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Caste, corruption and political competition in India

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ABSTRACT

Voters in India are often perceived as being biased in favor of parties that claim to represent their caste. We incorporate this *caste bias* into voter preferences and examine its influence on the distributive policies and corruption practices of the two major political parties in the North Indian state of Uttar Pradesh (U.P.). We begin with a simple two-party, two-caste model to show that caste bias causes political parties to diverge in their policy platforms and has ambiguous effects on corruption. We then develop the model to make it correspond more closely to political reality by incorporating class-based redistributive policies. We use survey data from U.P. that we collected in 2008–2009 to calibrate voter preferences and other model parameters. We then numerically solve for the model's equilibria, and conduct a counterfactual analysis to estimate policies in the absence of caste bias. Our model predicts that the Bahujan Samaj Party (BSP), which was in power at the time of our survey, would be significantly less corrupt in a world without caste-based preferences.

1. Introduction

Politics in India are intensely competitive. In the 48 elections held in major Indian states between 1989 and 1999, only one-quarter of sitting governments were re-elected (Kumar, 2004). In many of these states, such as Uttar Pradesh in the North and Tamil Nadu in the South, regional parties based on specific linguistic or ethnic identities have emerged. These parties now dominate politics at the state level, alternating power after each election. At the national level, only about half the seats in parliament are retained by incumbents, and many sitting M.P.s are not re-nominated in successive elections.[1]

It is difficult to reconcile this competition with two other well-known features of Indian politics, namely, rampant corruption and group-based voting. Political parties are regarded as among the most corrupt of all state institutions and a fight against corruption is now at the center of a mass-movement. According to the Global Corruption Barometer Survey of 2013 by Transparency International, more than half of the 1025 Indian respondents reported having paid a bribe in the past year.[2] These coincident patterns are puzzling. Why do politicians not steal less and offer more to voters to win favor with the electorate? On the other hand, if social identities determine voting behavior, what limits the degree of corruption that parties engage in?

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[1] These facts are based on data downloaded from the website of the Election Commission of India (eci.nic.in).
[2] The Transparency International 2013 report is available at http://www.transparency.org.

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We propose a model that addresses these questions in the Indian political system. Central to our model is some degree of "caste bias" in voter preferences. By this we mean that citizens have a preference to vote for the party that they see as best representing their caste, independent of the policy that the party is proposing. Such bias has been widely observed in voter behavior, and respondents in election surveys easily associate caste groups with particular parities. [3] The difficulty in explaining electoral outcomes based on such identity politics lies in understanding how parties garner votes from outside their caste base, a question we focus upon here.

We first present a stylized 2-party 2-group model in which each of two groups of voters has a bias in favor of one of two parties. Each party decides its level of corruption, which is simply the fraction of the budget that does not get distributed to the electorate. The total budget available to each party is directly proportional to its vote share. We characterize conditions under which a unique (local) Nash equilibrium exists and we show that the equilibrium involves policy divergence in that parties choose different levels of corruption. Relative to a world with no caste bias, corruption is higher for the party favored in the aggregate by caste bias, and lower for the other party. With probabilistic voting a la Lindbeck and Weibull (1987), caste-based preferences therefore have ambiguous effects on corruption.

The fact that the effects of caste bias are ambiguous raises an empirical question: What is the effect of caste bias on the corruption of a particular political party? To answer this question, we proceed to develop our stylized model in a number of ways to make it better correspond to Indian political reality. We focus on state level politics in the northern state of Uttar Pradesh (U.P.), where we collected survey data in 2008–2009. Voters in our model now have both a caste identity and belong to one of three income classes: rich, middle or poor. Parties choose their level of corruption and decide how to distribute the remaining pie across these three classes. Constitutional restrictions make it difficult for the state to target resources directly to castes, yet most policies have direct implications for caste-wise welfare because of the correlation between caste and class. Class-based policies therefore determine the average transfer each caste group receives from each party.

We begin by using our survey data to estimate the bias of each caste towards each of the four major parties contesting elections in U.P. in recent years. Two of these, the Indian National Congress (INC) and the Bharatiya Janata Party (BJP), are national-level parties, and we assume that their policies are determined exogenously at the national level. We estimate the parties' policies using responses to questions in our survey which asked voters how each party distributes benefits across the different classes. Although the contest for power in U.P. has been four-cornered since the 1990s, the battle in state-level elections was increasingly between the two regional parties, the Bahujan Samaj Party (BSP) and the Samajwadi Party (SP), who won absolute majorities in the U.P. State Assembly elections in 2007 and 2012, respectively. We model our political game by allowing these two parties to choose policies strategically.

With a multi-dimensional policy space, it is well-known that Downsian equilibria do not generically exist. Thus, following Roemer (1999, 2001), we use party unanimity Nash Equilibrium (PUNE) as our equilibrium concept and characterize the set of such equilibria, each of which gives us the level of corruption and class-based distribution policies for each of our two strategic parties. We then perform a counterfactual analysis and ask how policies would change if all caste bias were eliminated. We do this through a comparative statics exercise for equilibria closest to the observed policies in U.P. We find that the BSP, which was in power at the time of our survey, would have much lower levels of corruption in the absence of any caste bias, while the corruption level of its principal rival, the SP, would increase slightly.

Our paper makes both a methodological and an empirical contribution to the literature on multi-dimensional policy choice in competitive political environments such as India. It is closely related to concurrent papers by Banerjee and Pande (2011) and Vaishnav (2012). Banerjee and Pande (2011) show that ethnic bias leads to the selection of lower quality politicians. They find that the winner from a geographic constituency in U.P. that is biased in favor of the winner's party (as measured by the party being pro-majority in its ethnic affiliation) is more likely to have a criminal record than the winner from the same party in a less biased jurisdiction. Vaishnav (2012) argues that in political jurisdictions reserved for particular castes, caste divisions are less salient, and thus it is less likely that parties put up candidates with a criminal background. While these papers complement our work, our approach is different in that we allow parties to use redistributive policies to win over voters from castes that they do not traditionally represent. We believe this is a sensible modeling choice since, close to the period of our study, the BSP, which is identified as the party of the "Scheduled Castes," rose to power even though these castes form only 21% of the state's population. The BSP's victory in the State Assembly elections of 2007 was possible because it won the support of many "General Caste" voters, in particular Brahmins, through its proposed policies.[4]

The rest of this paper is organized as follows. Section 2 provides some background to U.P. politics and links trends in the state to national re-alignments and the rising salience of caste in public life. Section 3 develops the simple analytical model that motivates our research question, and provides some insight to our approach. Section 4 describes the data that we use in our estimation. Section 5 introduces the model that we use for the simulations. Section 6 calibrates this model to the factual data presented in Section 4. Section 7 computes the equilibria of the factual model with caste bias. Section 8 presents the main counterfactual analysis, where we compute equilibria in a world without caste bias and compare them to the equilibria in the factual world with caste bias. We conclude the paper in Section 9 with a critical discussion of the assumptions of our model.

[3] (see our Table 2 in Section 4).

[4] See "Brahmin Vote Helps Party of Low Caste Win in India" (May 12, 2007, *New York Times*).