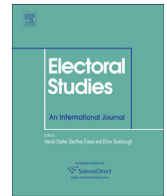




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Do voters count? Institutions, voter turnout, and public goods provision in India

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ABSTRACT

Why do some governments prioritize policies that are welfare-improving for many citizens while others concentrate state resources on improving the lot of only a few individuals? Existing research focuses on institutional factors such as regime type and the structure of party systems, but is largely silent on the role of political participation in shaping governments' spending priorities. This paper leverages variation in turnout across Indian state assembly elections from 1967 to 2004 to identify the conditions under which participation matters for government spending. We find that turnout matters in fragmented party systems but has little impact in states characterized by two-party competition. This result has important implications for theories of democratic politics and public good provision.

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1. Introduction

Perhaps the single most important trend in contemporary Indian electoral politics has been the dramatic increase in voter participation in elections. While it has long been true that the poor in India vote at high rates (Ahuja and Chhibber, 2012), this tendency has increased still further when parties representing the lower castes mobilized and incorporated these groups into politics. What has resulted is what Yogendra Yadav, India's leading psephologist, has termed "India's second democratic upsurge" (Yadav, 2004) — a dramatic increase in voter turnout driven primarily by altogether new entrants into the political sphere. Yet, while many have extolled the virtues of India's high and increasing turnout levels (e.g., Yadav, 2000, 2008), a crucial issue has gone largely unanswered, namely, the efficacy of

the vote. In short: citizens may vote, and in increasing numbers, but with what effect? Does voter turnout matter for the kinds of policies the government deploys?

We investigate this issue with a particular emphasis on whether and how voter turnout levels affect the mix of public-regarding and private goods politicians in India supply.² Our motivation in exploring this question is that while the importance of voter turnout is a core principle of democratic politics, and thus we expect turnout levels to matter a good deal, as a practical matter, our collective intuition outstrips our empirical knowledge. In the case of India, the effect of political participation on the composition of budgets has taken a backseat to institutional approaches to the issue—particularly those rooted in the nature of the Indian party system. While such approaches

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² We recognize that some of the spending items to which we refer throughout this article are not pure public goods in the sense of being perfectly nonexcludable and nonrivalrous. We use the terms public goods in a way similar to Shugart's (1999) use of the phrase "national collective goods" to refer to services to which a large share of the population has access.

certainly are useful, that voter turnout is largely absent in the models and the literature more generally is troubling as it is paramount to assuming that, given a particular institutional configuration, it matters little for policy choices whether 10% of the eligible population routinely turns out to vote or whether 90% does. This is a provocative proposition. If true, it suggests politicians pay little attention to voter turnout rates—and, implicitly, to who votes—when making their policy decisions and that our notions of how democracies function need considerable revising. If false, the absence of turnout may prove an important weakness for existing models. Which is it? Does voter turnout matter or do institutional configurations, e.g., the structure of the party system, trump?

We suggest turnout does matter for the composition of budgets. Specifically, we conceive of voter participation as affecting the size of the constituency to whom a leader must appeal to retain power and therefore the price of private goods. From this vantage point, we argue that high turnout reduces the welfare gains of private goods to the citizens receiving them, since state resources must be divided among more people, and therefore encourages politicians to spend more on public goods and less on private goods. Conversely, low turnout incentivizes the supply of private goods.

Notably, this approach to turnout introduces an important conundrum. Existing models of budgetary priorities in India argue that institutional factors, particularly, variation in the fragmentation of the party system, *also* determine the size of the winning coalition. In particular, Chhibber and Nooruddin (2004) have argued that Indian states with two party systems have larger constituencies to whom an incumbent must appeal to retain power and so politicians in those states spend more on public goods than do their counterparts in states with more fragmented party systems. Thus, a tension exists regarding what constitutes the equilibrium spending strategy when the incentives induced by voter turnout and the party system pull in opposite directions. How do politicians behave, for example, when the party system produces small coalitions (i.e., when fragmentation is high), but where turnout is high? How do budgets respond to a party system that necessitates that politicians cultivate large coalitions but where turnout is quite low?

Our approach to voter turnout offers the following synthesis. In India, the degree of party fragmentation determines the upper and lower bounds of the winning coalition while voter turnout determines where within those bounds the *effective winning coalition*—the actual share of the population to whom the leader must appeal—lies. By locating the effective winning coalition within the bounds set by institutional factors, turnout can either reinforce or attenuate the effects of institutions. When party fragmentation is high and the winning coalition small, low turnout increases further the incentives for politicians to supply private goods and eschew public ones. In the same institutional environment, however, high turnout disequilibrates the private goods strategy by expanding the number of people to whom the leaders must appeal to retain power.

On the other hand, where institutions create large winning coalitions (i.e., when fragmentation of the party

system is low), voter turnout will have little effect on spending. Because the institutional environment requires politicians to cultivate broad appeal, public goods will always be held at a premium, even if turnout is relatively low. In this instance, there is no alternative to public goods that better enables the incumbent to retain office. Therefore, we expect higher voter turnout to increase (decrease) spending on public (private) goods in *institutional environments that generate small winning coalitions*. When institutions generate large winning coalitions, the effect of turnout will be negligible.

We test our theory using data on state-level spending in India and find support for the argument. Consistent with prior research, party fragmentation in India does reduce spending on public services and increases it on private services. However, unanticipated by earlier studies but predicted by our framework, the magnitude of this effect depends on voter turnout. The effect of party fragmentation is strongest in low turnout contexts and dissipates entirely in highly participatory settings. These results are consistent with our claim that voter turnout counteracts the effect of winning coalition-shrinking institutional configurations. Per our second hypothesis, we also find that voter turnout generally increases (decreases) spending on public (private) goods, but more so in institutional environments that create small winning coalitions.

Below, we develop this argument and present the results summarized above. While our focus here is on the Indian case in particular, the theory regarding the combined effects on budgetary priorities of turnout and the institutional environment is a general one that can be applied cross-nationally. Indeed, in the cross-national literature on budgetary priorities, we find the same tendency as that in the Indian scholarship to highlight the role of institutional factors, but give little attention to voter turnout levels and fail to assess equilibrium spending allocations when turnout and institutions supply contradictory incentives. We believe our theory to be a general enough to offer an important contribution to this cross-national literature as well as scholarship on India. With that in mind, when developing the theory below, we do so first abstracting from the Indian case to show the generality of the theory. From there we discuss the theory's implications for spending in India. Subsequent to that, we present our main empirical results as well as those from various robustness checks. The final section concludes the paper by discussing the implications of our research for future research on government spending, party systems, and voter turnout.

2. Theory

Why do some governments prioritize policies that are welfare-improving for many citizens while others concentrate state resources on improving the lot of only a few individuals? The most parsimonious answer is that leaders pick the strategies that best enable them to retain power. This statement leaves unanswered all the interesting questions however, and scholars have endeavored to explain the specific factors that determine equilibrium budgetary allocations. Institutional factors have taken an

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