often the basis for the relationship between business leaders and political parties.

We are undoubtedly seeing the highest levels of corporate concentration of wealth since the economic liberalisation reforms of the 1980s — the very antithesis of what many thought liberalisation sought to achieve.