

Electoral Competition and Candidate Wealth in India

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Abstract

Political parties competing in developing countries are faced with the challenge of financing their operations in a polity with few legitimate sources of funding. One source of funding is wealthy candidates: parties can give their nominations to individuals who can finance their own election expenses. This raises the question of whether or not parties disproportionately nominate wealthy individuals into party strongholds (and thus shielding them from political competition) or into competitive elections (where they face a high degree of electoral scrutiny). If parties are solely concerned with maximizing the number of seats they win in an election, and if campaign spending correlates with electoral success, then parties will nominate their wealthiest candidates into the most competitive seats. In my examination of India, I find that parties do not nominate their wealthiest candidates into the most competitive seats; instead I find that parties nominate them into their safest seats. This paper contributes to our understanding of the candidate nomination logic of parties, and hence allows us to better understand the impact of electoral competition on the qualities of the candidates they nominate.

1 Introduction

One of the most important decisions many parties face is who to nominate as electoral candidates. Understanding the logic underlying this process is important for two reasons. First, it helps us understand what candidate attributes parties value and the type of electoral strategies they might use during elections. Second, electoral candidates that win go onto become members of the legislative or executive branch of government, thus giving them the ability to impact the wellbeing of citizens on a wide scale. Parties' candidates today will be the political class of a polity tomorrow.

The topic of the type of politicians in democracies has received scholarly attention as evidenced in the burgeoning literature on: hereditary politicians (Chhibber, 2011; Smith, 2012) celebrity politicians (Reeves, N.d.), businessmen politicians (Della Porta and Vannucci, 1999; Gehlbach, Sonin and Zhuravskaya, 2010) and criminal politicians.¹ Understanding why parties nominate each of these candidate types requires us to understand why and how they nominate candidates in general. What do parties look for in prospective candidates? What role do candidates play during elections and within the party itself? What goals do parties have and how do they pursue them?

In this paper I test a theory of candidate selection on the nomination of wealthy candidates in India. I argue that parties evaluate potential candidates on two dimensions: (1) The degree to which they help them win a specific seat; and (2) the degree to which they help parties further build their organizational capacity. After parties have evaluated candidates on these two dimensions, they then decide whether or not to nominate candidates into competitive of safe elections. If a given candidate is especially skilled at generating votes, then parties will nominate him or her into a competitive constituency.² If a given candidate is especially

¹In March 2002 the Supreme Court of India ruled that all candidates running for public office must file affidavits with the Election Commission of India and disclose, publicly, whether they have ever been charged with committing a crime; the statute number they are accused of violating; and the value of their financial assets and liabilities. The release of these data has catalyzed a research agenda devoted to understanding why candidates with criminal records are present in India (Paul, Samuel, Vivekananda, 2004; Aidt, Golden and Tiwari, 2011; Vaishnav, 2011*b*; Dutta and Gupta, 2012; Tiwari, 2014).

²In India, electoral districts are referred to as constituencies. For the sake of consistency, and given that

skilled at helping parties build their organization, then parties will nominate him or her into a safe constituency.

I hypothesize that wealthy candidates are primarily skilled at helping parties build their organizations for the following reasons: (1) Parties might be able to redistribute some of a candidate's wealth for other purposes, if they can agree to an equitable contract; (2) Candidate wealth might be correlated with other skills and resources, such as connections to a wealthy donor network; (3) Candidate wealth might be correlated with political skill and seniority, as is the case in India (Bhavnani, 2012; Fisman, Schulz and Vig, N.d.). Parties are thus more likely to nominate their wealthiest candidates into their safest seats; I expect there to be a positive correlation between how well a party performed in its prior election and the wealth of its candidates in the current election.

I examine the decision of parties to nominate wealthy candidates into safe or competitive electoral constituencies by analyzing state level election data in India between 2003 and 2007, in conjunction with information about candidates' wealth found in their candidate disclosure affidavits. I find that there is a positive correlation between how well a party performs in their prior election and the wealth of the candidate they nominate in the current election. I also find that parties that nominate wealthy candidates are more likely to win their elections, but that this advantage is relatively small compared to the electoral advantage parties realize from nominating criminal candidates (Tiwari, 2014).

This paper proceeds as follows. Section 2 presents the central theory of this paper arguing that parties will nominate candidates with a comparative advantage in generating votes into competitive seats, while nominating candidates with a comparative advantage in party building into safe seats. Section 3 examines India's institutional environment and how it influences parties' decision on what type of candidate to nominate. Section 4 briefly reviews the candidate nomination process in India and argues that the nomination process is top down; party leaders decide whom to nominate in elections and thus the final slate of candi-

this paper focuses on India, I use the term constituency to refer to electoral districts.

dates reflects their preferences. Section 5 presents the hypothesis of this paper, namely that parties will nominate their wealthier candidates into safer seats. Sections 6 and 7 present the data and their empirical analysis, respectively, and finds that there is a positive correlation between how well a party performed in its prior election and its candidates' wealth. Section 8 presents concluding thoughts.

2 The Theory

Political parties are complicated organizations that engage in a variety of activities to pursue their goal of winning elections.³ Parties can court voters and win elections using a variety of techniques. They could use their position in government and appeal to voters on the basis of their ability to deliver programmatic policy benefits to voters, or instead opt to engage in non-programmatic policy making and distribute rents and policy favors to specific and narrow interest groups (Stokes, Susan C et al., 2013). Moving away from the halls of government, parties could also court voters by establishing a reputation for constituency service (Fenno, 1978; Cain, Ferejohn and Fiorina, 1987); and during elections by mobilizing voters using licit (advertisements, rallies, door to door canvassing etc.) or illicit (vote buying, clientelism, voter intimidation) means (Nichter, 2008; Aidt, Golden and Tiwari, 2011; Stokes, Susan C et al., 2013). Successfully undertaking any one of these strategies requires resources and the appropriate personnel to execute them.

Electoral candidates can help parties pursue these strategies and win elections for two reasons. First, candidates can contribute resources and personal effort toward helping the party reach voters through their actions in government (if they win office) and the electorate. These activities include, but are not limited to: helping parties formulate and execute pro-

³Scholars differ on how they characterize the goal, or goals, parties pursue. For example, Downs (1957) views parties as organizations solely interested in maximizing the number of votes they win in order to win elections while Strøm and Müller (1999) argue that parties pursue multiple goals and make tradeoffs with respect to winning office, maximizing votes, and enacting policies. In this paper, I assume parties are office seeking entities that can achieve those goals using a variety of strategies. Incorporating other party goals would serve to complicate the argument but not derail its basic point: some electoral candidates are better than others in helping parties pursue a given strategy or goal.

grammatic policies; target and cement clientelistic deals with interest groups and voters; and engage in constituency service. Second, candidates are the public face of the party during elections and are charged with campaigning on behalf of the party; though they often campaign for the sake of their own electoral prospects. Whether or not candidates highlight their party or their own achievements is conditioned by the political and electoral institutions present in a polity (Carey and Shugart, 1995).

Candidates can thus help parties win elections by: (1) Contributing effort and resources toward helping the party organization collectively deliver benefits to voters via the policy making process or the party machinery itself; and (2) Contributing effort and resources toward courting and mobilizing voters within their own electoral constituency. I theorize that parties evaluate candidates on the basis their party building attributes, and their personal vote generating attributes. The ultimate decision on whom to nominate in an election boils down to whether or not a party realizes a greater utility from nominating a vote generating candidate or a party building candidate, which in turn is partially a function of the efficacy of pursuing party-centric or candidate-centric strategies to win elections.

I now focus on the decision of a party to nominate a given candidate into a safe seat, one where they expect to win relatively easily, and a competitive seat, where the outcome is much less certain. It is important to note that the benefit parties stand to realize from nominating a given candidate is conditional on how competitive an election is. When elections are very close, the relative value of vote generating candidates for parties is at its highest because nominating one may spell the difference between winning and losing. When elections are not very close, the relative value of vote generating candidates is smaller because it is unlikely that their nomination will change the election's outcome. Vote generating candidates are thus more valuable when elections are competitive, while party building candidates are more valuable when elections are uncompetitive.

Given that candidates can help parties in two ways, note that it is possible that parties could nominate a candidate even if he or she is a liability on one of the dimensions parties

care about. Suppose parties place a great deal of importance on winning a given seat, then the premium they place on a candidate's vote generating attributes could be so great that they are willing to tolerate nominating a candidate that harms their party's brand. Correspondingly, if parties believe that a given candidate is especially invaluable for building their organizations, then they could be willing to nominate him or her even if doing so reduces their constituency level vote share. In this case parties would seek out a safe constituency, one where they expect to win by a wide margin, for the candidate.

To summarize, I theorize that parties nominate candidates using the following logic: First, parties determine how many seats they can win on the basis of the strength of their brand; second, parties evaluate candidates based on their personal vote generating attributes and party building attributes; third, parties determine which constituencies are competitive and which ones are safe; fourth, if a constituency is competitive, then a party will nominate a candidate with a comparative advantage in generating votes; if a constituency is safe, then a party will nominate a candidate with a comparative advantage in party building.

3 Institutions in India

In the previous section I argued that parties nominate candidates based on their personal vote generating attributes and their party building attributes. The value parties place on each of these attributes is partially conditioned by a polity's institutional environment and party system. In this section, I argue that India's institutional environment presents parties with conflicting incentives on whether to pursue vote generating candidates or party building candidates; and parties in India have a high demand for quality candidates and their resources given the competitive and fragmented nature of its party system.

3.1 Political and Electoral Institutions

India is a federal parliamentary democracy using a First Past the Post (FPTP) electoral rule at both the state and federal levels of government. The national parliament is bicameral: the first chamber is called the Lok Sabha and the second chamber is called the Rajya Sabha. The Lok Sabha is a popularly elected body with a maximum term length of five years. Members of the Rajya Sabha are indirectly elected by the state legislatures for a six year term.⁴ The Prime Minister of India is the head of government and requires the support of a majority of the Lok Sabha. As is the case in most parliamentary democracies, the Lok Sabha may call for a vote of no confidence (or “trust vote” as it is called in India), and the Prime Minister has the power to dissolve the Lok Sabha and call for early elections.⁵

At the state level, the head of government is called the Chief Minister (analogous to the Prime Minister) who also must be able to demonstrate that she has the support of a majority of the popularly elected state legislative assembly (Vidhan Sabha). These assemblies are elected for a maximum of five years before new elections are to take place, but elections may be called earlier if the Chief Minister initiates a new round of elections or if she fails to demonstrate that she has the confidence of the legislative majority.⁶

The institutional environment in India presents parties conflicting incentives regarding the type of candidate to nominate in elections. On the one hand, a parliamentary form of government privileges cohesive parties that can efficiently and effectively win elections. This is because the incentives of individual Members of Parliament (MP) are aligned with that of the party as a whole: to win enough seats in order to be a part of the parliamentary majority and control the government. In principle, MPs belonging to parties that are not in the majority are essentially shut out of government and the policy making process, thus

⁴Each member of the Rajya Sabha is elected for six years, but a third of the Rajya Sabha is elected every two years. State legislatures elect their state’s representatives via the Single Transferable Vote.

⁵Strictly speaking, the power to dissolve the Lok Sabha lies with the President of India (the largely ceremonial Head of State) on the advice of the Prime Minister. As a practical matter all dissolution requests by the Prime Minister are honored by the President. The President is elected for a five year term by an electoral college consisting of the Lok Sabha and state legislatures.

⁶Dissolution powers are vested with the Governor of the state who is appointed by the President of India for fixed five year terms. State governments are dissolved by the Governor on the advice of the Chief Minister.

giving her little means to gain any sort of benefit from her office. As a result, party members in parliamentary democracies have an incentive to delegate a great deal of authority to party leaders — authority that allows these leaders to focus on party building efforts and enforcing party discipline (Diermeier and Feddersen, 1998; Shugart, 1998; Carey, 2007). These leaders, in turn, have an incentive to recruit like minded members to the party; loyal individuals willing to toe the party line.

On the other hand, the FPTP electoral rule gives candidates an incentive to cultivate the personal vote (Carey and Shugart, 1995). Candidates contesting elections under these rules, where the candidate with most votes in an electoral constituency wins the election, can either highlight his party or highlight his own personal traits and characteristics. In cases where a candidate's party is unpopular, a candidate may find it rational to highlight his own personal reputation at the expense of the party's. While such candidates may be more reluctant to toe the party line, party leaders — particularly those whose parties do not have a credible reputation for delivering policy related benefits to voters— may be tempted to nominate candidates that have cultivated a personal vote. In other words, the institutional environment in India presents incentives for elections to be party-centric or candidate centric. The type of elections influences the type of candidates parties prefer to nominate: those skilled at building the party label or those skilled at winning elections.

3.2 Party System

India's party system has witnessed a whole scale transformation from one dominated by a single party to a fragmented party system where coalition government tends to be the rule, rather than the exception. In the period immediately following independence, the Indian National Congress (Congress Party or INC) was the dominant political force in India. Between 1952 and 1977, the Congress Party won nearly every national election and the overwhelming majority of state elections. The Congress Party consolidated their power by forming patron-client relationships with regional elites, rewarding them with patronage in

exchange for the political support of poor voters under their sway (Kothari, 1964; Chhibber, 2001). In conjunction with using regional elites, the Congress party also relied on “vote banks” (organizations that engaged in vote buying and intimidation) which often relied on illicit and coercive means to realize votes (Breeding, 2011).

As the Congress Party’s dominant position eroded, the party system at large began to fragment as well. Regional and caste based parties began to play a larger role in politics, and the Bharatiya Janata Party (BJP) became the Congress’s new national level rival. This trend began in the 1970s but accelerated sharply in the early 1990s after the implementation of economic reforms and aggressive, caste-centric, affirmative action policies (Chhibber, 2001). Thus, while the early era of Indian politics was marked by single party rule at both the central and most state level governments, the 1990s saw the rise of coalition governments nearly everywhere.

This increase in political competition was not accompanied by a strengthening of party organizations (Kohli, 2009; Chhibber, Jensenius and Suryanarayan, 2012). To the contrary, political parties in India revolved around charismatic leaders, lacked internal democracy, and lacked the capacity to formulate policies and recruit quality candidates (Hasan, 2010). As a result, parties had the ability to directly appeal to voters during elections but lacked the capacity to make credible programmatic promises. Instead, they relied on clientelism (Wilkinson, 2007), vote banks (Breeding, 2011), and the use of sectarian cues (Wilkinson, 2006; Chandra, 2004) to win elections. The twin result of these dynamics was an increase in the competitiveness and cost of elections and to what Atul Kohli describes as the “deinstitutionalization” of the party system in India (Kohli, 2009). It is against this backdrop that parties have a demand for the resources both criminal and wealthy candidates possess.

4 Party Nomination and Finance

Due to the opaque and secretive nature of the inner workings of parties, little is known about how parties operate.⁷ Hasan (2010) describes parties in India as being largely autocratic entities whose operations revolve around charismatic leaders. The autocratic nature of parties — and in particular with regards to the nomination of candidates and allocation of party leadership posts — has resulted in party splits and the creation of new parties (Chandra, 2004). These dynamics do little to quell the fragmentation of the party system nor does it contribute to its institutionalization at large.

Two party functions that bear directly on this paper concern the financing of party operations and the nomination of candidates. The former determines the degree to which parties have a demand for money and moneyed candidates, while the latter determines how parties recruit and nominate them. In cases where a party’s demand for financing is especially acute, parties may seek candidates that can finance their own elections. Correspondingly, if parties are well financed, then they may place a greater priority on candidates that can serve other political purposes. How parties finance themselves shapes their demand for moneyed and criminal candidates; the political logic driving their nomination process shapes whether or not these candidates are nominated.

4.1 Party Financing

Contesting elections in India is expensive. According to the Election Commission of India, parties spent an average of 70-100 million Rupees (then 2 million U.S. dollars) to win a seat in the 2009 elections (Merchant, 2011; Gowda and Sridharan, 2012). The sheer magnitude of these costs, coupled with the fact that elections themselves have become very competitive,

⁷There is little systematic knowledge regarding precisely how parties nominate candidates, owing to the fact that India lacks primary elections and parties operate more or less as black boxes. An exception to this trend is found in Farooqui and Sridharan (2014); these authors interviewed party leaders and other notables from the Indian National Congress (Congress Party), the Bharatiya Janata Party (BJP), the Communist Party of India (Marxist) (CPI(M)), the Bahujan Samaj Party (BSP), and the Samajwadi Party (SP) about the candidate nomination process used in the 2004 and 2009 national elections.

has increased the pressure parties face to raise money for elections and other party building activities. Where does this money come from?

Parties have traditionally raised money from membership dues and private financing (Sridharan, 1999; Gowda and Sridharan, 2012). The latter, it should be noted, is often from wealthy individuals who are evading taxes and looking for political favors. The concern over the presence of “black money” — income that is not taxed or generated via illicit means — has been so high that it has spawned several government investigations and reforms.⁸ Though the entire history of campaign finance reform efforts in India is not the focus of this paper, it is important to note that complicated campaign finance laws, a byzantine income tax regime, and increasing election expenses has created a dynamic where “black money” is funneled by wealthy elites into elections. Parties have a high demand for financing because there are few legitimate sources for money; and wealthy individuals have a supply of untaxed and illicit income waiting to be used for other purposes.

Parties in power are at a decided advantage compared to those in the opposition with regards to attracting this wealth. Ruling parties at both the federal and state levels of government are in a position to sell policy favors to moneyed interests (Sridharan, 1999; Kochanek, 2010; Gowda and Sridharan, 2012). This behavior was especially common during the “permit quota license raj” era of India when the Congress Party was dominant; wealthy elites and those representing corporate interests would often “purchase” permits and licenses from a state that wielded enormous influence over the economy. The economic reforms of the late 1980s reduced the presence of the state in the economy to a large extent, but the basic contours of this rent-seeking arrangement remain unchanged (Gowda and Sridharan, 2012).

Realizing these aforementioned rents required parties to be in government. As political competition became more and more fragmented and competitive, the likelihood that a given party could reliably be in office declined as well. This increase in political uncertainty meant that parties are under pressure to raise money from sources that are not dependent on ruling

⁸Please refer to Section II in (Gowda and Sridharan, 2012) for an overview about the evolution of party election financing in India.

the state. One such source of financing comes from individual candidates; parties seek out candidates that can fund their own election expenses (Vaishnav, 2011*a*). Candidates are willing to undertake the expense of running for office in order to access the rent-extracting opportunities that are present to elected representatives including the ability to direct patronage to supporters (Chandra, 2004), and using their position in public office to access money from the private sector such as the construction industry (Kapur and Vaishnav, 2011) and sugar industry in Maharashtra (Sukhtankar, 2012). In the most extreme case, parties may simply sell their nomination to electoral candidates (Farooqui and Sridharan, 2014).

Parties have a demand for quality candidates, but how do they nominate them? Do party leaders have sole discretion on whom to nominate? Do they face any restrictions? The ability to infer why parties nominate certain types of candidates rests on the idea that the distribution of candidates polity-wide reflects the preferences of party leaders, which in turn, reflects the type of value candidates can bring to parties.

If party leaders do not have the final say over the candidate nomination, then the distribution of candidates no longer reflects the preferences of party leaders. Instead, it now incorporates the preferences and bargaining power of other agents. In India the candidate nomination process is centralized; for all major parties, the final decision on whom to nominate lies with the central leadership even if local party officials have a voice on whom to nominate in a constituency (Farooqui and Sridharan, 2014). Furthermore, there is no geographic residency requirement, so parties are free to nominate candidates into a constituency even if they do not reside there.⁹ Finally, being an incumbent does not guarantee that a candidate will retain that seat in the next elections as parties routinely drop incumbents as candidates (Farooqui and Sridharan, 2014). Combined, these factors suggest that party leaders have the authority to nominate whatever candidate they see fit, and to create a slate of candidates which maximizes the benefits the party realizes as a whole.

When nominating candidates, the most important candidate attribute is “winnability”

⁹In the 2014 national elections, the presumptive Prime Ministerial candidates for the Aam Aadmi Party, the BJP, and the Congress Party all contested elections in constituencies they did not reside in.

— the ability of a candidate to garner enough votes and win (Farooqui and Sridharan, 2014). Depending on the region of India an election is being contested in, and the party in question, the winnability of a candidate is highly correlated with caste. Parties carefully examine the caste composition and alliance structure of an electoral constituency and then choose a candidate belonging to a numerically and strategically important caste group (Farooqui and Sridharan, 2014).¹⁰ Choosing a candidate wisely on the caste dimension might lead to a party garnering a substantial share of that community’s vote. Another trait associated with “winnability” is money: parties have a high demand for candidates that can finance their own election expenditures (Vaishnav, 2011*a*; Gowda and Sridharan, 2012).

In addition to the winnability dimension parties also care about other candidate traits, though they vary in what they value. Kochanek (1968) argues that Chief Ministers desire candidates that will stay loyal to him or her while the legislature is in session; given the possibility that co-partisans may defect and form splinter groups. Personal and partisan loyalty is most likely still an important attribute given the fact that the head of a party’s organizational division and legislative division are often in conflict with another (Bohlken, 2010) and that party splits and defections are common (Bohlken, 2010).

In addition to ascertaining the personal loyalties of candidates, parties and party leaders also take into consideration the level of loyalty candidates have demonstrated toward the party as a whole. The Communist Party of India (Marxist), for example, evaluates prospective candidates based on the amount of party work they have done: party members that have invested effort in building the party organization are more likely to be nominated. The BJP, on the other hand, is known to give preference to party members that have demonstrated loyalty toward Hindu nationalism and its associated politics (Farooqui and Sridharan, 2014).

To summarize, I argue that parties in India care about two types of candidate attributes. The first is related to constituency level concerns centering on whether or not nominating a

¹⁰Though caste is an important consideration, it is not the case that explicitly caste-centric parties like the BSP or the SP only nominate candidates belonging to their core constituency group. It is quite common for these parties to choose candidate that belong to a swing caste or identity group such as a Muslim, Brahmin, etc.

candidate enhances their electoral prospects in a constituency. The second type of attribute is a residual category consisting of concerns that are orthogonal to a party's electoral prospects in a constituency. These concerns relate to the degree to which a candidate can serve the other interests of a party or party leaders. Some of these considerations are directly related to loyalty to a party's platform; to party building (the Communist Parties); to maximizing the number of seats a party wins in an election (caste-balance of the SP and the BSP); and personal loyalty to party leadership. Given that it is possible that these two considerations could come in to conflict — a winnable candidate might not be a loyal one — parties have to balance these competing dimensions when choosing a candidate.

5 Hypotheses

The central premise of this paper is that parties nominate vote generating candidates into competitive constituencies while nominating party building candidates into safe constituencies. The question then becomes: Are wealthy candidates primarily skilled at generating votes, or are they primarily skilled at helping parties build their organizations? On the one hand, we might think that candidates' wealth could be useful to generate votes, especially given the importance of money in electoral campaigns in India.

On the other hand, wealthy candidates might have a comparative advantage in building a party's capacity for three reasons. First, winning elections might require more than just money; other skills such as having the ability to mobilize voters, organize rallies, engage in clientelistic exchanges, or engage in illicit campaigning strategies might also be required to win elections. Unless wealthy candidates are more likely to possess these qualities, their wealth alone is no guarantee that they are skilled at generating votes. Second, wealthy candidates might differ from non-wealthy candidates in unobserved ways. In particular, it is possible that these candidates also have access to greater wealth due to their connections in the private sector; such connections might become a valuable source for parties for money.

Third, and related to the second, wealthy candidates might also be more likely to be party leaders. In India, party leaders tend to realize greater gains in wealth from holding office than ordinary members (Bhavnani, 2012; Fisman, Schulz and Vig, N.d.) and thus they might also be wealthier.

Given these possibilities, I hypothesize:

H1: Parties are more likely to nominate their wealthier candidates into safer seats.

6 Data

In order to examine the relationship between electoral competitiveness and the wealth of a party's candidate, I analyze data from a variety of sources. For the dependent variable, candidates' wealth, I use data from the self-reported affidavits submitted by all candidates for public office in India. Copies of the original candidate affidavits are posted online at the Election Commission of India's website.¹¹ These data are digitized and posted online by the NGOs the Liberty Institute of India, and the Association for Democratic Reforms¹² The data used in this paper were made available in a dataset by Milan Vaishnav (Vaishnav, 2011*b*).

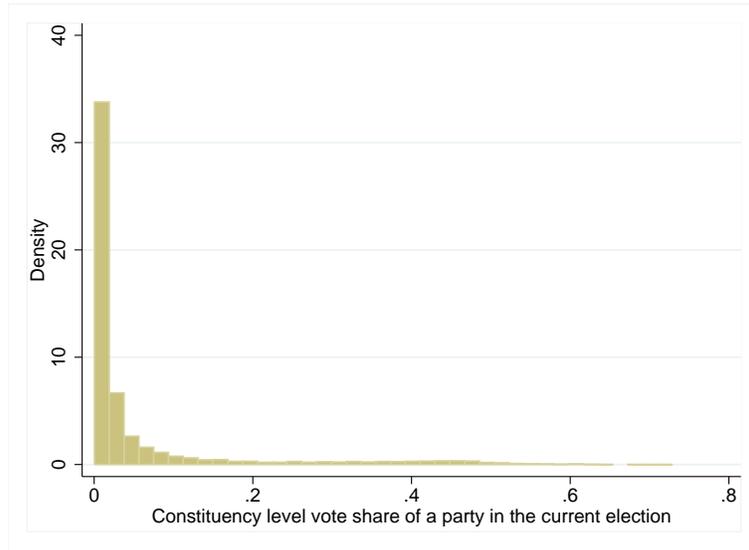
For the independent variables related to the electoral competitiveness of parties, I use state level electoral data for elections that took place between 2003 and 2007. These data are also posted online at the Election Commission of India's website. I choose 2003 as my starting point because data candidate affidavit data only became available that year; I use 2007 as my ending point because new electoral constituencies were delimited in 2008 across all Indian states. Because I proxy for a party's competitiveness with its prior electoral performance in a constituency, the creation of new electoral boundaries makes it difficult to create this variable for elections taking place after 2007. These data cover 22 elections across 22 states and 3,300

¹¹The Election Commission of India posts scanned copies of candidate affidavits and election results on its website at <http://eci.nic.in/>.

¹²The Liberty Institute of India posts information from candidate affidavits online. These affidavit data may be accessed for each individual candidate or via an on-line query. <http://www.empoweringindia.org/new/home.aspx>. The Association for Democratic Reforms also publishes summary reports of candidate characteristics after every election in India at <http://adrindia.org>.

constituencies, for a total of roughly 18,000 party-constituency observations. Note, that for roughly 8,000 observations, I cannot calculate their prior electoral performance because these parties did not compete in the same constituency in the prior election. These new entrants tend to be small fringe parties that garnered an average vote share of 5 percentage points (Figure 1).

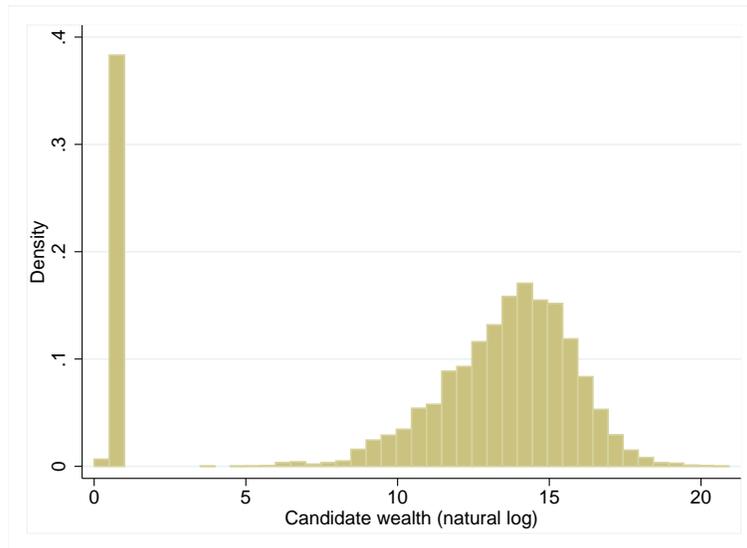
Figure 1: Distribution of constituency level vote-share of parties competing in an election for the first time. State level elections in India between 2003 and 2007.



6.1 Dependent Variables

My dependent variable of interest is the value of a candidate's financial assets. *Candidate wealth* is the natural log of the value of a candidate's financial assets. As seen in Figure 2, the natural log of candidate wealth seems to be normally distributed, with the exception of a group of outliers near zero: approximately 13 percent of all candidates seemingly possess financial assets that are worth less than 3 Indian Rupees (INR). These observations are dropped from the analysis (Figure 3) bringing the total number of observations in this analysis to 7,771.

Figure 2: Distribution of the natural logged wealth of candidates in state level elections in India between 2003 and 2007.



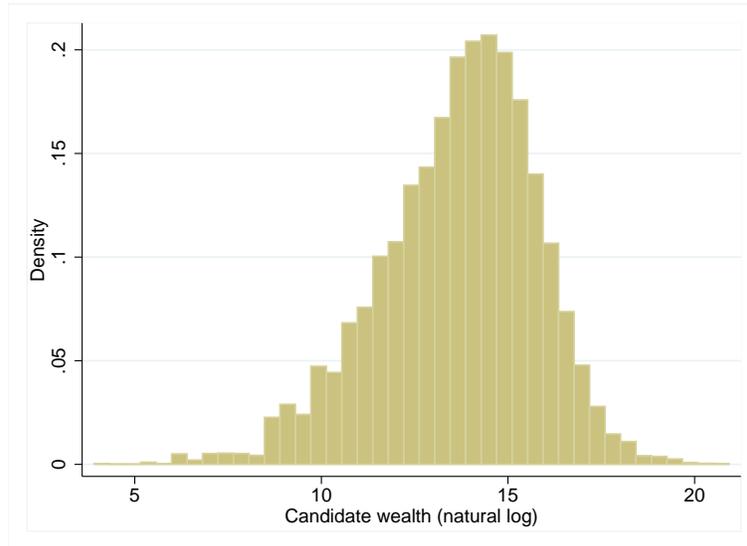
6.2 Independent Variables

The main independent variable(s) of interest pertain to the level of competitiveness a party faces in an election. Because in FPTP systems each electoral constituency has only one winner, electoral competitiveness is usually thought of as an attribute of the electoral constituency. While there are many determinants of what constitutes a competitive seat, the basic idea is that a constituency is considered to be competitive if the incumbent party is at risk of losing its next election.

When there are only two parties contesting an election this characterization of competitiveness is equivalent to the idea that the challenging party has a relatively high likelihood of unseating the incumbent. In multi-party races, however, the definition of competitiveness must consider both the degree to which an incumbent is at risk of losing and the number of challengers that are in a position to win. Here, the concept of competitiveness is a property of both the constituency and of each party that competes in it.

Figure 4 presents a histogram of the margin of victory or defeat of all parties in their prior elections. We can classify parties based on their competitive position: parties that have little chance of winning a seat (Uncompetitive); parties that were within 10 percentage points of

Figure 3: Distribution of the natural logged wealth of candidates in state level elections in India between 2003 and 2007. Outliers Excluded.

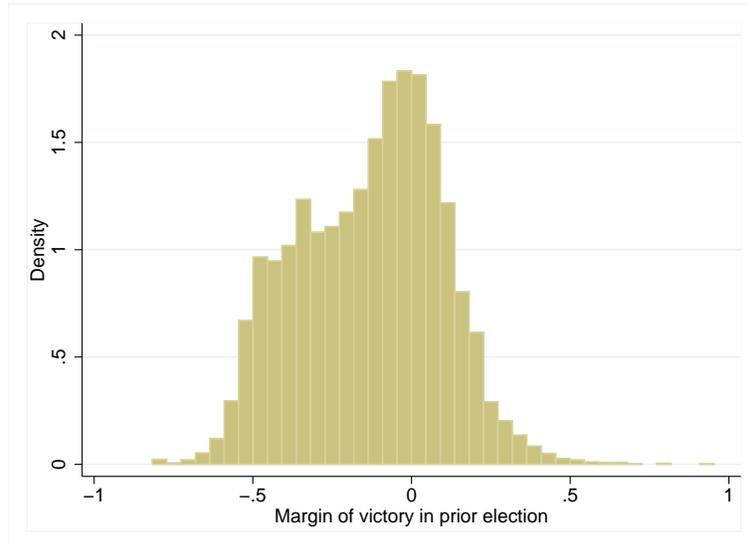


winning their prior election (Near Winners); parties that were within 10 percentage points of losing their prior election (Near Losers); and parties that won their prior election by more than 10 percentage points (Relatively Dominant).

The majority of parties in this sample are uncompetitive (51 percent); 18 percent of parties are classified as near winners; 17 percent of parties are near losers; and only 15 percent of parties are relatively dominant. As seen in Figure 5, there is a positive relationship between how well a party did in their prior election and the average value of their candidates' wealth. Relatively dominant parties nominated the wealthiest candidates with an average natural log value of 15. In real terms, the value of these candidates' wealth is roughly 3,280,000 INR, or 55,000 USD (assuming an exchange rate of 1 USD = 60 INR). Note that the per capita GDP of India is about 1,500 INR, according to the World Bank.

In order to create a continuous measure of the electoral competitiveness of a party, I create three variables. *Prior margin of victory* represents how far (in percentage points) a party was from winning or losing a seat in the prior election; *Incumbent Party* represents parties that won the constituency in the prior election; and the interaction term *IncumbentXPrior margin of victory*.

Figure 4: Distribution of the margin of victory of parties (or defeat) in state level elections in India between 2003 and 2007.



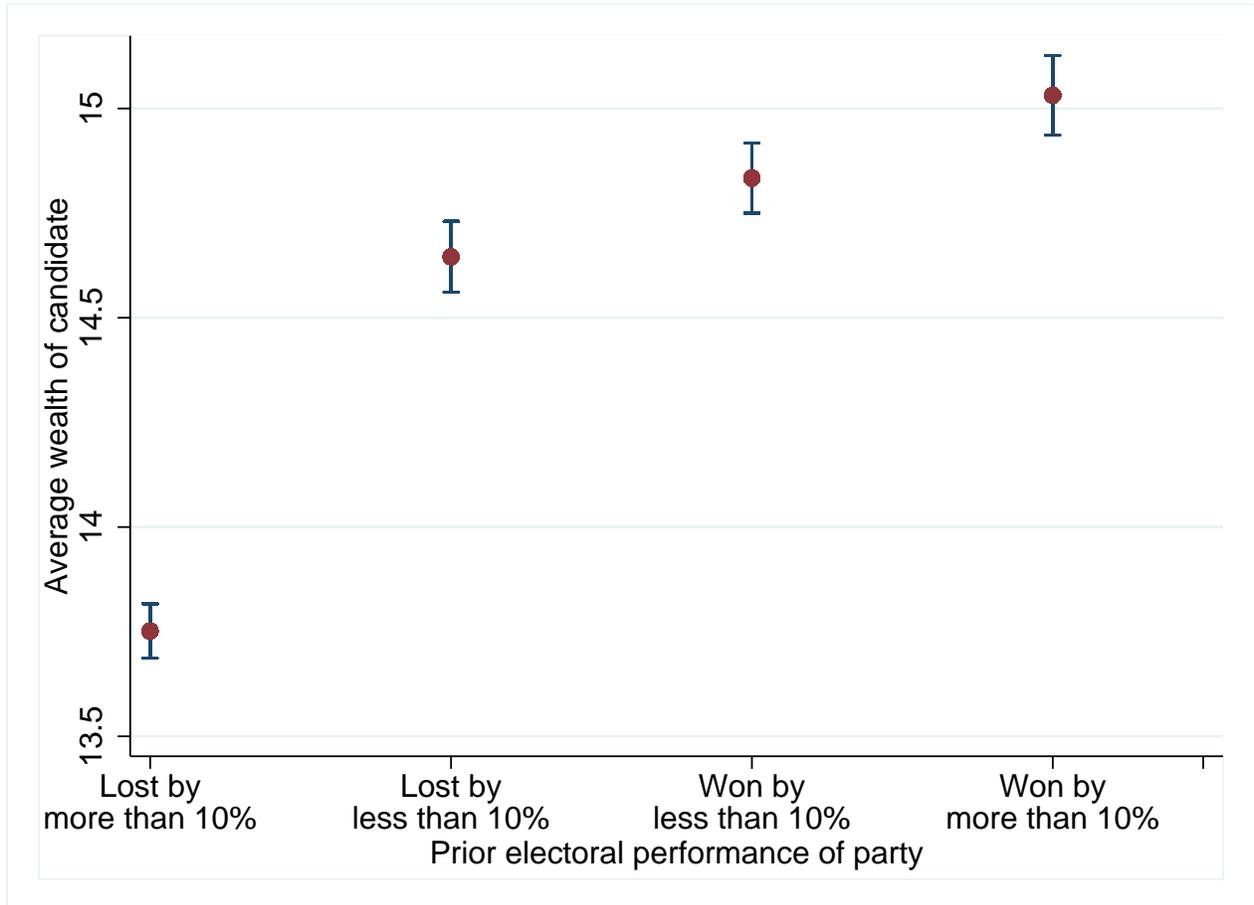
Prior margin of victory measures the percentage point difference a party was from winning or losing a seat in the prior election. For losing parties, this value is calculated by subtracting their vote share from the vote share of the winning party. For parties that won their prior election, I subtract the vote share of the second place party from their vote share. Increasing values of *Prior margin of victory* correspond to parties facing a greater degree of electoral competition if they lost their prior election; for winning parties increasing values of this variable correspond to parties facing a lesser degree of electoral competition.

Incumbent Party is a binary variable taking the value of one if a party won its seat in the prior election and zero otherwise.

IncumbentXPrior margin of victor is an interaction variable that is calculated by multiplying the electoral distance of a party with its incumbency status. Because *Incumbent Party* is dichotomous, *IncumbentXPrior margin of victor* is zero for non-incumbent parties and is positive for incumbent parties. I include this variable to control for the fact that the relationship between competitiveness and candidates' wealth might be asymmetric across incumbent and non-incumbent parties.

Violent criminal charge is a dichotomous variable that denotes whether or not a candidate

Figure 5: Relationship between the prior electoral performance of parties and the wealth of the candidates they nominated. State level elections in India, 2003-2007.



has been charged with committing a violent crime. Vaishnav (2011a) argues that parties nominate criminal candidates because they are wealthier than non-criminal candidates. As such, I expect that there will be a positive coefficient on this variable.

6.3 Control Variables

In these analyses, I control for the demographic characteristics of an electoral constituency. Even though there is no requirement that candidates must be a resident of their constituency, it might be the case that candidates are residents. If so, then it is important to control for the possibility that wealthier constituencies might simply have wealthier candidates. To that end, I include the literacy rate of a district; the percent of a district's population residing in

urban areas; the percent of a district’s population that is a member of a Scheduled Caste or Tribe; and whether or not a constituency is reserved for a member of a Scheduled Caste or Tribe as control variables. Demographic variables are taken from the 2001 Indian Census and their units of analyses are the administrative district. State level electoral constituencies are a perfect subset of administrative districts. The Election Commission of India determines whether or not a constituency is reserved or not.

I predict that parties will nominate wealthier candidates in constituencies that have wealthier residents. Thus, I expect a positive relationship between a district’s literacy rate and percent urban rate. I also expect districts with more citizens belonging to a scheduled caste or tribe, and reserved constituencies to have less wealthy candidates because of the fact that citizens residing in these areas are members of a historically oppressed and economically deprived group.

Table 1: Summary statistics of selected variables pertaining to parties and candidates in state level elections in India between 2003-2007.

	N	Mean	SD	Min	Max
Violent criminal charge	9529	0.10	0.29	0.00	1.00
Candidate wealth (natural log)	7771	14.30	1.92	5.53	20.92
Incumbent party	9529	0.31	0.46	0.00	1.00
Margin of victory in prior election	9529	-0.13	0.23	-0.82	0.95
Seat reserved for member of SC/ST	3347	0.24	0.42	0.00	1.00
Literary rate of district	446	0.55	0.13	0.24	0.85
Percent of population in urban areas	441	0.26	0.21	0.01	1.00
Percent of district pop. member of SC/ST	446	0.28	0.18	0.00	0.98

7 Analysis and Results

I use an Ordinary Least Squares (OLS) model to examine the relationship between a party’s competitive position in an election and the wealth of its candidate in a constituency. The dependent variable is a continuous variable and denotes the natural log of the financial value of a candidate’s assets. I proxy for a party’s competitive position with the variable

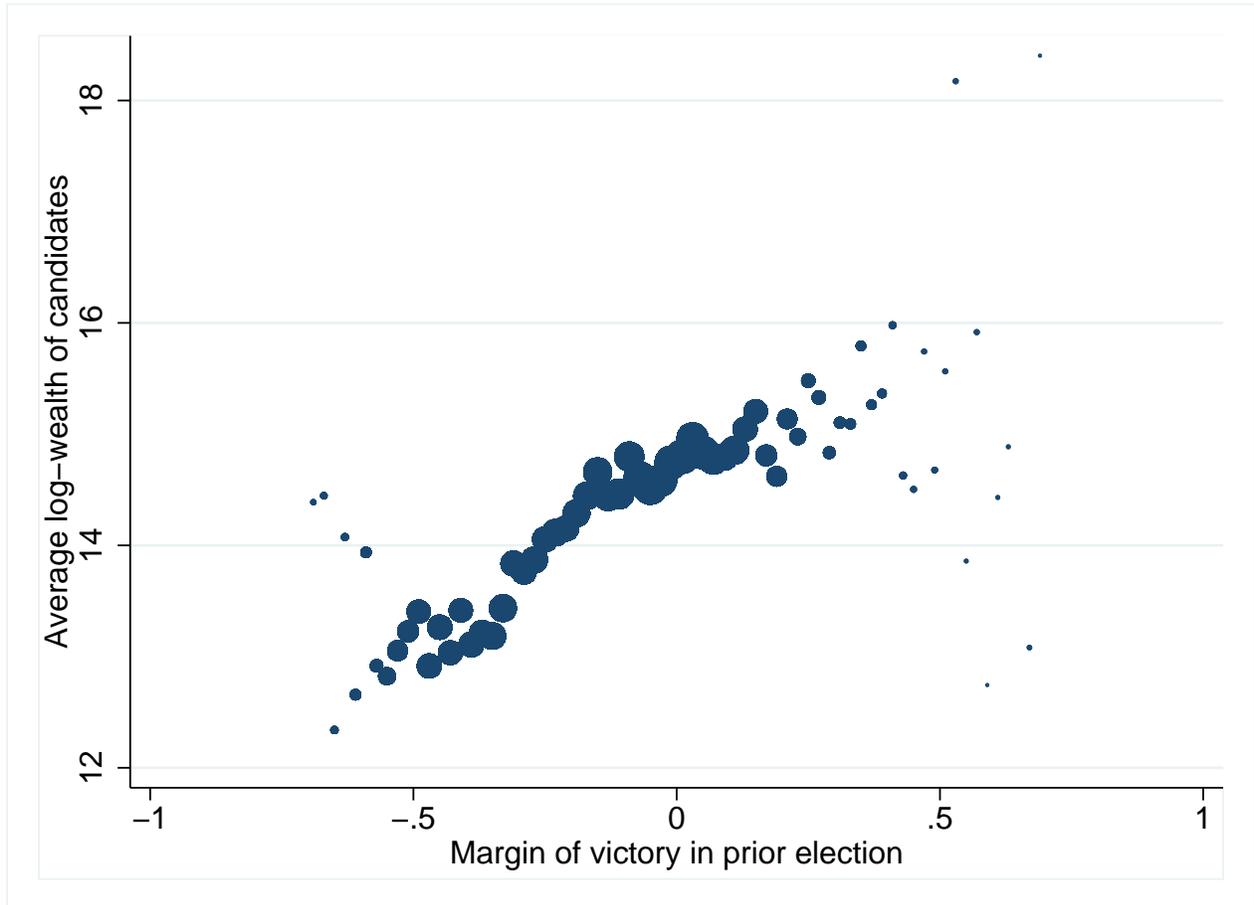
Prior margin of victory which measures the percentage point difference a party was from winning or losing its prior election. I also include the dichotomous variable *Incumbent Party* to control for whether or not a party won its seat in the prior election. In order to test if incumbent parties behave differently than non-incumbent parties with respect to their nomination of criminal candidates, I include an interaction term (*IncumbentXPrior margin of victory*) which is obtained by multiplying the dummy variable for incumbency with a party's electoral distance. In addition, I include demographic control variables, along with party and state level fixed effects.

7.1 Results

Figure 6 is a binned scatter-plot graphing the relationship between the average value of candidates' wealth and the prior electoral performance of the parties that nominated them. Here, the x-axis is divided into discrete bins that have a width of 2 percentage points and corresponds to a party's margin of victory (or defeat) in the prior election. Each dot represents the average value of candidates' wealth (natural log) within that bin, and the size of each dot is proportional to the total number of candidates nominated. If the central hypothesis of this paper is true, that parties will nominate their wealthiest candidates into their safest seats, then I expect there to be a positive relationship between these two variables. As shown here, there is a positive relationship and it appears to be log-linear, though its slope is steeper for non-incumbent parties than incumbent parties.

Table 2 presents the results of an OLS analysis and examines this relationship parametrically. A positive coefficient on the variable, *Margin of victory in prior election*, would indicate that there is a positive relationship between electoral performance and candidate wealth for parties that lost their prior election. The coefficient on the dummy variable, *Incumbent party*, indicates whether or not incumbent parties nominate wealthier candidates; and the coefficient on the interaction variable, *IncumbentX Prior margin of victory*, indicates whether the relationship between competitiveness and candidates' wealth is different for parties that won

Figure 6: Relationship between candidates' wealth and the prior electoral performance of the parties that nominated them. State level elections in India, 2003-2007.



Note: The width of each bin is 2 percentage points. Each dot corresponds to the average wealth of candidates within the bin. The size of each dot is proportional to the number of candidates within the bin.

their prior election than for parties that lost it. If we sum the coefficients of *Margin of victory in prior election* and the interaction term, then we would obtain the relationship between how well a party did in its prior election and its candidates' wealth for incumbent parties. A positive summation implies that as parties won their seats by a wider margin in the prior election, they nominated wealthier candidates in the current election.

Table 2 shows that there is a positive relationship between party performance and candidates' wealth. This effect is statistically significant at the 0.99 level and is robust to the inclusion of party level and state level fixed effects. The incumbency status of parties makes no impact on the wealth of their candidates, and the relationship between party performance

Table 2: Ordinary Least Squares analysis of the relationship between candidates wealth and the prior electoral performance of the party that nominated them. State level election in India, 2003-2007

	(1)	(2)	(3)	(4)
Margin of victory in prior election	3.595*** (0.166)	3.767*** (0.166)	3.642*** (0.157)	2.675*** (0.169)
Incumbent party	-0.0580 (0.0577)	-0.114* (0.0572)	-0.0582 (0.0554)	-0.0164 (0.0544)
Incumbent X Prior margin of victory	-2.467*** (0.407)	-2.613*** (0.397)	-2.532*** (0.331)	-1.517*** (0.342)
Violent criminal charge	-0.0994 (0.0563)	-0.152** (0.0558)	-0.0472 (0.0529)	0.0245 (0.0536)
Literary rate of district		0.439* (0.221)	-0.355 (0.324)	-0.220 (0.316)
Percent of population in urban areas		0.736*** (0.125)	0.503** (0.157)	0.518*** (0.150)
Percent of district pop. member of SC/ST		0.339* (0.166)	-0.201 (0.255)	-0.0649 (0.251)
Seat reserved for member of SC/ST		-0.815*** (0.0567)	-0.838*** (0.0513)	-0.844*** (0.0497)
Constant	14.86*** (0.0449)	14.56*** (0.114)	15.23*** (0.189)	15.84*** (0.289)
State FX	No	No	Yes	Yes
Party FX	No	No	No	Yes
Observations	7771	7758	7758	7758

Standard errors in parentheses

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

and the nomination of wealthy candidates is different for incumbent parties. The negative coefficient indicates that this relationship is less “steep” than it is for non-incumbent parties, but overall the relationship is still positive: parties that won their prior election by a wide margin nominate wealthier candidates in the current election. Parties nominate wealthier candidates in constituencies located in more urban districts, while nominating less wealthy candidates in seats that are reserved for members of a Scheduled Caste or Tribe.

Figure 7 and Table 3 take a closer look at whether there is a positive relationship between how well incumbent parties performed in their prior election and their candidates’ wealth. As seen here, the relationship is positive and statistically significant at the 0.99 level even with the inclusion of state and party level fixed effects.

Figure 8 visually presents the results of a first difference analysis that shows that there is a positive relationship between the prior electoral performance of a party and candidates’ wealth. Parties that were on the cusp of winning their prior race nominate candidates that are about 0.26 units (in natural log terms) wealthier than candidates nominated by parties that lost their prior race by 10 percentage points. Parties that won their prior race by 10 percentage points nominate candidates that are about 0.11 units (in natural log terms) wealthier than parties that barely won their election. If we were to translate these results into non-logged values, then we can see that competitive parties nominate candidates that are 33 percent wealthier than candidates nominated by uncompetitive parties; and parties that won their seats safely nominate candidates that are 11 percent wealthier than candidates nominated by competitive parties.

7.2 Are wealthier candidates more likely to win?

Thus far I have shown that there is a positive relationship between how well parties performed in their prior election and how wealthy their candidates are in the current election; parties nominate their wealthiest candidates into their safest seats. I now examine whether nominating wealthy candidates increases their chances of winning. In order to assess this, I

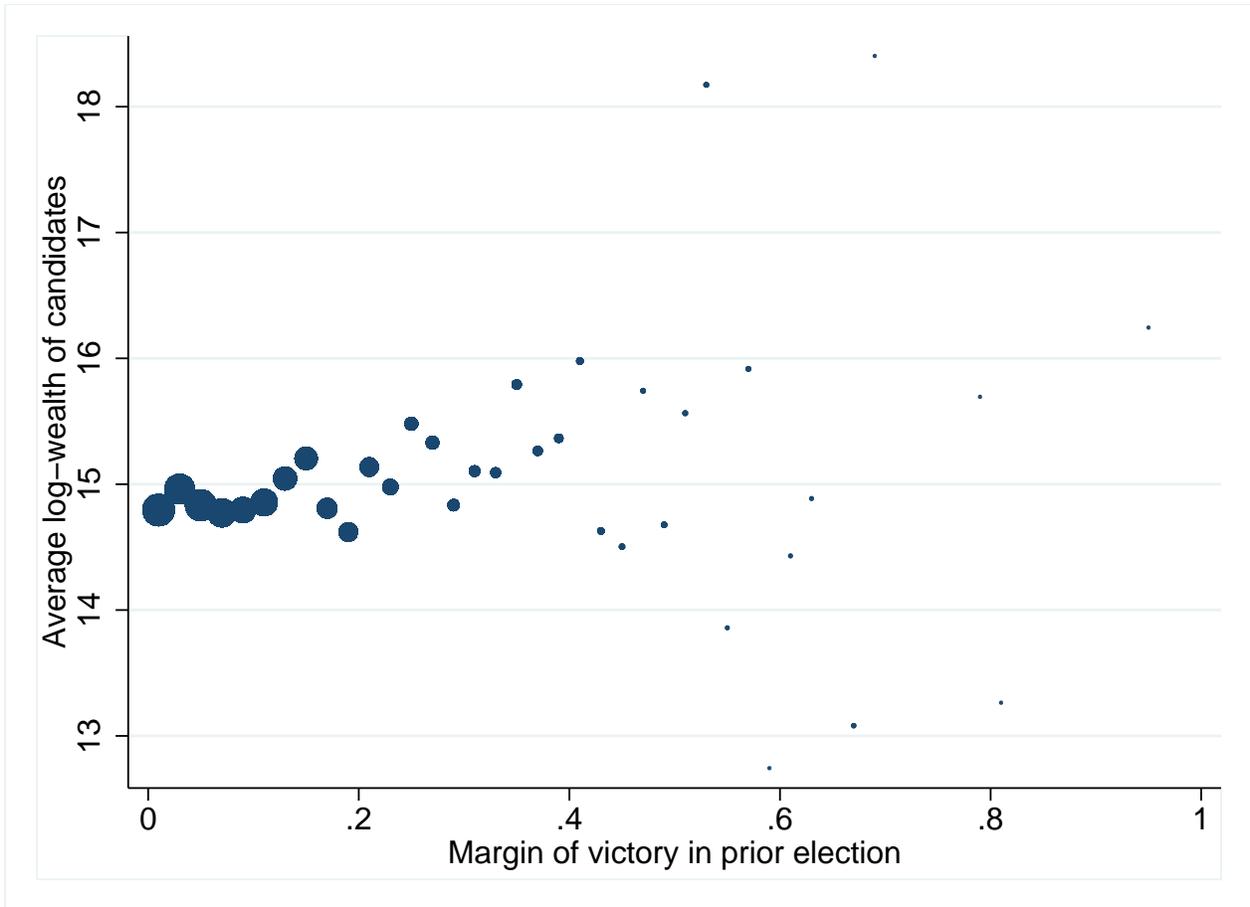
Table 3: Ordinary Least Squares analysis of the relationship between candidates wealth and the prior electoral performance of the party that nominated them. Analysis restricted to parties that won their prior election. State level election in India, 2003-2007

	(1)	(2)	(3)	(4)
Margin of victory in prior election	1.125** (0.344)	1.207*** (0.338)	1.248*** (0.293)	1.246*** (0.311)
Violent criminal charge	-0.177 (0.103)	-0.275** (0.102)	-0.167 (0.0938)	-0.0984 (0.0967)
Literary rate of district		-0.223 (0.309)	-1.076* (0.474)	-0.972* (0.480)
Percent of population in urban areas		0.814*** (0.157)	0.812*** (0.186)	0.907*** (0.182)
Percent of district pop. member of SC/ST		0.146 (0.219)	-0.310 (0.325)	-0.190 (0.328)
Seat reserved for member of SC/ST		-0.874*** (0.0846)	-0.912*** (0.0774)	-0.884*** (0.0777)
Constant	14.81*** (0.0514)	14.87*** (0.167)	15.69*** (0.274)	8.919*** (0.327)
State FX	No	No	Yes	Yes
Party FX	No	No	No	Yes
Observations	2541	2535	2535	2535

Standard errors in parentheses

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Figure 7: Relationship between candidates' wealth and the prior electoral performance of the parties that nominated them for parties that won their prior election. State level elections in India, 2003-2007.

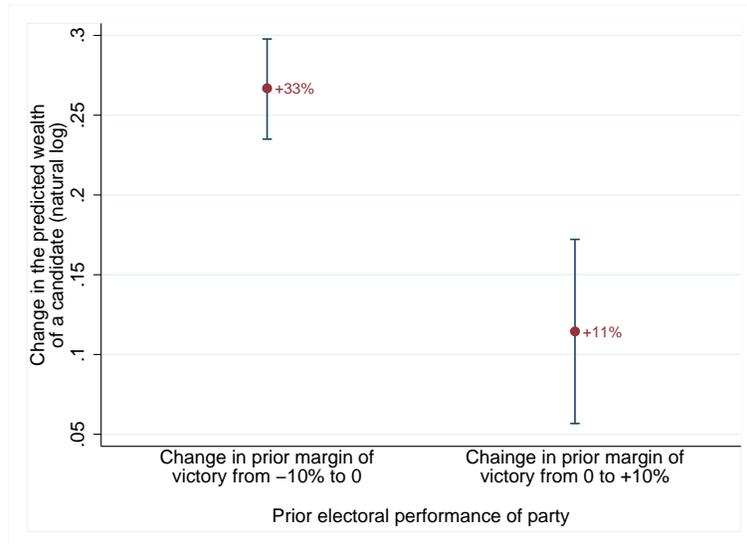


Note: The width of each bin is 2 percentage points. Each dot corresponds to the average wealth of candidates within the bin. The size of each dot is proportional to the number of candidates within the bin.

estimate the probability a party wins an election conditional on: (a) its prior margin of victory or defeat; (b) the self reported value of a candidate's financial assets; and (c) a dummy variable indicating whether or not a party's candidate has a violent criminal record, because these candidates are also more likely to win elections (Tiwari, 2014).

As shown earlier, there is a strong relationship between a party's prior electoral performance and its candidates' wealth. Because of this relationship, it is important to control for their prior performance in order to rule out the possibility that wealthy candidates win more often because they are nominated into safer seats. I thus conduct this analysis on four different types of parties separately: (a) parties that lost their prior election by more than

Figure 8: First difference analysis of the change in the predicted wealth of candidates conditional on the prior electoral performance of their party. State level elections, 2003-2007.



These values were generated using an OLS model including both state and party level fixed effects. The number in parenthesis indicates the percentage change in real candidate wealth.

10 percentage points; (b) parties that lost their prior election by less than 10 percentage points; (c) parties that won their prior election by less than 10 percentage points; and (d) parties that won their prior election by more than 10 percentage points. This approach thus estimates the degree to which nominating a wealthy candidate helps a party's chances of winning relative to other parties which are in a similar competitive position. Using this approach, Tiwari (2014) showed that parties that nominate candidates with violent criminal records are more likely to win elections. Finally, there may be unobserved party and state level characteristics influencing whether or not wealthier candidates are more likely to win. To guard against this possibility, I include party and state level fixed effects.

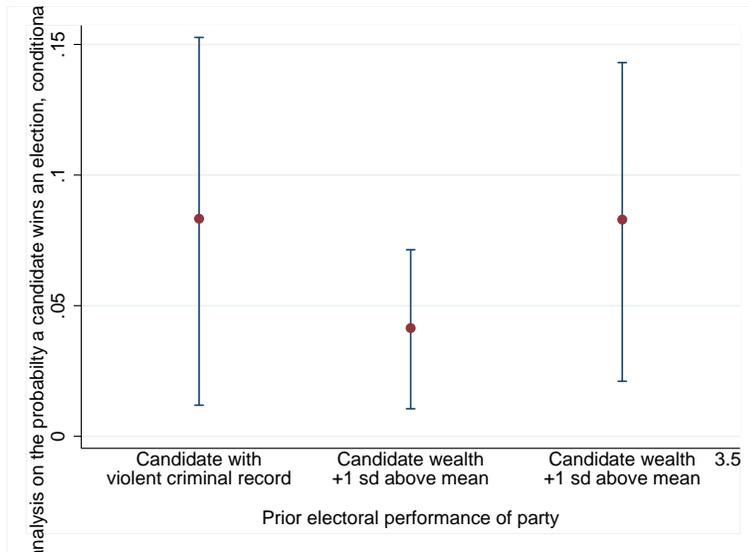
Table 4 presents this analysis using a probit model and Table 5 presents this analysis using an ordinary least squares (OLS) model. I include the OLS estimates for ease of interpretation — the coefficient on the independent variable *Violent candidate* is the estimate of the increased probability a party wins an election when nominating a criminal candidate and the coefficient on *Candidate wealth* is the estimate of the increased probability a party wins

an election when nominating wealthier candidates.

For parties that lost their prior election, either by more or less than 10 percentage points, nominating a wealthier candidate improves the chances they win their current election. A one unit increase in a candidate's wealth increases a party's chances of winning an uncompetitive seat by 1.5 percentage points; a one unit increase in a candidate's wealth increases a party's chances of winning a seat it barely lost by about 2.3 percentage points. Note, the standard deviation of candidate wealth is 1.9, so a one unit increase in wealth corresponds to candidates that are 0.5 standard deviations wealthier.

Do parties realize a greater electoral benefit from nominating wealthier candidates or criminal candidates? According to the OLS results in Table 5, parties seem to realize a greater electoral benefit from nominating criminal candidates than wealthier ones. If we divide the coefficient of *Violent criminal charge* by the coefficient of *Candidate wealth*, we see that parties would have to nominate candidates that are substantially wealthier in order to match the electoral advantage candidates with violent criminal charges have. Uncompetitive parties would need to nominate candidates that are 2 units (or one standard deviation) wealthier; and parties that nearly won their prior election would have to nominate candidates that are about 3.75 units wealthier (nearly two standard deviations). These results should be interpreted with caution, however, as the standard error on the coefficient of *Violent criminal charge* is rather large (Figure 9)

Figure 9: First difference analysis of the probability a candidate wins an election, conditional on criminality and wealth for parties that lost their prior election by less than 10 percentage points. State level elections, 2003-2007.



These values were generated using a probit model. The independent variables are whether a candidate had a violent criminal record, candidate wealth (natural log), and the electoral performance of the party in the prior election

Table 4: Probability a party wins an election conditional on whether if nominated a candidate charged with committing a violent crime and prior electoral performance. Probit Model. State level elections in India 2003-2007

	(1)	(2)	(3)	(4)
	Uncompetitive Parties	Near Winners	Near Losers	Relatively Dominant
Violent criminal charge	0.191* (0.101)	0.263*** (0.0989)	0.283** (0.120)	0.0420 (0.159)
Candidate wealth (natural log)	0.114*** (0.0172)	0.0737*** (0.0263)	0.0269 (0.0270)	0.0443 (0.0274)
Margin of victory in prior election	4.012*** (0.319)	4.765*** (1.475)	4.604*** (1.438)	2.153*** (0.528)
Constant	-0.136 (0.502)	-1.769*** (0.435)	-1.852*** (0.457)	-1.232 (1.070)
State FX	Yes	Yes	Yes	Yes
Party FX	Yes	Yes	Yes	Yes
Pseudo R^2	0.267	0.152	0.199	0.222
Observations	3377	1341	1289	1168

Standard errors in parentheses

Note: In Model 1, analysis was restricted to parties that lost their prior election by more than 10 percentage points.

In Model 2, analysis was restricted to parties that lost their prior election by less than 10 percentage points.

In Model 3, analysis was restricted to parties that won their prior election by less than 10 percentage points.

In Model 4, analysis was restricted to parties that won their prior election by more than 10 percentage points.

* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Table 5: Probability a party wins an election conditional on whether if nominated a candidate charged with committing a violent crime and prior electoral performance. Ordinary Least Squares Model. State level elections in India 2003-2007

	(1)	(2)	(3)	(4)
	Uncompetitive Parties	Near Winners	Near Losers	Relatively Dominant
Violent criminal charge	0.0306 (0.0204)	0.0868** (0.0337)	0.0945** (0.0388)	0.00466 (0.0418)
Candidate wealth (natural log)	0.0152*** (0.00246)	0.0231*** (0.00855)	0.00705 (0.00869)	0.0131 (0.00819)
Margin of victory in prior election	0.655*** (0.0504)	1.512*** (0.482)	1.448*** (0.459)	0.516*** (0.117)
Constant	1.117*** (0.141)	1.537*** (0.181)	0.277 (0.225)	0.825*** (0.185)
State FX	Yes	Yes	Yes	Yes
Party FX	Yes	Yes	Yes	Yes
Pseudo R^2				
Observations	3810	1420	1324	1217

Standard errors in parentheses

Note: In Model 1, analysis was restricted to parties that lost their prior election by more than 10 percentage points.

In Model 2, analysis was restricted to parties that lost their prior election by less than 10 percentage points.

In Model 3, analysis was restricted to parties that won their prior election by less than 10 percentage points.

In Model 4, analysis was restricted to parties that won their prior election by more than 10 percentage points.

* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

8 Conclusion

This paper finds that there is a positive correlation between how well a party performed in its prior election and its candidate's wealth in the current election. I also find that nominating wealthier candidates helps parties win elections, but only if they lost their prior election. Furthermore, parties seem to enjoy a greater electoral advantage from nominating criminal candidates than nominating wealthier candidates.

Take together, these results suggest that parties nominate their candidates rationally: they nominate candidates with the skills and resources to build their party organization into safer seats, while nominating candidates skilled at winning elections into competitive seats (Tiwari, 2014). These results also suggest that money is not the sole determinant of electoral success. If it were, we would expect parties to nominate their wealthiest candidates into their most competitive elections. Finally, the electoral advantage candidates with criminal records seemingly enjoy cannot be due to wealth alone. In the analyses conducted here, candidates with criminal charges are not wealthier than candidates without criminal records, once we control for a party's prior electoral performance; and in some instances, parties would have to nominate candidates that are two standard deviations wealthier in order to realize the same advantage they would realize from nominating criminal candidates.

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