

**DO PARTY SYSTEMS COUNT?
THE NUMBER OF PARTIES AND GOVERNMENT PERFORMANCE IN THE INDIAN
STATES**

Pradeep Chhibber

Department of Political Science
210 Barrows Hall, #1950
University of California, Berkeley
Berkeley, CA 94720-1950, U.S.A
E-mail: chhibber@socrates.berkeley.edu

Irfan Nooruddin

Department of Political Science
The University of Michigan
E-mail: irfann@umich.edu

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ABSTRACT

Do Party Systems Count? The Number of Parties and Government Performance in the Indian States

There is significant variance in the delivery of public goods by the Indian states. This paper analyzes the reasons for this difference. It argues that differences in the expenditures of state governments is largely due to the differences in the party systems across these states. Using macro-economic data from 1967 to 1997 as well as post-election voter surveys we demonstrate that states with two-party competition provide more public goods than states with multiparty competition. This difference is largely a result of the mobilization strategies of parties in two and multiparty systems. In two-party systems political parties draw support from many social groups and therefore tend to provide more public goods to win elections. In multiparty systems, as parties need only a plurality to win an election, parties focus on mobilizing smaller segments of the population and are more likely to use club goods rather than public goods to mobilize support. In stressing the impact of party systems on the economic performance of state governments in India this paper also differs from much of the recent work in contemporary political economy which has stressed either the impact of particular political parties rather than party systems on government performance or ethnic divisions on the delivery of public goods.

INTRODUCTION

Recent research in comparative politics has sharpened our understanding of the creation, evolution, and stability of party systems (Cox 1997, Mair 1997, Bartolini 2000). Barring some notable exceptions such as Lijphart (1984) and Bingham Powell (1982, 2000) political scientists have found it difficult to examine systematically the impact of party systems on state policy. Party system comparisons are inherently fraught with difficulty. There is often significant variance in the institutional design of most national states. This makes it difficult to isolate the effect of party systems on government policy independent of other confounding influences. Sub-national government units within any given national state, however, share a more common institutional framework. The large institutional differences, which make cross-national comparison more difficult, are not present to the same extent within a nation state. This makes it possible to examine the effect of party systems independently of the impact of other institutions more effectively within a nation state than across nations.

In this paper we focus on the influence that party systems have on the expenditure patterns of the Indian states, particularly the ability of state governments to deliver public goods. For instance, the state governments of Madhya Pradesh and Rajasthan provide more public goods than those of either Bihar or Uttar Pradesh. What explains these differences? In comparative politics, and in studies of Indian politics more specifically, conventional explanations for variations in government responsiveness to providing public goods include sociological factors such as preexisting social cleavages (Bingham Powell 1982; Frankel and Rao, 1987) or ethnic divisions (Alesina, Baqir, and Easterly, 1999), economic deprivation or inequality (Londregan and Poole 1993; Alesina and Perotti 1996), cultural aspects as in Putnam's (1993) social capital thesis on Italy or Varshney's (2001) depiction of Hindu-Muslim violence in parts of India, institutional analysis (Huntington 1968; Kohli 1990), soft-state arguments (Myrdal 1968; Rudolph and Rudolph 1987; Herring 1999), or even the role of political parties (Alesina 1987; Boix 1998, Alesina et. al., 1999).

We argue that the variation in government performance across states in India is primarily a consequence of the differences in the party systems across the states. Despite a common electoral law the

Indian states do not share similar party systems. While some states have robust two-party competition others are characterized by a multi-party system.¹ Not only do party systems differ across the states, but the number of parties competitive in state elections also varies within a state. This variation in party systems, we will show, accounts for the differences in the levels of public goods provided by the government both across states and within a state over time. Using both macro-economic indicators as well as voter surveys we demonstrate that states with two-party competition provide more public goods than states with multi-party competition.² Our approach differs from much of the most vibrant work in contemporary political economy, which has focused on the relationship of particular political parties rather than party systems to government performance (Hibbs 1977; Alesina 1987; Kohno and Nishizawa 1987; Boix 1998; Alesina et al. 1999) or has argued that ethnic divisions determine the level of public goods provided by a government (Alesina, Baqir, and Easterly, 1999; Banerjee and Somanathan, 2001).

The paper is organized in four sections. It begins with a description of the differences in the delivery of public goods across the Indian states. After discussing current explanations we offer reasons for why differences in party systems are better able to account for the over-time variance within a state as well as inter-state differences. Evidence for the argument based on aggregate political and economic data for the 15 major Indian states and from post-election voter surveys follows. The paper concludes with a discussion of the implications of our findings.

I. THE EMPIRICAL PUZZLE

Economists working on India have often pointed to the enormous variance in the level of public goods provided by state governments in India (notably, Sen and Dreze 1997; Roy and Rao 2001).

¹ In this paper we use the number of parties and party systems interchangeably as it is widely accepted that a key distinction between party systems is the number of parties (Sartori 1976; Cox 1997). Throughout this paper by number of parties we mean the effective number of parties - a measure first advocated by Laakso and Taagepera (1979) and with wide currency today. Details on how we calculate the effective number of parties appears later in the paper.

² Examining the variance within and across the Indian states allows us to control for the effect of other institutions that could influence governance (Kohli 1987). In cross-national research it is often difficult to isolate the impact of a single institution on governance (for good efforts see Przeworski and Limongi 1993; Przeworski et. al. 2000), but since the Indian states operate under a similar legal, fiscal, and monetary system and also share identical electoral laws it is possible to isolate the influence of party systems on governance more easily than in a cross-national

Political scientists have rarely explored the political causes for this variance systematically (Kohli 1987 is a notable exception). In this paper we examine these differences among states by using two sets of measures: the proportion of total budgetary expenditures a state devotes to development and the proportion of villages electrified in a state. State expenditures are broadly categorized as developmental or non-developmental. The former (the measure we use in the paper) are monies allocated to the maintenance of capital assets – both economic and social.³ That all states classify their budgetary expenditures following the same protocol allows us to use the proportion of total expenditures allocated to development as a proxy for the relative emphasis that a state places on development.⁴ A significant reason for focusing on development expenditures is that these expenditures have a real bearing on the lives of people. Dutt and Ravallion writing in a review of the Indian economy published as part of a special section in the *Journal of Economic Perspectives* (Summer 2002) show that real development expenditures by the state governments are a robust determinant of poverty reduction across Indian states.⁵ Figure 1 reveals the differences between the states. Some states, such as Andhra Pradesh and Madhya Pradesh, spend as much as half of their budget on development projects; others, such as Bihar and Uttar

comparison. Such sub-national variation and the institutional control that such case selection affords were used to great advantage in Putnam's (1993) discussion of variations in government performance in Italy.

³ The Ministry of Finance of the Government of India distinguishes between government expenditures (outlays) as 1) Developmental and 2) Non-developmental. The major difference between the two categories is that the former is used for financing infrastructural development and capital projects whereas the latter are directed towards current and consumption expenditures of the government. Developmental expenditures "include plan expenditure of Railways, Posts and Telecommunications and non-departmental commercial undertakings" (*Economic Survey, 1995-1996*, Table 2.2, downloaded from <http://www.finmin.nic.in/fdexp.htm>). Non-developmental expenditures, on the other hand, are divided into 1) Defense (net), 2) Interest payments, 3) Tax collection charges, 4) Police, and 5) Others, where Others includes "general administration, pensions and ex-gratia payments to former rulers, famine relief (only non-plan portion), subsidies on food and controlled cloth, grants and loans to foreign countries and loans for non-developmental purpose to other parties, but excludes Contingency Fund transactions" (*Ibid.*).

⁴ Montek Ahluwalia (2000), a noted economist and a former Finance Secretary of the Government of India, notes that state level budgetary data provide the most complete and comparable data for meaningful comparison across the Indian states. He too uses the aggregate state level data to account for differences in the performance of the Indian states since the reforms began in 1991.

⁵ Leakages are indeed associated with development expenditures (Wade 19xx) and some development expenditures do end up as supportive of particular political interests and could therefore be seen as "more club rather than public goods" in the language of the paper. There is, however, little gainsaying that development expenditures are similar to non-developmental expenditures for, despite these leakages, there is a non-trivial difference between the developmental and non developmental expenditures of state governments especially in terms of the impact of each category of spending on the development activities in a state. It has been observed that the fiscal predicaments of state governments in 2001-02 can be attributed to their ever increasing non-development expenditures (or as we

Pradesh, spend less than 40 per cent on similar activities. While this difference (just over 10 percent) may not appear significant to some, it *exceeds* the total expenditure by state governments on public health (which average seven percent of total state government expenditures). This variation in government expenditure is not simply a function of state size. As is clear from the second column in Figure 1, per capita development expenditures also vary significantly across states.

/Insert Figure 1, which is “Aggregate and Per-capita Development Expenditures by the Indian States, 1967-1996” about here/

A skeptic might argue reasonably that merely spending money on development projects means little unless citizens benefit from such expenditures through tangible improvements in their daily lives. One public good that all state governments in India provide is electricity. State electricity boards, controlled by state governments, undertake the electrification of villages, but they do so with varying efficiency. Census estimates for 1981 and 1991 of the number of villages with electricity illustrate two noteworthy patterns.

/Insert Figure 2, which is “Increase in the Number of Villages Electrified, 1981-1991,” about here/

First, the extent of village electrification in 1981 reveals tremendous variation. While over half (61 percent) of Punjab’s villages had electricity in 1981, fewer than one in ten (9 percent) of all villages in Bihar enjoyed the same amenities. Second, in the decade that follows, there is important variation in how much state governments improved the lot of their resident’s lives. While Maharashtra brought electricity to an additional 29 percent of its villages during the 1980s, only 3.5 percent more villages in Bihar enjoyed electricity in 1991 than did in 1981 (Figure 2). Although the data is less reliable, census estimates of how many villages have drinking water or access to good roads reveal patterns consistent with the electricity data. Indian states not only vary historically in their ability to provide public goods but also in how much they have increased their provision of these goods over time.

noted above - consumption expenditures of the state government) and this is having a deleterious impact on the development activities – such as financing infrastructural development - of state governments.

II. EXPLAINING THE DELIVERY OF PUBLIC GOODS

Two broad categories of explanations have been offered to explain variation in the macroeconomic policy outputs and consequent economic performance of the Indian states. Explanations related to the strength of the state apparatus argue that the performance of governments is related either to the strong-soft state distinction (Myrdal 1968; Rudolph and Rudolph 1987) or the extent of de-institutionalization of the Indian state (Kohli 1990). These arguments, which are pitched at the national level, have difficulty in accounting for the variation observed across states. Social cleavage theory, the other prominent explanation, suggests that states divided by politically relevant cleavages will be more difficult to govern (Harrison 1960; Varshney 2001), faces a similar dilemma. While the set of cleavages in any one state do not vary over time the levels of governance do. Given the inter-temporal and cross sectional variance in government performance time or space invariant independent variables such as the number of cleavages or the extent of deinstitutionalization will not be able to account fully for these differences across states and within a state over time.

Recent research by economists (Alesina, Baquir and Easterly, 1999; Banerjee and Somanathan) has related the degree of ethnic fractionalization to the delivery of public goods and argued that in more ethnically divided societies the delivery of public goods is lower than in those that are less ethnically divided. In this research tradition an ethnic group is defined based on census categories that, as has been demonstrated, are political creations. In this paper we rely on a respondent's self reporting of their caste and religious group as a basis for determining the degree of ethnic fractionalization in a state. As identities are social constructs understood by individuals we believe self-reporting is a better indicator of ethnic identity than a census category.

In part to address these concerns contemporary political science has moved to examining the impact of political parties on government performance. There are two approaches to understanding the impact of political parties on economic policy. One strand of this literature focuses on how political parties in power maneuver policy and social agendas to win elections (Tufte 1978; Kohno and Nishizawa 1990; for India, see Chowdhury 1993). The second strand focuses on party ideology as an explanation for

the different policies enacted by governing parties. Scholars in this tradition have argued that leftist parties are more likely to pursue policies favoring lower unemployment (Hibbs 1977; Alesina 1997; Alesina et al. 1999).⁶ The common theme across this literature is that the nature and preferences of the particular political party in power can largely account for any policy variation across governments and both approaches offer time and space variant independent variables.

While this shift to placing parties at the center of policy making in democratic polities is indeed welcome another research program, which focuses on the impact of electoral laws and strategic voting on party systems (Cox 1997; Feddersen 1992), suggests that re-election-minded political parties make strategic and policy choices in response to the actions of other parties and strategic voters force parties to respond to the competitive pressures of their opponents. In other words, no one party can implement policy without a consideration of its competitor's positions. The key institution in this framework is the party system, *i.e.*, the number of competitive parties in the system. Hence, if one were to examine the role of a political party to government policy the argument would be that one cannot, and indeed should not, look at the party's actions as disconnected from the competitive climate in which it operates. Focusing on the actions of a single party or its ideology is theoretically limiting as the party system has a large impact on the policies adopted by any given party (D'Alimonte 1999; Enelow and Hinich 1990; Strom and Muller 1999). In other words, to account meaningfully for the impact of parties on economic policymaking, parties and their actions must be placed in the context of the party system rather than focusing on the effects of a party in 'splendid isolation.'⁷ Consequently, in this paper we focus on how the party system, not a particular party, affects the delivery of public goods.⁸ We argue that politicians who work through political parties engaged in two-party competition are more likely to provide public

⁶ Within this framework, but in a significant departure from the conventional wisdom, Boix (1998) argues that leftist parties instead favor the expansion of physical and human capital. Parties on the right, on the other hand, opt for policies that would lower inflation and tax rates and/or encourage privatization.

⁷ In a significant new book, Bingham Powell (2000) suggests that majoritarian systems do differ significantly from plurality systems. His research in this book does not focus on the impact of different party systems either on the delivery of public goods or the extent of the problem of representation and governance more generally.

⁸ Why do we focus on politicians and downplay the influence of bureaucrats? There is consensus in the political science literature on India that politicians dominate the relationship between themselves and the bureaucrats especially since the mid-1970s (most of our cases come from the period after that). See Kohli (1987) for evidence.

goods than those who have to make decisions in the context of a multiparty environment. In the next section, we expand on this argument and spell out the ways in which variations in the competitive environment could influence patterns of governance.

III. HOW PARTY SYSTEMS MATTER?

To win office, politicians must form winning coalitions⁹, and they do so by “distributing things of value” (Bueno de Mesquita et al 2000: 64). These valued goods are of two types: private and public. Private goods are targeted at narrow bands of supporters that are crucial for the incumbent to retain office, while public goods increase the welfare of everyone in the state (Ibid.).¹⁰ Hence, the variation in policy outcomes in the Indian states is essentially a question of why different governments provide different combinations of private and public goods even though *they face the same re-election incentive, or indeed even the same rent-seeking temptations*. The key variable, according to Bueno de Mesquita et al (2000), is the size of the minimum winning coalition required to win office relative to the size of the electorate. They state, “The larger the winning coalition in a country, the thinner must be spread the private goods available to purchase political loyalty. The more slices of pie that must be cut, the less each mouth gets. For a fixed quantity of resources devoted to private goods, then, it becomes harder to buy loyalty with those goods as the size of the winning coalition increases. At the same time, the value of putting government resources into public policy does not change with the size of the winning coalition. As the winning coalition increases in size, incumbents have more incentive to pour resources into public policy pursuits rather than private goods” (66). Persson and Tabellini (1999) make a similar claim. They note that if a party needs a majority (50 plus one) to win an election it is more likely to provide public goods than if the party can win with a much smaller proportion of the vote.¹¹

⁹ A note on terminology is required. We borrow from Bueno de Mesquita et al (2000: 64-65) and define the winning coalition as the “subset of the electorate [a leader relies on] to maintain his or her position in office,” where the electorate is the “subset of the citizenry [that] has an institutionally legitimate right to participate in choosing the country’s political leadership.”

¹⁰ The distinction between club goods and public goods is useful theoretically but harder to establish empirically (on-the-ground). That is correct and we believe that, in our thinking, all politicians indulge in both types of activities but to different degrees.

¹¹ Persson and Tabellini argue that it is in PR, not SMSP, systems that a party needs a majority to win an election. Whether this characterization of the proportion of votes needed to win elections in different electoral systems is

In majoritarian systems, such as those created by single-member simple plurality (SMSP) electoral laws, the size of the winning coalition is large relative to the size of the selectorate. Therefore, majoritarian systems can create more incentives for leaders to provide more policies that are widely valued, than do systems with smaller winning coalitions (Bueno de Mesquita et al, 2000: 67). But, the number of competitors a party faces in a SMSP system can vary and with it the need to generate majoritarian support also changes. In a SMSP district, if there are only two effective parties competing in an election, each needs to win a majority to win the seat. In such districts each party needs to build alliances across social groups. The intuition is simple: Excessive reliance on any one group can isolate other groups from supporting the party and therefore parties *must build broad cross-cleavage coalitions* if they are to stand a chance of winning the election. When multiple parties are competitive in an SMSP system, on the other hand, parties focus on mobilizing particular segments of the population and do not need to reach across social groups to the same degree, as does a political party competing with only one other party. The reason for this shift is fairly simple: in districts where there are multiple effective parties competing the proportion of votes needed to win a seat is less than in districts with two-party competition. The number of parties competing in a district affects the size of the minimum winning coalition needed to win office, holding the size of the selectorate constant.¹² A brief consideration of the electoral evidence underscores this claim.

In India, for parliamentary (Lok Sabha) elections held between 1957 and 1991, the winning party on average needed 55 per cent of the vote in districts where there were two competitive parties. In districts with three or more effective parties the winning party needed to garner only 38 per cent of the vote. A similar patterns holds for state assembly (Vidhan Sabha) elections between 1967 and 1997: In two

accurate in somewhat irrelevant to our argument. Their claim is based on a formal model in which the winning party in one electoral system needs more votes than in another. In situations where the winning party needs a majority it is more likely to provide public goods. We use this insight to distinguish whether parties in two or multi-party systems in the Indian states are more likely to provide public goods. Political parties governing in two-party states are more likely to provide public goods since they need a much larger share of the vote to win an election.

¹² This argument might strike comparativists as unusual given the conventional wisdom that proportional representation laws foster better representation than SMSP systems. But this apparent paradox is resolved quite simply by recognizing that representation is not the same as performance, and that while both are virtues sought in

party systems, the average winning party won 45 percent of the vote and beat its nearest competitor by 20 percent. On the other hand, parties competing in multiparty systems needed just 32 percent of the vote to secure a majority but were separated from the runner-up by merely 10 percent of the vote.

The ability to win elections with lower percentages in multiparty environments lowers the incentive for a party to mobilize support across all social groups to the same degree when it faces only one other competitor. In other words, as the size of the minimum winning coalition changes parties, or party leaders more accurately, (who are strategic actors) make policy decisions based on their survey of the strategic landscape within which they operate. (In a similar vein, Cox 1997: 228 argues that candidate strategy depends on the competitor's goals). When a party faces *at least* two other viable competitors building broad coalitions becomes risky as it is possible for one or both of the other competitors to undercut one's support base by making more direct overtures to narrower segments of society (Persson and Tabellini 1999 provide a formal model for this argument and Cox 1997 offers an explanation for why the policy positions of competing parties will deviate from the median voter when there are more than two competitive parties; Bueno de Mesquita et al 2000 make a similar argument based on norms of loyalty created by different systems). Political parties in a multi-party system therefore need to make appeals to 'vote banks' and particular support groups. The appeals made by these parties will be less diffuse than in the two-party analog.¹³ In other words, parties operating in a two party system are more likely to provide public goods than those facing multi-party competition who focus greater attention on distributing club goods.¹⁴

political systems, different electoral rules may do better on one dimension than the other (see also Muller and Strom 1999; 290; Sartori 1976: 186, 195).

¹³ While we are applying this intuition to India, which has a SMSP electoral system, the theory is applicable more broadly. Indeed it finds counterparts in much common perception of the differences between first-past-the-post (FPTP) and proportional representation (PR) systems where it is often asserted that the latter is better for minority groups since it encourages multiparty competition, which encourages parties to seek narrower bases of support than in FPTP systems. As noted earlier though, PR systems might in fact be better for democratic representation, but this need not (indeed, we argue it does not) translate into better policy output.

¹⁴ To some readers, our explanation might appear to be plagued by a chicken-and-egg problem. After all, it seems sensible to worry that more social divisions lead to more parties and that therefore a multi-party system will emerge when there are more social divisions (Lipset and Rokkan 1967; Amorim and Cox 1997; Ordeshook and Shvetsova 1994). More social divisions can make it difficult for a party to build cross-group alliances. Hence, multi-party systems emerge when there are greater social divisions. In other words, do social divisions create party systems?

IV. THE DATA

To assess whether the different party systems do have the expected impact on government performance we rely on both aggregate macroeconomic budgetary data and individual mass survey data. We use the aggregate data to assess whether development expenditures (a public good) and the proportion of the government budget allocated to salaries (a club good) are related to the kind of party system prevalent in a state (Appendix 1 details the sources of the data). We collected data for the 15 major states in India for the period 1967-1997.¹⁵ To complement and corroborate the findings using the state-level economic data, we use survey data. If we are right about the effects of different electoral systems on government policymaking, then the citizens of these states too should feel these effects. We rely on a mass post-election survey from six Indian states in 1996 to assess whether the respondents in multiparty states do perceive greater appeals to particular groups such as caste, larger problems in the distribution of public goods, and greater inter-group conflict.¹⁶

Are States the appropriate unit of analysis? Why do we focus on state governments rather than their local counterparts such as district and village governments for the delivery of public goods in India? State governments are the more appropriate unit of analysis because of the nature of Indian federalism. India is a federal system with much economic power delegated to the state governments with local governments possessing very little financial or administrative autonomy (for details on India's sub-national finances,

We do not believe that this is the case. The relationship between social divisions and the number of parties is not axiomatic. Evidence for the tenuous links between social cleavages and party systems also comes from the intra-state variance in the number of parties. Social cleavages do not change from election to election or even over a decade. But, as figure 3 suggests, the effective number of parties competing in the state assembly elections does vary quite substantially. This variation exists even if we examine the effective number of parties based on seat holdings in the assembly as opposed to election returns (Figure 4). This inter- and intra-state variance should also give pause to explanations that tie party systems simply to electoral laws, or to the interaction of electoral laws and social cleavages (Ordeshook and Shevtsova, 1994 and Amorim and Cox, 1997) as neither can adequately account for changes in the number of parties within a state over time given the stability of electoral laws and social cleavage structure during that same period.

¹⁵ States included in the sample include Andhra Pradesh, Assam, Bihar, Gujarat, Haryana, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Orissa, Punjab, Rajasthan, Tamil Nadu, Uttar Pradesh, and West Bengal. Aggregate data was not yet available for the period from 1998 onwards. The reason for this is that the governments report their budgetary data in three form – budget estimates, revised estimates, and final accounts. The final accounts are the actual expenses of the government on various categories and are the numbers we use in the analysis. There is a three to four year delay in the reporting of the final accounts.

see Lahiri 2000). State governments are the vehicles through which central government funds are channeled to the people, and are the level of government at which decisions of developmental and public policy are made. Little to no real power is placed at the local level of government. Despite a historical tradition of local governance through *panchayats* or village councils, the reality is that these councils are deliberately crippled by a severe paucity of funds and therefore have extremely limited power and scope (Bagchi 1991; Barnabas and Bohra 1995).¹⁷ Consequently political parties compete most intensely for the right to govern at the state level since capturing the state apparatus gives politicians control over allocating the state's resources. The state government is therefore the appropriate unit of analysis for understanding problems associated with the delivery of public goods in India. But, does the party system vary across the Indian states and over time within the states?

V. PARTY SYSTEM VARIATION IN THE INDIAN STATES

We use two variations of the formula developed by Laakso and Taagepara (1979) to measure the number of parties that are *competitive* in the party system. Primarily, we consider the effective number of parties holding *seats in the state assembly* (N_{SEATS}) since this is the relevant strategic environment in which policy decisions are made. We believe, therefore, that the number of competitive parties in the state assembly is more important than the number of electorally competitive parties when the dependent variable of interest is the policy output of a given state government. We also calculate the effective number of parties receiving *votes for the state assembly elections* (N_{VOTES}). This measure is relevant when we are concerned with how parties construct their electoral platforms and the kinds of electoral strategies they adopt prior to their entry into the state assembly. In either case, the basic formula is

$$n = 1/\sum p_i^2,$$

¹⁶ While we rely on the 1996 post-election survey comparable questions from the 1989 and 1991 post-election surveys yielded similar results.

¹⁷ State governments have been loath to provide local governments with financial autonomy. Most state governments have not allowed State Finance Commissions, which were meant to devise formulae for the disbursement of resources between state and local governments, to complete their terms and/or submit their reports despite a constitutional amendment that required them to do so.

where n is the effective number of parties and p_i is either the proportion of seats or votes received by each party in the state assembly or at the elections respectively. For both measures we use ‘party label’ consistent with Cox (1997) and Lijphart (1993) to identify a political party.¹⁸ Independents and small parties are treated as separate parties. Calculating the effective number of parties using both measures Figures 3 and 4 shows that there is significant variance in the number of parties that are competitive in a state over time and across the Indian states as well. This variance, we argue, is what explains the variance in the distribution of public goods within a state over time as well as across states.

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/Insert Figure 4, which is “Effective Number of electoral parties in the Indian States, 1967-1996,” about here/

VI. THE RESULTS

Do political parties in multiparty systems make more explicit appeals to specific social groups as we would expect parties operating in a multi party environment to do? Since a key political division in Indian society that drives the vote is caste (Weiner 1967; Brass 1965, 1981; Yadav 1996), political parties in states with multi-party competition parties should emphasize mobilizing support from particular castes

¹⁸ The use of party labels as a meaningful category could be questioned as parties may be riven by factional divisions. Measuring factional divisions within a party is extremely difficult, if not impossible. The important question for this research is whether party cohesion would influence the delivery of public goods. We believe that the degree of party cohesion would not affect our argument that two party systems have a different impact on the provision of public goods than multi-party systems. Why not? Three scenarios are possible. First, both two-party systems and multi-party systems have equal levels of party cohesion; second, two-party systems are not cohesive but multi-party systems are cohesive; and, two-party systems are cohesive and multi-party systems are not cohesive. If both two and multi-party systems are constituted of parties that are not cohesive our results are not affected for the two party system is still providing a higher level of public goods than a multi-party system. If on the other hand the two party systems are not cohesive and the multi-party ones are cohesive we should not obtain the results we do – i.e. that two-party systems outperform multi-party systems. If two party systems consisted of parties that are not cohesive they should be providing club goods with frequencies similar to multi-party systems. The third scenario, is similar to the first one – in that our argument that two-party systems are better providers of public goods is not really affected. The only effect of having non cohesive parties in multi-party systems is that we would be undercounting the number of parties and this bias would actually make our results stronger. It could be argued that party labels is problematic in India as political parties are rarely disciplined. First, there are exceptions - the Communist party and the BJP though even the latter is having problems maintaining discipline since coming to power at the national level. Despite the lack of discipline and a stream of defections to parties in power points to the factional divide within the parties there are still a large number of core party activists who do not defect to another party and would not do so in

more than in states with a two-party system. This argument is consistent with Schlesinger's (1991) observation that the greater the competitiveness of the party system (the more the number of parties) the more parties are forced to focus on their fundamental objectives of specific social groups. In the post-election survey that was conducted in 1996 respondents were asked whether political parties were allied with specific caste groups. If a respondent replied in the affirmative the dependent variable *party-caste link* is coded 1; in all other cases, it is coded as 0. The primary independent variable too is a dummy variable coded as 1 when the respondent lived in a state with a *multiparty system* (more than 3 effective parties) and 0 if the respondent came from a state characterized by two party competition.¹⁹ The effective number of parties in the state assembly determined the nature of the party system in the states.²⁰

We included a set of individual-level control variables to capture alternative explanations for a respondent's perception of whether political parties were tied to particular castes. Two demographic variables, in particular, could influence whether a respondent perceives parties as tied to particular castes: the caste and *family income* of the respondent. Respondents were asked whether they considered themselves backward, scheduled, or upper caste. Since these are mutually exclusive categories, the respondent's caste was included in the model as a set of two categorical variables – *high* and *middle caste* with scheduled castes providing the control category. Family income is an important control as the economic situation of an individual could affect one's perception of the role of caste, and because income and caste are thought to be closely related (Omvedt 1980). *Gender* is relevant, as the public space in which electoral politics in India is carried out is largely male dominated (Basu 1992; Ray 1997). The age at which one becomes politically conscious influences political attitudes (Beck and Jennings 1991). *Age* captures this effect as respondents who came of age in the era of Congress dominance could have

any circumstance. Further, surveys have shown that voters vote for parties not candidates. For these two reasons we believe that party labels in India are meaningful categories.

¹⁹ We tried various thresholds at which to dichotomize the number of parties. The results do not change whether we use 2.5, 2.75, or 3.0 as the cut point at which we distinguish between two and multi party systems. Results reported in the tables are from analyses using 3.0 as the threshold. Similarly, sensitivity analyses suggest that our results are robust across different specifications of the models used. All statistical estimations were conducted using STATA 7.0.

²⁰ Andhra Pradesh, Karnataka, and Uttar Pradesh had multiparty competition while in Gujarat, Maharashtra, and West Bengal two parties competed for power.

different political attitudes than those socialized later. Since the media can influence political perceptions a respondent's exposure to the media is included as a control. *Media exposure* is an index that was constructed through a combination of whether the respondent watched television, listened to the radio, and read the newspaper. The final control variable, the *wealth level of a state*, was included to account for any sociotropic effects associated with living in richer states which, it could be argued, should have less explicit party-caste links (Srinivas 1962, 1966).

/INSERT TABLE 1 ABOUT HERE/

The results are reported in Table 1. The model correctly predicts 74.3% of the observations and the results suggest quite clearly that party systems matter. Respondents in multiparty states are far more probable to say that parties represent specific castes. Upper and backward castes are more likely than scheduled castes to note that political parties are tied to particular castes, which should be no surprise since many of the major parties in India are dominated by backward and upper castes, and both groups perceive that parties are controlled by the other group. While women are less likely to think of parties as tied to particular castes, older respondents seem to think otherwise. Finally, as the state's overall economy improves, respondents are less likely to allege a party-caste nexus. This suggests that as economic performance of a state improves the party caste link is seen as less salient. This is a claim that complements our argument (which we develop in more detail later in the paper) that since multiparty states are less likely to focus on development activities it is in those states that parties are seen as tied to particular castes. In multiparty states parties are also more likely to use caste as a basis for mobilizing the vote.²¹

Parties in multi-party states then rely on more explicit group appeals a claim that is corroborated by voters who too recognize this link. Further, as we noted earlier, the margin of victory is also typically smaller in states with multi-party competition elected leaders are more bound to their immediate vote

²¹ While we do not include the results here since they are not germane to our main focus, we did test this hypothesis using survey data. Respondents were asked whether or not *jatis* or caste groups in their villages tended to vote as a bloc. Respondents in multiparty states were far more likely to say yes. In a separate test, respondents were asked if

bloc. Parties in a multiparty system, therefore, have an incentive to focus their attention on smaller segments of the voting population. They do so by providing club or private goods to the constituency they are courting.²² In India the most commonly offered club good is a government job. Jobs are important as the state is one of the most significant economic actors in Indian society and politicians utilize the politics of patronage to win votes (Brass 1967; Weiner 1967).

It is important to note that we think of this difference in policy choices in relative terms only. That is, we expect that parties in *all* states use *both* jobs and the provision of public goods to appeal to their constituents, but that these two types of state resources are offered in different combinations depending on the party system. Since two-party systems create a need for broader coalitions it is more efficient to make *broad* appeals and the most efficient way to do so is to provide more public goods. In multiparty states, where the state is delivered to much smaller segments of society, the ability to provide jobs is invaluable and therefore more likely to be exploited for future electoral gain. A good example comes from Uttar Pradesh (a multi-party state by our classification) in 2001. Facing upcoming elections to the state assembly the state government decided to create 25,000 new jobs – of which 20,000 were to be ‘assistant teachers’. When asked what this would do to the fiscal discipline that the state has promised the World Bank a government official remarked whether “should we think about elections or the World Bank” (Misra 2001).

Since we were unable to collect systematic temporal data on the number of government employees we relied on *state government expenditures on salaries* as a proxy. States with multi-party governments should have greater levels of expenditures on wages and salaries (civil administration or what some political scientists might term ‘rents’). Macroeconomic data from 15 states over the period 1967 to 1997 is used to test this hypothesis. The dependent variable we use is the *proportion of a state’s budget allocated to civil administration*. The primary independent variable is a dummy variable for the kind of *party system* in the state. We also include a one-year lag of the dependent variable and correct for

the caste or *jati* of the candidate was a salient consideration for their vote. Once more, the pattern holds: multiparty state residents are far more likely to think of caste as important.

an AR (1) process.²³ The substantive control variables in this model focus on the various *sources of income* of each state, the *state's per capita income*, its *growth rate*, the nature of *ideological competition* in the assembly, the *competitiveness* of the election, a dummy variable for *coalition government* and, finally, a measure of *voter turnout*.

The economic controls are important for they represent constraints that any state government faces while making decisions on resource allocation. Two variables, *revenue from income taxes* as a proportion of total government revenue and *grants from the central government* (these are made under the auspices of the Finance Commission, a statutory body that decides the financial arrangement between the central and state governments every five years), capture hard budget constraints. *Loans from the central government* represent the soft budget constraints as these loans are often negotiated politically and repayment is sometimes waived. The state's per-capita income and growth rates also impose constraints on the state's budgets as they determined the amount of resources that a state government has access to distribute.

Three political controls are also added. Ideological competition, coalition government, and the closeness of the election are included to test alternative explanations that exist in the mainstream political economy literature on fiscal policy making. Ideological competition is measured through a set of dummy variables where the control category is single-party dominance.²⁴ We include ideological control variables

²² A club good, unlike a public good, is non-rival in consumption but excludable (Buchanan 1965).

²³ Because our dependent variables in the macroeconomic analyses are proportions of the budget we do not have to worry about unit root issues, since our dependent variables are necessarily bounded between 0 and 1. We report STATA's panel-corrected standard errors, but we also estimated the regressions using White's robust standard errors. The results do not change.

²⁴ Our coding of nature of the ideological competition within a state is based on the particular parties that received votes in the state elections. For each state we examined the state's electoral results and coded whether the political parties that had a significant share of the seats in the legislative assembly had a left, center, or rightist orientation. The Congress was coded as a centrist party. If any of the communist or socialist parties had more than 20 percent of the seats in a state assembly the state was coded as having salient left parties. Similarly, if either the BJP, Shiv Sena, or the Swatantra had more than 20 percent of the seats in the state assembly vote the state was coded as having a salient presence of a party with a rightist ideology. If the parties that competed in the state were regional parties – i.e. representing the interests of the state as a whole, such as the DMK and AIADMK in Tamilnadu the parties were coded as centrist for their policies are less distinguishable from the Congress than that of the Communists, Socialists on the left and the BJP, Swatantra, and the Shiv Sena on the right from the Congress. The Janata parties were coded as centrist. Appendix 2 lists the coding of party competition for all of the states for the period under consideration. *The use of this classification scheme is that it permits a direct comparison across the various ideological*

in all subsequent fiscal policy models as well since this has been an explanatory variable of concern to many political economists (Alesina 1983, Boix 1998). In similar spirit we include a control for whether a coalition government governed a state or not since Laver and Schofield (1990) have suggested that such governments have a unique set of concerns and interests that can affect the policy decisions they make. Since the closeness of an election is seen to have an influence on government policy (Boyne 1998) we include the closeness of the election – or competitiveness, as a control.

Finally, following formal work by Meltzer and Richard (1981), we also control for *turnout*. Their argument suggests that increased turnout should be accompanied by greater government spending since it signals to the government that there is a larger relevant constituency whose interests need to be catered to. Further, they assume that the new voters are more likely to be from poorer segments of society (Yadav 1996 suggests that this may be the case in India). As the mobilization of new voters is more likely to come from the poor the subsequent lowering of the median voter's income should make a state government more attentive to development policies that are more likely to raise the income of the poor.

/INSERT TABLE 2 ABOUT HERE/

The empirical evidence (see Table 2) confirms our expectation: multiparty states have higher levels of expenditures on club goods or civil administration spending than their two-party counterparts.²⁵ The results also suggest that center-right competition generates more bloated state apparatuses when compared to a single-party dominant system than competition between two centrist parties or a center and a leftist party. In comparison to a state government dominated by a single party, competition between a

dimensions of party competition which lie at the heart of most spatial models of party competition. Further, the cross-section time series analysis helps assess the comparative impact of the different types of ideological competition on the delivery of public goods and order. Our results and arguments, however do not hinge on the inclusion of party ideology. Regardless of whether or not we include the control variables for party ideology, the indicator for multiparty government has a statistically significant effect in the hypothesized direction on both dependent variables.

²⁵ To check the robustness of our results, we also ran a fixed effects analysis. Because a simple dummy variable for multiparty state might be suspected of picking up unexplained variation in the states, we checked our results by using a different dummy variable for each state in the sample. West Bengal is excluded as our control case. In this set-up, the test of our hypothesis would be if states with less party fragmentation than West Bengal have negative coefficients when the dependent variable is 'Rents' and positive coefficients when the dependent variable is 'Development Expenditures.' States with greater party fragmentation than West Bengal are expected to have the

center and a leftist party is more likely to generate pro-poor policies and the obvious focus would be less on offering jobs to the supporters of particular parties. Similarly, two centrist parties would be seeking the votes of centrist voters and a policy aimed at offering jobs to particular groups may not be the most effective method of appealing to such voters. When the two competing parties are a centrist and right-wing party a focus on jobs is likely as the dominant right parties in Indian states—the *Bharatiya Janata Party* (BJP) and the *Shiv Sena*—seek to expand their influence over the state bureaucracy and one way of doing so is by increasing hiring when they are in power.

The one counter-intuitive finding from the regression results is that coalition governments are less likely to spend more resources on civil administration. This finding contradicts a common expectation that coalition governments will log roll and agree to a larger bureaucracy with each party obtaining positions for itself. That would indeed be possible except if the parties in a coalition see bureaucratic positions as a zero-sum game and are not willing to logroll. There is some suggestion that this may be the case. In Uttar Pradesh, for instance the coalition between the *Bahujan Samaj Party* and the *Samajwadi Party* as well as between the *Bahujan Samaj Party* and the *Bharatiya Janata Party* in the 1990s collapsed over who would allocate the state's resources.

The other control variables performed as we might have expected. As a state gets a larger share of its finances either through the income tax or grants from the central government it is more likely to spend these on civil administration (as bureaucrats anticipating more revenues can increase the resources allocated to them). Good economic performance, as measured by a state's per capita income, is negatively related to the provision of jobs to constituents. This too should come as no surprise for a state that spends more on salaries is likely to have lower growth rates.

The data thus confirms our expectation that politics in multiparty states focuses on the provision of jobs to constituents in exchange for support and that these appeals tend to be focused on specific caste groups. Do development expenditures and the provision of public goods also suffer in multiparty states?

opposite signs. Our results including the fixed effects confirm our hypothesis. An identical robustness check was also done for the survey data.

The answer to this is developed in two parts. We test this hypothesis with three different models. In the first model, the level of state expenditures earmarked for development purposes (once more normalized by total spending) is our left hand side variable and a one year lag value of the dependent variable is included as a predictor.

/SEE TABLE 2 ABOVE/

Once again, party systems matter. States governed by parties facing multiparty competition spend less on developmental expenditures. Turnout, as anticipated, has a positive effect on development spending (albeit a small one). The ideological controls have the expected coefficients too. Not surprisingly, center-center and center-left governments are more likely to focus their attention on development than center-right governments.²⁶ The competitiveness of the election, on the other hand, was not significant at conventional levels in any of the models we tried.²⁷

As a second test of the hypothesis that multiparty governments are less likely to stress development we sought to determine whether respondents in our survey who lived in states with multiparty systems perceived lower levels of delivery of public goods. In short, while the aggregate data appears to support our claim, it would be even more convincing if people's perceptions of the state government's ability to provide public goods mirrored the aggregate data.

The dependent variable measuring public perceptions of the delivery of public goods by the state government is constructed using two questions asked in the 1996 post-election survey. Respondents were

²⁶ We also tested for another temporal effect. Scholars have observed that economic liberalization post-1991 has led to a shrinking of the state, which might mean that our argument for developmental expenditures might not be valid post-1991. To test this possibility, we include in our developmental expenditures regression a dummy variable for the 1990s. The coefficient β on multiparty government is -0.038 (s.e.=0.013; p-value=0.003) and the β on the post-liberalization era is -0.122 (s.e.=0.031; p-value=0.0001). Thus, while the 1990s have seen a reduction of state developmental expenditures (consistent with what a number of scholars have noted) multiparty state still allocate less to state developmental expenditures than do two-party states.

²⁷ The results on the key party variable do not change if we control for years/decades. In fact, the substantive effect and statistical significance increase. When we control for decades (we leave the 1960s as the reference category), 1) the β on multiparty government for salary expenditures is 0.021 (s.e.=0.006; p-value=0.001); 2) the β on multiparty government for development expenditures is -0.042 (s.e.=0.012; p-value=0.001). In the case of the salary expenditure regression, the decade dummies all have a negative sign though only the 1970s and 1980s variables are statistically significant. In the case of the developmental expenditure regression, the 1970s and 1980s variables are statistically significant and substantively positive, while the 1990s variable has a negative coefficient but is not statistically significant.

asked to name the most important problem facing their village. If a respondent identified either electricity or drinking water as a key problem facing his or her community the response was coded as 1 and 0 otherwise. Respondents were also asked if these problems were long-standing or not. Once again two variables were created and coded '1' if they identified electricity or water as a long-standing concern. These two sets of variables were combined to generate the dependent variables used in Table 3. If a respondent identified electricity (or water) as *both* a key problem and a long-standing one, the response was coded '1' and otherwise '0'. In addition to the dummy variable capturing whether a respondent lived in a state with multiparty competition or not we used a set of individual-level controls to capture the respondent's socioeconomic status, age and gender, education levels, media exposure, and a variable that measures a state's economic performance (as in Table 1).

/INSERT TABLE 3 ABOUT HERE/

The logistic models representing whether people's perceptions of public good problems are linked to the party system confirm our hypothesis. In both equations, the dummy variable for party system has the largest substantive and statistical significance relative to the control variables. Respondents living in multiparty states are more likely to perceive substantial problems with the provision of electricity and drinking water than their neighbors in two party states are. In both models in Table 3, the party system variable is not only statistically significant but it also has the largest substantive impact. The control variables also conform to expectations. As one might imagine, high and middle caste respondents have less problems with electricity and water than the poorest castes, and those with more education, income, and media exposure (all of which are good approximations for higher class) perceive a better situation with the delivery of public goods than those less fortunate. These survey data results match our findings at the macroeconomic level as well.

Third, using census estimates of the proportion of villages in a state that have general electricity supply, we analyzed the reasons for the increases in provision of electricity across the fifteen states in our sample using a pooled cross-sectional time series analysis. Controlling for development expenditures, state per capita income and growth rate, size of urban population, competitiveness of the election, nature

of ideological competition in the assembly and coalition governments, we find that the party system has the largest substantive effect. Multiparty systems are considerably less likely to have provided electricity to villages than their two-party counterparts. The dummy variable distinguishing party systems, multiparty systems, has a statistically significant and substantively large negative coefficient (-0.512 with standard error 0.125).

Recapping the results so far, we first established that multiparty states are characterized by politics in which politicians are more linked to particular caste groups. We then used aggregate data to test the hypotheses that multiparty states are less likely to deliver public goods and more prone to offering club goods to their supporters. These differences did not go unnoticed by the residents of these states. The results show quite clearly that the substantive importance of the party system cannot be understated. The regression analyses conducted provide strong statistical support for *all* our hypotheses. But just how meaningful are these results substantively?

/INSERT TABLE 4 ABOUT HERE/

In Table 4, we present a comparison for all our key dependent variables between the two types of party systems. For the survey questions in Table 4, we present predicted probabilities. Holding other variables at their means we estimate the probability that a respondent would answer in the affirmative for each individual question for both two-party and multiparty systems. The independent impact of living in a multiparty state cannot be ignored. As an illustration, consider the answers to just two of the five categories in Table 5. In two party states the probability of a respondent thinking that ruling party in their state favored one caste was 0.176; it was 0.284 for respondents living in multiparty states. A similar comparison is presented in Table 4 for the macroeconomic and social conflict indicators. In this case, instead of predicted estimates, we report the actual differences between two and multiparty states in the allocation of resources. Once more, the results support our expectations: multiparty states, on average, have 7 percent lower developmental expenditures, 3 percent greater allocations to salaries for state employees, and a far smaller increase in the number of villages electrified between 1971 and 1991.

A final test for the validity of our argument comes from a quasi-experiment. We consider the degree to which party systems make a difference by comparing four states in Northern India: Bihar, Madhya Pradesh, Rajasthan, and Uttar Pradesh. All four states are seen as part of the Hindi Heartland (Rudolph and Rudolph 1987). These states also had a similar level of per capita net domestic product in 1971, and therefore can be thought to be starting at similar economic levels. The states do, however, differ in the kind of party system that characterizes them. While Madhya Pradesh has averaged 1.9 effective parties holding seats in the state assembly and Rajasthan 2.3, Uttar Pradesh has had 2.7 effective parties for the period since 1971 and Bihar 3.4. Madhya Pradesh and Rajasthan can be thought of as two-party states whereas Bihar and Uttar Pradesh approximate multiparty states. Does the nature of the party system have any impact given that these states are similar enough to control for the principal rival hypotheses of social cleavages and economic conditions as major determinants of the problem of public good provision?

/INSERT TABLE 5 ABOUT HERE/

Bihar and Uttar Pradesh, the multiparty states, have, since 1971, spent more on personnel expenditures, less on developmental expenditures, experienced lower increases in the delivery of public goods such as the number of villages with electricity, and have smaller proportions of population who are literate. In short, Bihar and Uttar Pradesh have done a far poorer job of delivering public goods to their residents than either Madhya Pradesh or Rajasthan.

VII. IMPLICATIONS AND CONCLUSION

The finding that parties facing competition from many parties (not just one more) are more likely to mobilize support from specific groups and allocate club goods to those particular groups has clear implications. As political parties mobilize particular groups in multi-party states and allocate state resources in a more partial fashion the probability of inter-caste tension in multi-party states is likely to be higher than in two-party states. This is indeed the case. In fact, the results are quite striking.²⁸

²⁸ While we do not include the results here since they are not germane to our main focus, we did test this hypothesis using survey data. Respondents were asked whether or not *jatis* or caste groups in their villages tended to vote as a

Respondents to the 1996 post-election survey were asked whether caste relations in their village were conflictual or consensual. From this question, we created a *caste conflict* dependent variable where responses indicating that these relations are marked by conflict are coded as 1 and other responses as 0. We use the same set of control variables as in Table 1. The probability that a respondent noticed intercaste conflict in the state was under 0.05 in two-party states (respondents who described local caste relations in their state as conflictual) but the probability of similar sentiments in multiparty states is almost *ten times as large, i.e.*, just over 0.40 (Table 4).²⁹

In this paper we presented an explanation for why there is variance in the delivery of public goods across the Indian states. Our argument focused on the strategic considerations of political parties as they compete for power over state resources. In two-party systems, the need to win the majority of the vote forces political parties to build broad cross-cleavage coalitions. Parties do this by providing public goods that benefit a larger section of the citizenry. In multiparty systems, on the other hands, parties have an incentive to focus on their voting blocs since any loss of support from this group of ardent supporters could spell defeat. To ensure the support of this core group, parties provide state resources directly to these groups. This results in lower public goods provision in multiparty states. The role played by party systems also carries implications for the political economy literature. In comparative political economy, a great deal of data collection (both qualitative and quantitative) efforts and theoretical energy (formal and empirical) has been expended trying to establish a connection between the partisan nature of political control or even just the nature of a given political party and the performance of governments. While our results are not meant to cast doubt on the validity of such findings, they should give us some pause for thought.

bloc. Respondents in multiparty states were far more likely to say yes. In a separate test, respondents were asked if the caste or *jati* of the candidate was a salient consideration for their vote. Once more, the pattern holds: multiparty state residents are far more likely to think of caste as important.

²⁹ These probabilities were calculated using a logistic regression similar to the one in Table 1. The controls were identical but the dependent variable was the survey question which asked respondents whether the inter-caste relations in their area were marked by conflict or not.

APPENDIX 1

Data	Source
Effective Number of Parties	Singh and Bose, 1986; Election Commission: Report on State Elections, various issues
Ideological Competition	Singh and Bose, 1986; Election Commission: Report on State Elections, various issues
Competitiveness of election	Singh and Bose, 1986; Election Commission: Report on State Elections, various issues
State government expenses: Salaries	Reserve Bank of India Bulletin, various issues
State government expenses: Development	Reserve Bank of India Bulletin, various issues
Income Taxes accruing to the State	Reserve Bank of India Bulletin, various issues
Grants from the Central Government	Reserve Bank of India Bulletin, various issues
Loans from the Central Government	Reserve Bank of India Bulletin, various issues
State Per-capita Income	Reserve Bank of India: Report on Currency and Finance
Growth Rates	Reserve Bank of India: Report on Currency and Finance
Number of Villages Electrified	Census of India
Population	Census of India
Riots	Crime in India, various issues
Cabinet Reshuffle	Asian Recorder, various issues
New Cabinet	Asian Recorder, various issues

Appendix 2: Ideological Competition in the Indian States 1967-1997

	One Party Dominance	Two-Party Competition			Multi-Party Competition		
		<i>Left-Center</i>	<i>Center-Center</i>	<i>Center-Right</i>	<i>Left-Center-Center</i>	<i>Left-Center-Right</i>	<i>Center-Center-Right</i>
Andhra Pradesh	(1) 1968-1977		(2) 1978-1997				
Assam	(1) 1968-1977 (3) 1983-1984		(2) 1978-1982 (4) 1985-1995				
Bihar			(2) 1977-1989	(4) 1995-1997		(1) 1967-1976	(3) 1990-1991
Gujarat			(3) 1995-1997	(1) 1967-1979			(2) 1980-1994
Haryana			(4) 1977-1986 (6) 1991-1995	(1) 1967 (3) 1972-1976 (7) 1996-1997			(2) 1968-1971 (5) 1987-1990
Karnataka	(1) 1967-1971		(2) 1972-1993				(3) 1994-1997
Kerala		(1) 1967-1997					
Madhya Pradesh			(2) 1977-1979	(1) 1967-1976 (3) 1980-1997			
Maharashtra	(1) 1967-1977		(2) 1978-1989	(3) 1990-1997			
Orissa	(2) 1980-1984		(1) 1967-1979 (3) 1985-1994				(4) 1995-1997
Punjab				(1) 1967-1997			
Rajasthan			(2) 1977-1979	(3) 1980-1984 (5) 1990-1997			(1) 1967-1976 (4) 1985-1989
Tamil Nadu			(1) 1967-1997				
Uttar Pradesh			(2) 1977-1979 (4) 1985-1988				(1) 1967-1976 (3) 1980-1984 (5) 1989-1997
West Bengal		(1) 1967-1997					

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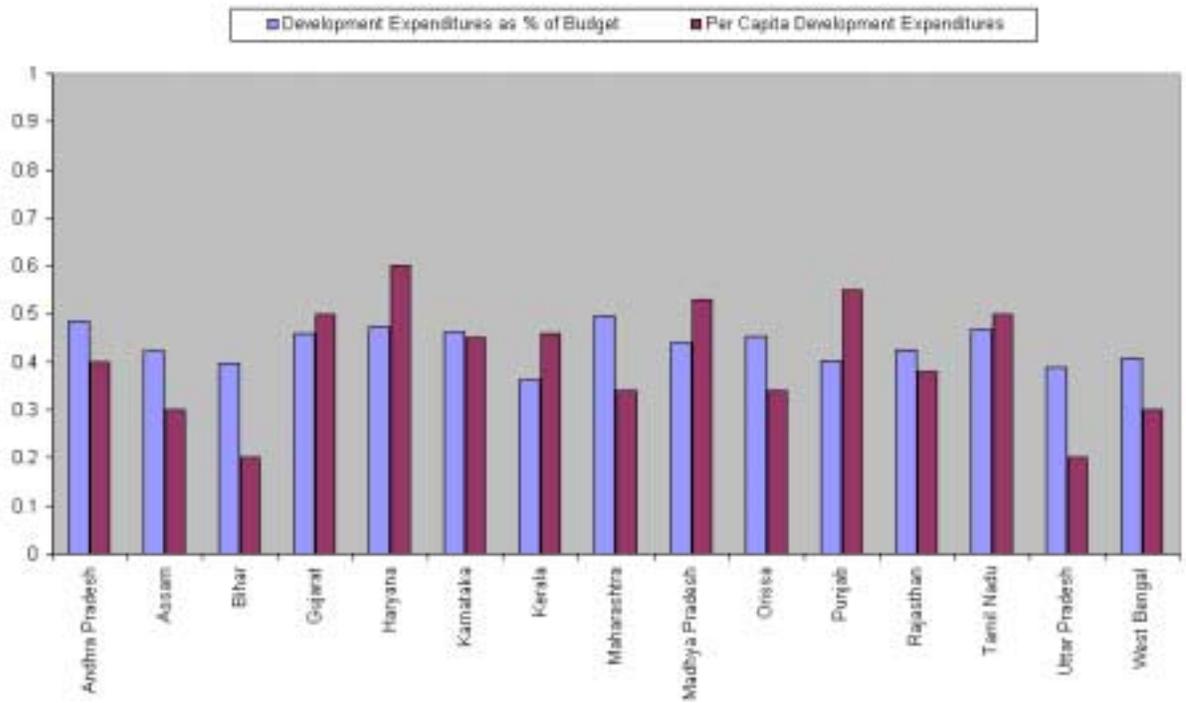
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Figure 1: Aggregate and Per-Capita Development Expenditures by the Indian States, 1967-1996



The second column reports the per-capita expenditure data. The data are standardized to range from 0 to 1 for easy comparability across both measures.

Figure 2: Increase in the Number of Villages Electrified, 1981-1991

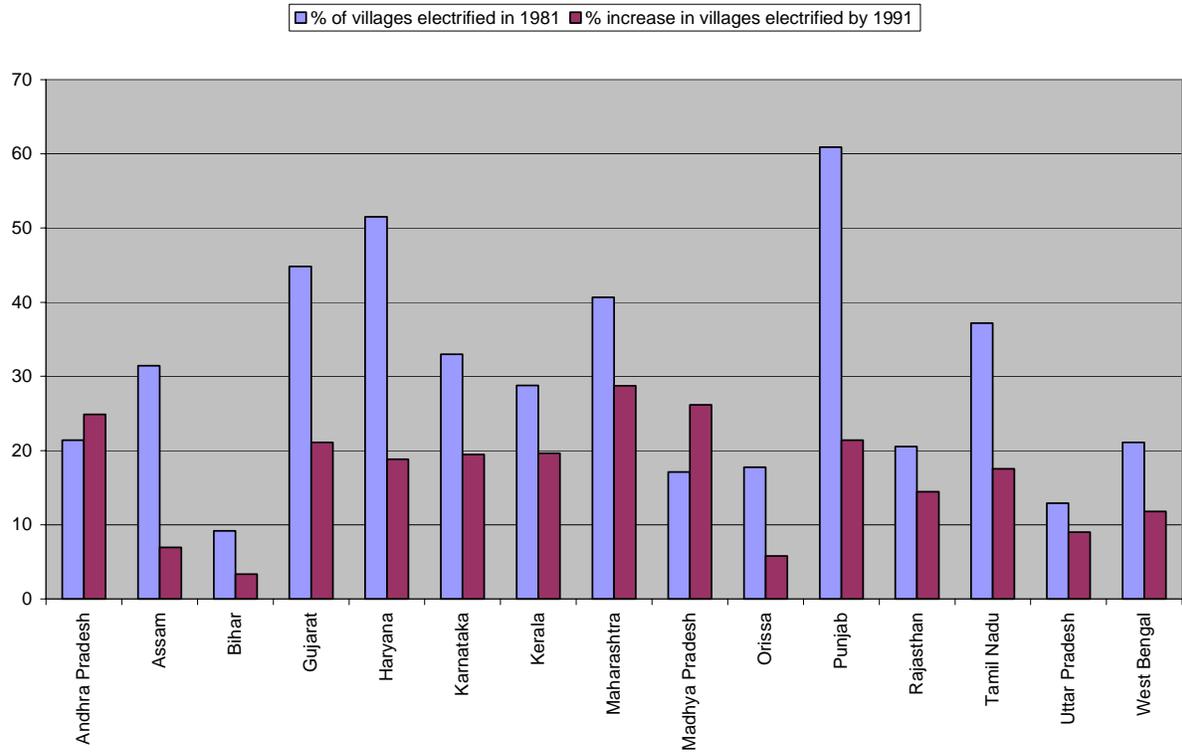


Figure 3: Effective Number of Legislative Parties in the Indian States, 1967-1996

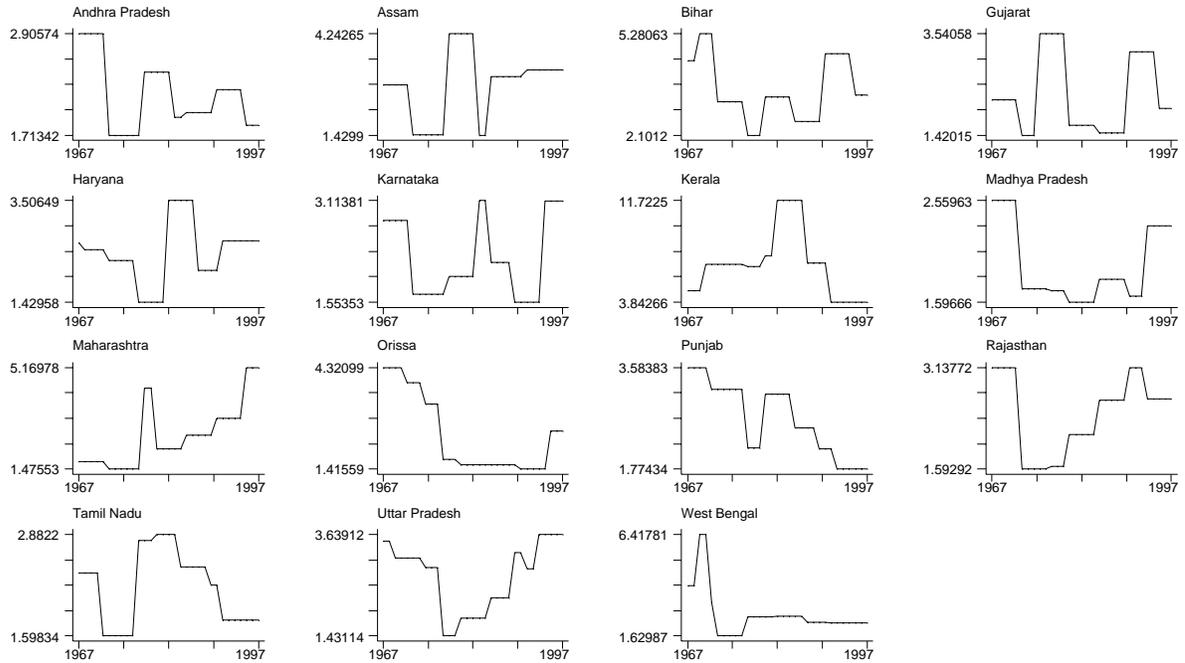
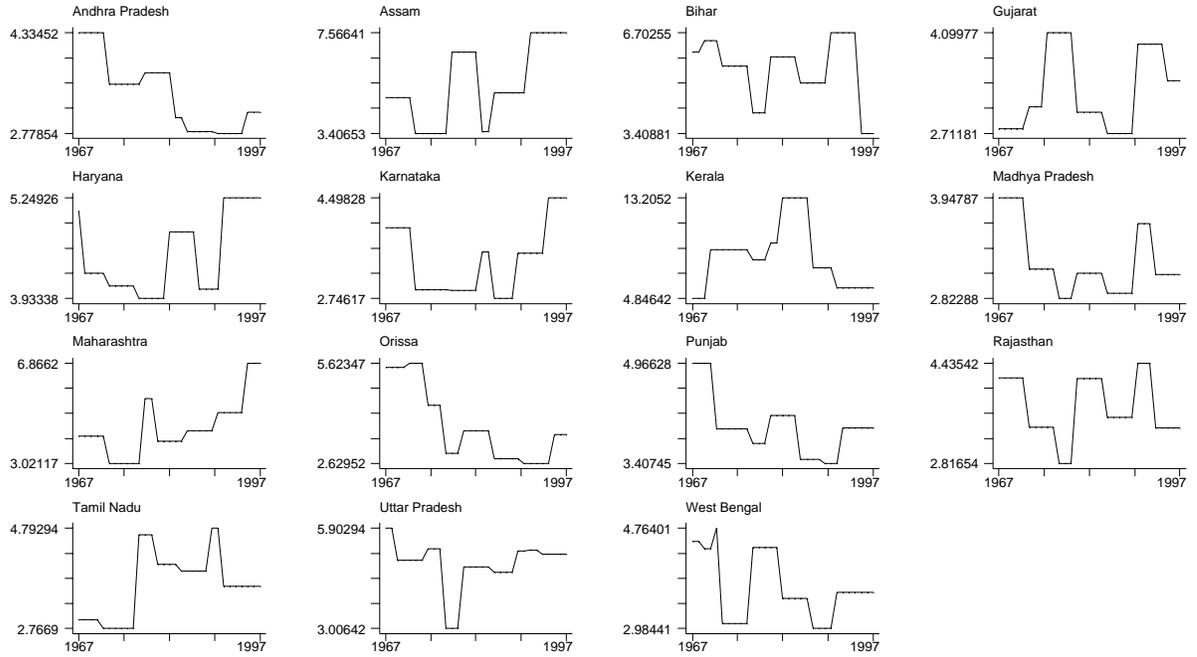


Figure 4: Effective Number of Electoral Parties in the Indian States, 1967-1996



**TABLE 1: Party Systems and the Mobilization of Caste:
Logit Analysis with Party-Caste Link as the Dependent Variable**

Independent Variables	Coefficient	Standard Error	T-ratio
Multiparty state	0.620	0.132***	4.693
Financial situation	0.102	0.076	1.347
High caste	0.563	0.124***	4.552
Middle caste	0.318	0.137**	2.324
Gender	-0.498	0.108***	-4.615
Age	-0.285	0.151*	-1.894
Income	0.130	0.075*	1.728
Media exposure	0.044	0.041	1.071
Wealth level of a state	-0.119	0.031***	-3.834
Constant	-0.775	0.617	-1.256

Number of observations = 2086
Percent correctly predicted = 74.30%
Log likelihood at convergence = -1150.7114
Robust standard errors are reported.
Significance tests: ***p<0.01, **p<0.05, *p<0.10

Source: 1996 post-election survey.

TABLE 2: Party Systems and the Allocation of Club and Public Goods: Pooled TSCS analysis with state expenditures on salaries and development expenditures as dependent variables

Independent Variable	SALARIES	DEV EXP
Multiparty state	0.021 (0.006)***	-0.033 (0.012)***
Winning differential	1.14E-04 (1.21E-04)	-0.003 (0.005)
Income tax as share of government revenue	0.005 (0.012)	0.007 (0.036)
Grants from the center	0.017 (0.019)	-0.002 (0.052)
Loans from the center	-0.009 (0.008)	0.047 (0.029)
State Per Capita Income	-0.010 (0.002)***	0.013 (0.008)*
Growth rate	-9.31E-05 (1.42E-04)	-4.2E-04 (3.88E-04)
Ideological competition:		
Center-Center	-0.001 (0.004)	0.027 (0.015)*
Center-Left	0.018 (0.005)***	-0.015 (0.019)
Center-Right	0.009 (0.004)**	0.004 (0.017)
Coalition Government	-0.014 (0.006)**	-0.003 (0.012)
Turnout	1.44E-04 (1.48E-04)	1.28E-04 (0.007)
Lagged Rents	0.667 (0.044)***	
Lagged Dev Exp		0.396 (0.080)***
Constant	0.164 0.029***	0.132 (0.076)*
Number of observations	330	332
R-squared	0.737	0.337
Rho	0.045	0.041
Prais-Winsten regression with PCSEs in parentheses		
Significance tests: ***p<0.01, **p<0.05, *p<0.10		

TABLE 3: Party Systems and Public Perceptions of the Delivery of Public Goods: Logit Regression

Independent Variable	Electricity Supply	Drinking Water
Multiparty state	0.564 (0.115)***	0.901 (0.109)***
Financial Situation	0.208 (0.071)***	0.026 (0.067)
High Caste Status	-0.053 (0.101)	0.154 (0.111)
Middle Caste Status	-0.133 (0.125)	-0.169 (0.117)
Gender	-0.216 (0.105)*	-0.113 (0.097)
Age	-0.064 (0.149)	-0.363 (0.101)**
Education	-0.081 (0.035)**	-0.083 (0.034)**
Income	-0.035 (0.078)	0.311 (0.073)***
Media Exposure	-0.067 (0.044)	-0.023 (0.042)
State's Wealth Level	0.203 (0.029)***	-0.163 (0.026)***
Constant	-0.037 (0.623)	1.079 (0.579)*
Number of observations	2044	2065
Percent correctly predicted	67.12	59.32
Log-Likelihood	-1217.4483	-1359.9385
Robust Standard Errors are reported.		
Significance tests: ***p<0.01, **p<0.05, *p<0.10		

Source: 1996 post-election survey

Table 4: Substantive Effects of Living in a Multi-Party State

	<i>Party favors one caste</i>	<i>Electricity supply is a problem</i>	<i>Clean drinking water is a problem</i>	<i>Local caste relations are conflictual</i>
<i>Two-Party</i>	0.176	0.614	0.387	0.046
<i>Multi-Party</i>	0.284	0.737	0.609	0.403
Cell entries are predicted probabilities of answering yes holding all independent variables constant at their means.				
	<i>Development Expenditures</i>	<i>Civil Administration Expenditures</i>	<i>% Increase in Villages with Electricity, 1971-1991</i>	
<i>Two-Party</i>	46.12%	31.08%	22.04%	
<i>Multi-Party</i>	39.24%	34.77%	7.59%	

	<i>Two-party States</i>		<i>Multi-party States</i>	
	Madhya Pradesh	Rajasthan	Uttar Pradesh	Bihar
Per capita Income (in rupees), 1971	534	587	497	415
Total population (in millions), 1971	41.7	25.8	88.3	56.4
Average developmental expenditures (in Rs. crores) , 1968-1996	49.3	42.5	38.8	39.6
Total increase in percent of villages electrified, 1981-1991	39.0	14.46	9.0	3.37
Average number of parties in the state assembly	1.9	2.39	2.7	3.44