

DOES AFFIRMATIVE ACTION IN POLITICS HINDER PERFORMANCE? EVIDENCE FROM INDIA*

Sabyasachi Das
Ashoka University

Abhiroop Mukhopadhyay
ISI, Delhi

Rajas Saroy
ISI, Delhi

July 30, 2019

Abstract

We ask whether equity promotion through electoral quotas for disadvantaged groups must come at the cost of leader’s overall performance or “efficiency.” The literature on electoral quotas, though invested in the equity question, is mostly silent on this issue. Using randomized electoral quotas for a caste group (OBCs) in a large state in India, we show that, on average, delivery of public projects does not suffer due to quota. Moreover, we show that when one group is numerous, quotas may in fact *improve* leader’s performance. We argue and empirically demonstrate that this happens because electoral quotas increase *within-group* electoral competition in villages where the group is large. Further, we show that the improvement in performance doesn’t benefit any group differentially, and is not driven by leader’s ability or preference, or improved group monitoring. The result highlights that “efficiency” concerns regarding affirmative action may need reevaluation. It further justifies the electoral quota policy in India of targeting the jurisdictions where the group is numerous.

Key words: Electoral competition, Reservation, Public goods, Gram Panchayat.

JEL Classifications: D72, D78, H41, O12.

*The authors wish to thank Dilip Mookherjee, Stuti Khemani, Rajiv Sethi, Kaivan Munshi, Mukesh Eswaran, Nishith Prakash, Farzana Afridi, Bhaskar Dutta, Parikshit Ghosh, Ashwini Deshpande, Mudit Kapoor, and seminar and conference participants at ABCDE (2018), SERI (2017), ISB and CECFEE-DSE-Gothenburg Conference for helpful comments. Mr. Ashok Jain at the State Election Commission of Rajasthan provided valuable cooperation in giving us access to their administrative records. Mohammad Naved and his team provided excellent research assistance in digitizing and compiling the data. Financial assistance was provided by PPRU at ISI, Delhi. Usual disclaimers apply.

1 INTRODUCTION

Affirmative action (AA) in electoral politics have proliferated in the modern world. These policies impose some form of restrictions or quotas in elections for members of certain population groups. Currently there are more than 100 countries which have some form of quota for women in elections and about 24 countries with electoral quotas for some ethnic group.¹ Evidently, these restrictions have been imposed to achieve equity in political representation that these groups lack due to historical discrimination faced in their respective societies. However, these affirmative action policies often face criticisms in public debates on the grounds that they hinder performance of the elected representatives. Firstly, restrictions on candidate entry may dampen electoral competition as [Jensenius \(2017\)](#) and [Auerbach and Ziegfeld \(2016\)](#) find in the context of Indian elections,² and [Drometer and Rincke \(2009\)](#), [Stratmann \(2005\)](#) and [Burden \(2007\)](#) find in the United States.³ Also, such policies, the critics argue, may bar more competent candidates from running. The website <http://www.quotaproject.org>, for example, lists as one of the cons of gender quotas in elections the following: “Quotas imply that politicians are elected because of their gender, not because of their qualifications and that more qualified candidates are pushed aside.” The general concern is that, if performance of elected leaders depends on both their competence and electoral competition, then affirmative action policies may potentially lead to worsening of overall delivery of public goods and services.⁴

We examine this view by looking at caste based affirmative action policies

¹The information about quotas on women is available at <http://www.quotaproject.org>, which is a joint project of International IDEA, Inter-Parliamentary Union and Stockholm University. The information about countries adopting ethnic quotas is sourced from [Bird \(2014\)](#).

²[Jensenius \(2017\)](#), for example, finds that electoral quotas for Scheduled Castes (SCs) in Indian assembly elections resulted in, at least during the initial years of the quota policy, reduced number of candidates running and reduced competition, as measured by margin of victory. These factors, however, evened out over time. (Chapter 5)

³The candidate restriction policies in the United States take the form of filing fees and signature requirements (known as ballot access restrictions).

⁴Such concerns regarding affirmative action policies is more general. There is a large literature that discusses these issues in the context of education (see, for example, [Backes \(2012\)](#), [Antonovics and Backes \(2014\)](#), [Fang and Moro \(2010\)](#) among others), employment ([Loury \(1992\)](#), [Coate and Loury \(1993\)](#), [Moro and Norman \(2003\)](#)), and tournaments in general ([Schotter and Weigelt \(1992\)](#), [Calsamiglia, Franke and Rey-Biel \(2013\)](#)). Similar discussions in electoral politics is, however, more rare.

in village elections in India. Caste groups form the basic organizing unit both in social interactions as well as in local political mobilizations in rural India (Munshi, 2017). Voting in village elections in India is often caste based, i.e., voters tend to vote for candidates belonging to their own caste. In a context like this we test whether quotas for disadvantaged caste groups in elections of local governments adversely affects overall performance of the elected leader. We examine randomized quotas for a caste group (OBCs) in the elections of the head of village governments or Gram Panchayats (GPs from now on) in the state of Rajasthan, India and empirically demonstrate that affirmative action, on average, does not lead to a fall in the performance of the elected leader, as measured by implementation of a large public works program. More importantly, we show that whether AA hampers leader’s performance or not depends critically on the population composition of the caste groups in the GP, i.e., the effect of the AA policy is heterogenous across GPs. When the disadvantaged group is numerous in the the GP, AA in fact *improves* the performance of the elected leader. On the other hand, when the same group is small, AA leads to a fall in the leader’s performance. We further show that the improvement or fall in performance in the respective GPs doesn’t affect any group differentially, i.e., our measure of the change in performance is indeed an overall effect on the delivery of public projects.

For the empirical analysis we compile a dataset comprising of a near universe of village councils of Rajasthan; the dataset contains detailed election results of the village council head elections, demographic characteristics of the villages, and data on work generated under NREGS (National Rural Employment Guarantee Scheme), the largest public works program implemented by the village councils. We look at public spending under NREGS to test the effects of AA on village head’s performance. We exploit the randomized quota policy in village council head elections for a caste group, known as the Other Backward Classes (OBCs), to get exogenous variation in the nature of elections (i.e., open vs with AA). The quota policy randomly selected village councils using lotteries and imposed the restriction that all candidates running for the village head elections in the selected villages must be members of the OBC group.⁵ This quota policy

⁵The lottery was performed on a subset of all village councils, after imposing quotas in some

is referred to as the “reservation policy” for OBCs. We here note that OBCs, being in the middle of the economic strata, are not the most obvious group for an affirmative action policy. We however do not take any normative stand on this issue. We focus on OBC reservation, as opposed to quotas for SCs or STs, because we can estimate causal effects of the policy due to the randomized nature of OBC quota implementation. This, however, is not true for the other groups.⁶ Some of the insights of our paper though may carry over to the other groups as well, as we argue in Section 5 of the paper.

In this context the relevant groups that we consider are SC/STs and non SC/STs, and the quota for OBCs restricts candidate entry to the non SC/ST group. The partition is dictated by data considerations; the census of India does not record population figures separately for OBCs. However, OBCs constitute 85% of the non SC/ST group in Rajasthan. Moreover, using the universe of villages in Rajasthan we show that the village level OBC population share is a linear and highly predictable function of the non SC/ST population share.⁷ We observe that there is wide variation in the population shares of the non SC/ST group across GPs; this is helpful for identifying the effect across the entire range of values of population shares.

We find that among the villages where the non SC/ST population share is greater than 0.75, the per capita work generation under NREGS is higher in OBC reserved GPs (compared to open election ones). At this population share, the reserved GPs have 5.1% more work. About 44% of GPs have non SC/ST population share larger than 0.75. Therefore, the estimated gains are economically significant. However, the effect becomes negative at low non SC/ST shares. Reserved GPs have 20% less work when the non SC/ST share is less than 0.35.⁸ However, only 3% GPs have non SC/ST share below 0.35.

elections for other minority caste groups. The details of the quota procedure is provided in Section 2.5.

⁶Scheduled Castes (SCs) and Scheduled Tribes (STs) are historically discriminated minority caste groups and indigenous tribes, respectively. There are separate reservation policies in elections for them as well. However, since their reservation rule is non-random, it is not helpful for us.

⁷As a robustness exercise we impute the OBC population from another data source and show that our results remain unchanged to such imputation. See section 4.4 for details.

⁸All the estimates mentioned so far are statistically significant.

Importantly, the result remains same if we remove all village councils headed by non OBCs and do the analysis on only those village councils which have OBC heads (either in reserved or in open election councils). This indicates that the change in provision of NREGS work is not driven by differential preferences of village heads (OBC vs rest). The result also rules out the case that OBC voters may be able to discipline a OBC head more to implement greater public spending, especially when the OBC group is large (as argued by [Munshi and Rosenzweig \(2017\)](#)); it is, therefore, due to AA *per se* that the effect is realized. Using education as a proxy for ability, we also show that OBC reservation did not improve ability of politicians, and therefore, can not be the mechanism driving the result.

We therefore propose a different mechanism, using a formal model, to explain this result. We argue that in contexts where group identities are salient (such as in rural India), population composition of groups often impinges on electoral competition. This may happen because of the caste based voting observed in India, or more generally, voters having “co-ethnic” preferences, i.e., preferring a leader from their own group. Affirmative action in such a context can alter the level of electoral competition by changing the group composition of candidates. To understand the basic logic, consider a village with two caste groups where one caste group, say the OBCs, is numerous in the population, i.e., it has a large population share. In an open election in the village, the (best) candidate from the OBC group, therefore, would suffer from a moral hazard problem. Since a large fraction of the voters is expected to vote for her, she gets an undue advantage against the (best) candidate from the smaller group, which in turn affects the performance of the elected leader negatively.⁹ Affirmative action, interestingly, eliminates this co-ethnic advantage for the candidate, which would result in an *improvement* in performance in those GPs. In contrast, when the OBC group is small, the candidate from the other (larger) group, who is likely

⁹It is possible to have multiple candidates from the same group running in the election. However, a group would have strong incentive to limit the number of candidates entering election as the votes would get split across them reducing the group’s overall chance of winning the election. Alternatively, knowing this, the voters would also coordinate their votes around the best candidate from their group. We later show using data on vote shares of candidates that even though more than two candidates run in any GP election, most votes are captured by the first two candidates who are often from different caste groups.

to win an open election, now suffers from the moral hazard problem. However, the incentive for the OBC candidate to perform better would be high in an open election. This, however, gets dampened in an election with quota, since the other candidate now also belongs to the OBC group and hence, is not as strong a rival as in the previous case. We therefore contend that in the context of rural India, effect of AA on performance would depend on the size of the group in question and the effect would mediate through electoral competition.¹⁰

Our proposed model delivers predictions on the performance of the leader which are consistent with the empirical result. Moreover, the model sheds light on the mechanism as well. It predicts that in villages with a large OBC group, the margin of victory, i.e., the difference between the vote shares of the winner and the runner up, in an election with quota would be narrower compared to the same in an open election. On the other hand, it would be higher in GPs with a small OBC population. This is understandable since narrower (larger) margin of victory implies tighter (slacker) electoral competition in those elections, which is consistent with better (worse) performance. We show evidence in favor of this mechanism by using data on vote shares of candidates. We find that for village councils with non SC/ST share higher (lower) than 0.5, the win margin was lower (higher) in OBC reserved villages. This result, therefore, is consistent with the pattern we observe for implementation of NREGS and validates our story.

The basic story of our paper is similar to what [Banerjee and Pande \(2007\)](#) explore in their paper about the consequence of ethnic polarization of voters. They argue that the candidate from the larger group would be of lower quality than the minority candidate, and that this quality gap increases when voters become more polarized and the majority group becomes larger. However, unlike our model, in their context both the politicians and the groups (or parties) have no agency in choosing policy platforms and candidate quality, respectively. Importantly, allowing agency for the politicians changes the mechanism behind the

¹⁰We are not the first one to propose that group size matters for electoral outcomes in the context of village elections in India. [Munshi and Rosenzweig \(2017\)](#) argue that group size may affect a group's ability to discipline its leader by threatening a greater punishment. [Banerjee and Pande \(2007\)](#) explore the possibility that a lower ability candidate may have a higher probability of winning the elections if she belongs to a larger group. We, on the other hand, examine a moral hazard story to motivate why group size would matter in elections.

results from adverse selection to moral hazard. By validating the mechanism in our empirical tests, we highlight moral hazard as another important force shaping the behavior of local politicians. Further, they are motivated by how political parties choose candidates of differing qualities across jurisdictions and how that choice may be influenced by the level of “co-ethnic” preferences. We, on the other hand, are interested in the consequence of “co-ethnic” preferences for affirmative action.

The model we develop is focused on explaining the level of public spending and therefore, doesn’t consider any distributional consequences of AA. This is partly motivated by our context. Recent papers looking at caste based AA policies in Indian elections have found negligible distributional effects of such policies (see, for example, [Bardhan, Mookherjee, and Torrado \(2010\)](#), [Dunning and Nilekani \(2013\)](#) and [Bhavnani \(2016\)](#) for AA policies in village and municipal elections and [Chin and Prakash \(2011\)](#) and [Jensenius \(2015\)](#) for such policies in elections of state legislatures). This happens to be the case in our data as well (see Section 2.6 for more details). We therefore do not directly comment on the equity vs performance trade-offs of AA policies and highlight primarily its consequences on the provision of public goods. Our results in fact imply that in certain cases there is no such trade-off to begin with.

We do not consider any reelection motives of politicians in our analysis. This is in contrast to [Anderson and Francois \(2017\)](#) who look at a similar question in the context of caste based quotas in village elections in the state of Maharashtra, India. They also find a positive performance effect of the quota for a subset of villages. Importantly, reelection motive of the incumbent plays an important role in the explanation of their results. Such concerns are, however, largely absent in the context of elections that we examine. [Banerjee et al. \(2017\)](#) find that re-election rates are extremely low in elections for the village council heads in Rajasthan (around 5%).¹¹ This is true for many other states of India as well. [Das and Palsson \(2019\)](#) find that among village politicians in the state of Kerala - one of the most advanced states in India with strong political institutions - the average reelection rate is about 5% for the entire state and the rate of rerunning is about 11%. The Rural Economic and Demographic Survey (REDS),

¹¹The reelection rate two election cycles after is about 1%.

2006, which is a pan-Indian survey conducted in 17 major states of India, reports that 90% of village heads either didn't run the previous time or never held office. Hence we use a static model of electoral competition to explain our result in the context of Rajasthan. The static model is also used in many of the previous papers discussing electoral politics in rural India. (See, for example, [Chattopadhyay and Duflo \(2004\)](#), [Munshi and Rosenzweig \(2017\)](#), [Foster and Rosenzweig \(2004\)](#), [Bardhan and Mookherjee \(2000\)](#) and [Bardhan and Mookherjee \(2006\)](#).)

The existing literature on caste based electoral quotas is almost exclusively focused on its effects on distribution ([Dunning and Nilekani \(2013\)](#), [Jenselius \(2015\)](#), [Besley, Pande and Rao \(2004\)](#), [Besley, Pande and Rao \(2012\)](#), [Chattopadhyay and Duflo \(2004\)](#), [Bardhan, Mookherjee, and Torrado \(2010\)](#) etc). Our work contributes to this literature by highlighting that affirmative action policies, though intended to promote equity, can have heterogenous effects on leader's performance and it need not always come at the cost of "efficiency" or performance.¹² [Pande \(2003\)](#) also examines non-randomized ST quotas in state level assembly elections and finds that it increased overall public spending in the constituency.¹³ The paper however doesn't differentiate between constituencies with high and low ST population shares. We later in [Section 5](#) discuss how our results connect to [Pande \(2003\)](#).

Further, our work also has implications for how ethnic heterogeneity of candidates in elections affects public goods provision. AA increases the homogeneity of the candidate pool and we show that it may increase the overall delivery of public goods. The paper, therefore, speaks to the literature that shows that ethnic diversity of population has negative effects on public goods provision ([Alesina, Gennaioli and Lovo, 2018](#); [Miguel and Gugerty, 2005](#); [Alesina and La Ferrara, 2000](#); [Alesina, Baqir and Easterly, 1999](#) etc). We highlight that, conditional on ethnic fractionalization of the population, ethnic diversity of candidates

¹²We use the term efficiency and performance interchangeably in the paper. It is possible to think about efficiency in the context of electoral democracy in a much broader sense, which not only incorporates the performance of the leader but also takes into account bureaucratic efficiency, politicians' ability to coordinate with various arms of the government etc. We use the delivery of public goods as a measure of performance of the leader, which we take to be a proxy for efficiency.

¹³[Chin and Prakash \(2011\)](#) also find that ST quotas in state assembly elections in India reduces poverty.

in electoral democracies may have an *additional* negative effect on public goods provision.

There are some papers that look at changes in provision of public goods in presence of quota for women (Gajwani and Zhang (2014), Afridi, Iversen and Sharan (2017)). However, these papers argue that lack of administrative knowledge of women leaders is the reason for the fall in performance. In fact, Afridi, Iversen and Sharan (2017) show that the knowledge gap between men and women leaders is temporary; the women leaders catch up very quickly and by the end of their tenure they are as competent as their male counterparts. Besley et al. (2017) look at party lists in Sweden and argue that women quota on the list positions removed less able men from the list and made the average ability of the winning candidate higher. We, on the other hand, show that outcome can improve even when average ability worsens due to AA.

The rest of the paper is organized thus: section 2 is devoted to providing empirical evidence in favor of our main argument. We begin by providing a brief description of the institutional context that motivates our analysis (Section 2.1), and then discuss the details of how we compile the dataset and how the basic descriptive statistics look like (Section 2.2). The empirical specifications and identification strategy are laid out in sections 2.4 and 2.5, respectively. Finally, section 2.6 discusses the main results. We then move to the model in section 3. Section 4 provides validation of our model by showing evidence in favor of the mechanism. In addition, we provide results from some robustness checks and argue against other alternative explanations. We discuss some policy lessons and other insights based on our results in section 5 and finally, conclude in section 6.

2 AA AND LEADER’S PERFORMANCE: THE EVIDENCE

We begin by providing evidence on what effect AA has on the implementation of public projects. In particular, for reasons stated above, and which we explore more formally in section 3, we are interested in how this effect may depend on the population share of groups. Before we move to our specific hypotheses and the estimation results, we first describe the setting that provides the background for our exercise and the dataset we have compiled for our analysis.

2.1 Brief Background

Our empirical analysis uses data for 5,002 village councils, also called Gram Panchayats (GPs), in the northern Indian state of Rajasthan. GPs are the lowest tier of governance in India (for more on GPs see Appendix Section B.1). The GPs are comprised of councilors who are elected from single member wards within GPs. Each GP has a president or Sarpanch, analogous to a mayor in a municipality. We focus on the election of Sarpanches for our study and, therefore, choose as our context the state of Rajasthan which holds direct elections for that position.

The positions of Sarpanches are subjected to affirmative action policies, in the form of quotas, for various groups, such as women, SCs, STs, and OBCs. We focus on caste based quotas for the Sarpanch elections. These policies select certain fraction of such positions where only members of the relevant caste group can run as candidates. The rules followed by the state governments in determining which positions will be reserved for what group varies from state to state. We study the context of Rajasthan because it gives us an exogenous determination of these positions for the case of the OBC group. We detail the algorithm for OBC reservation in Rajasthan in the Identification section (Section 2.5).

2.2 Data Sources and Compilation

The sample is constructed by triangulation of three different administrative data sets: that for the public policy outcome, data on demographic characteristics as well as the infrastructure development of the GPs and GP election records. While descriptions of each data set used follow below, it is important to note at the outset that barring cases of missing administrative records, this is a census of all GPs eligible for having the position of Sarpanch reserved for a member of the “Other Backward Classes” (OBCs). We will return to the eligibility criterion for being in the pool for potential reservation in the section on empirical methodology (Section 2.4).

For each GP, we use data on the total days of work generated - recorded in the administrative data as person-days of work - under the public workfare program called NREGS for the financial year 2012-13 (April, 2012 to March, 2013). NREGS is one of the largest running public works program in the world

and is managed by the GP, in particular the Sarpanch (For more see Appendix Section B.2).¹⁴ NREGS also constitutes roughly 80% of the annual budget that is under the direct control of the Sarpanch, and hence covers most of the expenditure carried out by the GP on public projects. We look at the outcome for 2012-'13 because this is the in the middle of the term of a Sarpanch. This is also the year which is not affected by either state or national level election activities (in 2013 and 2014 respectively), or not early enough for the GP level NREGS data to be unavailable. We later show robustness of our results for the year 2013-'14. The information on NREGS is sourced from the official portal for the scheme (www.nrega.nic.in) and is available for the entire GP as well as for each major social group in it: Scheduled Castes (SC), Scheduled Tribes (ST) and other groups ("Others"). For most of our analysis we will use the aggregate while we only turn to group wise outcomes when we discuss distributional concerns. We deflate the total days of work by the population of the GP to arrive at the main outcome variable of interest, the per capita number of days of work (*Days pc*). Many types of public goods get created under the NREGS program, such as local roads, toilets, wells, irrigation facilities etc. Using person days work generated under NREGS gives us a common currency to measure the overall delivery of all the different types of public goods. Another variable of interest that is obtained from the NREGS portal is demand for NREGS work. The official procedure for a household to get work under NREGS involves a written or oral request from the household to be given work. This is noted down by the GP NREGS officials and is available in administrative records.

Data on population of the GPs as well as it's other demographic characteristics are obtained from the 2011 census records.¹⁵ Each GP consists of multiple villages. This mapping from village to GP is available in the local government directory maintained by Panchayati Raj ministry of the government of India.¹⁶ Using this mapping, we aggregate information on villages belonging to a GP to

¹⁴We do not use expenditures on materials as such expenditures may reflect corruption. While labour expenditure can also be subject to corruption, we test using a separate household survey whether household indeed receive more work when there is more expenditure on labour as reported in the administrative records. We discuss this in detail at the end of the results section (Section 2.6).

¹⁵We use primary census abstracts from the census.

¹⁶The website is <http://lgdirectory.gov.in/>.

calculate the total GP population. The census also provides information on the number of individuals who belong to each of the following social groups: SC, ST and “Others.” It is important for our empirical analysis to note that the population in the social group OBC is part of the “Others” and is not recorded separately. While we will show in a later section that our results are robust to imputation of the OBC population using other data sources, for our main results, we will use the census population recorded for “Others.” For the sake of clarity and reasons described below, we will refer to “Others” as “non SC/ST.” Along with the aggregate population and its distribution among different social groups, the other variables of interest that are obtained from the census are the total number of literates and the total number of females in the GP, after suitable aggregation of the village data. We also construct GP development quartiles by using census village amenities data. For details of this construction see Appendix Section C.

The third source of data are election records. We use the results of elections that were held in 2010 for the position of the GP head. For all information related to this election- the caste category of the Sarpanch, whether the position was reserved for any caste category, vote share of the candidates, the total number of candidates who stood for election and which caste they belonged to- the source was the Rajasthan state election commission. While data on the former two variables were available from online records of the election commission (<http://www.rajsec.rajasthan.gov.in>), information on the latter variables were based on manual input of detailed official records of election results, as reported by district administrations to the election commission. Some of these sheets had been misplaced causing a loss of 631 observations.¹⁷ Hence, in our empirical work, while in the main specification the number of observations are 5,002, in a subsequent sub-section that looks at data from these manual records, our sample size drops a little (the actual drop depends on what variable we look at).¹⁸

¹⁷In the case of manually recorded data, election records for 2 districts had gone missing by 2016 when we input the data. Some of the information was missing in some sheets. For example, while in all cases, the total number of candidates were recorded, the votes were not recorded for all candidates for some GPs, causing a further loss of observations. But this additional drop is small (56 observations).

¹⁸We describe in the Identification section how we arrive at the figure of 5,002 GPs.

2.3 Descriptive Statistics

In our sample, the number of days of NREGS work per household is 19. However, households typically have differing number of members, which vary systematically with the community they belong to. Hence we deflate the total days of work in the GP by its population.¹⁹ The per capita number of days of NREGS work is 3.2. We report this statistic as well as those for other variables in Table A1.

The GP demographic characteristic that matters most for our study is the share of population that belongs to the non SC/STs in the population (S^O). This share is 0.7 for our sample with a standard deviation of 0.2. As Figure A5 shows, our sample covers the full range of non SC/ST shares, but there are fewer GPs with Non SC/ST population shares less than 40%.²⁰ Data from a large representative sample (National Sample Survey, round on employment, 2011, referred hereafter as NSS (2011)) show that 85 percent of the Non SC/STs in Rajasthan are in fact OBCs. The survey also allows us to calculate district level proportion of OBCs and non SC/ST share. If one uses the mapping derived from the NSS to impute OBC shares from the non SC/ST shares that we observe in census, we find that OBC shares range approximately from 5% to 70% (Figure A6).²¹ In addition, OBCs and the residual “general” category that make up the non SC/STs are lower demanders of NREGS work in contrast to the SCs and STs. According to household survey data collected by NSS (2011), while 80 percent of SC/ST households demanded NREGS work^{22,23}, the proportion of OBC households who demanded work was 66 percent, while the corresponding proportion for the general caste category was 54 percent. Hence the group Non

¹⁹Another reason for doing so is that the census reports the total number of persons who belong to a social group, instead of the total number of households.

²⁰This implies that our results in this range of population shares will be underpowered.

²¹An alternate albeit imperfect estimate can be calculated from school enrollment data across all schools in Rajasthan (sourced from the District Information for School Education, 2016). Given 90% enrollment rate at the primary level, one can calculate the total number of children enrolled in primary schools of a village that belong to OBCs and non SC/STs. We calculate the share of total enrolled children that belong to OBC and to non SC/ST and we find that the correlation between the two is 0.87.

²²Based on the questions asked in the household survey, a household is said to have demanded NREGS work if it either worked in an NREGS project, or it applied for work but did not get any work.

²³The proportion of households who demanded work among ST and SC households is 86 and 75 percent respectively.

SC/ST clubs together relatively low demanders of NREGS.²⁴ This difference in preference for NREGS across the non SC/STs and SC/STs will be incorporated in the model that we develop later and will be important in explaining some of the empirical results we get.

We now look at few other demographic characteristics which may also matter for NREGS work implementation in a GP. The average population per GP is 5,510. A good measure of demand for NREGS work is also given by the level of education of the population. The literacy rate among those who are 6 years old and above is only 62 percent (this matches the overall literacy rate for rural Rajasthan). Another common feature of the scheme is that women, who have relatively lower outside job opportunities, work more on the projects provided under the scheme. Thus the proportion of females is potentially an important determinant of the amount of NREGS work provided. This proportion is 0.48 in our sample which again matches the figure for the whole of rural Rajasthan. NREGS demand may also depend on the infrastructure development index of the GP. Each of the lowest two development quartiles account for 23 percent of our sample while the third and fourth quartiles constitute 25% and 27% of the sample respectively.²⁵

2.4 Empirical Methodology

To begin with, we wish to test if OBC reservation status of a GP affects the level of work implemented under NREGS. As argued above, work under NREGS is an important performance indicator of the Sarpanch. Let $Dayspc_{vb}$ indicate the days of NREGS work per capita in a village council. Further, let D_{vb}^{RES} be equal to 1 if the election for the village head in a GP v situated in an administrative block b is reserved for OBC candidates. Let us denote the population share of

²⁴This is presumably because SC/STs are poorer, on average, than non SC/STs and therefore, derive higher benefit from any level of NREGS work provision.

Also, OBCs may themselves be a heterogenous group. The proportions of different sub-groups in the OBC population are not publicly available. However, the OBC candidate pool is highly concentrated; only two sub-groups - Jats and Gujjars - account for 53% of the top two candidates within OBCs.

²⁵The quartiles are constructed based on all GPs, including those that were not eligible for OBC reservation.

non SC/ST group in a GP as S_{vb}^O . We then estimate the following equation:

$$Days pc_{vb} = \alpha_b + \beta_1 S_{vb}^O + \beta_2 D_{vb}^{RES} + \varepsilon_{vb} \quad (1)$$

where α_b are block specific intercept terms (block fixed effects). We discuss the exogeneity of reservation and the need to control for the population of non SC/ST in the next subsection. We argue that β_2 captures the causal effect of OBC reservation on provision of NREGS work. Further, following [Munshi and Rosenzweig \(2017\)](#) and [Banerjee and Pande \(2007\)](#), we explore whether the effect depends on the population share of the non SC/ST group. The specification we estimate is

$$Days pc_{vb} = \alpha_b + \beta_1 S_{vb}^O + \beta_2 D_{vb}^{RES} + \beta_3 S_{vb}^0 * D_{vb}^{RES} + Z'_{vb} \gamma + \varepsilon_{vb} \quad (2)$$

where Z represents a vector of characteristics: total population, literacy rate, the proportion of the population who are female, three village development quartiles (with the first quartile as the reference category). Using this specification, we calculate the following marginal effect:

$$\mathbb{E} [Days pc_{vb} | D^{RES} = 1, S^O, Z] - \mathbb{E} [Days pc_{vb} | D^{RES} = 0, S^O, Z] = \beta_2 + \beta_3 S^O \quad (3)$$

at various values of S^O ranging from 0 to 1. While a significant β_3 would imply that the marginal effects differ depending on the S^O , the marginal effect calculated in equation (3) would help us ascertain if the OBC reservation has a positive or negative effect on the work provided at various non SC/ST population shares. In particular we are interested to know if this marginal effect is positive for large values of S^O .

It is important to point out here that while existing studies motivate why effects may differ depending on the relative size of groups, we provide further evidence in a later section on the mechanism driving our results. At this stage, what is more important to note is that the importance of relative size of groups while evaluating the impact of village leaders is natural in this setting.

2.5 Identification

A causal interpretation to a test of differences between reserved and unreserved GPs would be invalid if the GPs that are reserved for the OBCs have characteristics that are different from those with no reservation. However, the context we have chosen for our analysis makes this unlikely. The reservation for seats for the OBC are fixed for each election according to the following algorithm. The position for the head of a GP are subject to three reservations. First the total number of positions to be reserved for the SC and ST communities are fixed based on the population of these groups in each block. Once these numbers are fixed, the list of GPs which are subject to each of these reservations is drawn after arranging the villages in descending order of the group's population share. So, in the case of SC reservation, the GPs that have the largest SC population share are reserved first, unless they had been reserved in the previous election. Once the GPs that have been chosen for SC and ST reservation are picked, the remaining GPs form the potential pool on which OBC reservation is exercised. Moreover, and crucially for this empirical work, the GPs to be reserved for a OBC head are chosen at random, by draw of lotteries, from this residual pool. Hence for our empirical work, we focus on the sample of all GPs that remain in the pool after SC and ST reserved GPs have been decided for each block. For ease of presentation, we refer to GPs where the head position has been reserved for the OBC community as OBC reserved GPs.

There are about 9,000 GPs in Rajasthan. However, the administrative records for NREGS is available for about 8,000 of them. The population share of SCs and STs taken together is 37% in Rajasthan. Therefore, we remove about 3,000 GPs from the list which were reserved for those two groups. Finally, we are left with 5,002 GPs which forms our sample over which randomization is done for the purposes of OBC reservations. Randomization ensures that, *ex ante*, OBC reserved GPs should not differ in characteristics from those that are not reserved, within each block.²⁶

While randomization ensures there is no reason for the OBC reserved GPs to be *apriori* different from those not reserved, *ex post* there may be differences

²⁶In our sample, on average, there are about 20 GPs within each block.

in characteristics. To allay such fears, we conduct balance tests where each characteristic is regressed on D^{RES} (Table 1: Panel A). We compare the OBC reserved and unreserved GPs in terms of non SC/ST population share, registered job cards for NREGS²⁷ and other correlates of demand for NREGS work: total population, female share, literacy rate and village quartiles. Apart from non SC/ST shares, none of the variables are different between the OBC reserved and unreserved GPs. In the case of non SC/ST shares, though the difference is significant, the point estimate indicates that the non SC/ST share in unreserved GPs is 70 percent, while that in OBC reserved GPs it is only 1 percent lower, making them virtually identical. Nonetheless, to purge the impact of this ex post small difference in non SC/ST group size between the reserved and unreserved GPs, we run estimate a regression specification with non SC/ST group share as a control.

Table 1: Balance Table

	non SC/ST Share (1)	Job Cards (2)	Population (3)	Fem. Share (4)	Lit. Share (5)	Dev Q1 (6)	Dev Q2 (7)	Dev Q3 (8)
<i>Panel A: Balance with no Interaction</i>								
OBC Res	-0.01** (0.00)	-0.00 (0.00)	-0.00 (0.06)	-0.00 (0.00)	0.00 (0.00)	-0.02 (0.01)	-0.01 (0.01)	0.02 (0.01)
Constant	0.71*** (0.00)	0.20*** (0.00)	5.51*** (0.02)	0.48*** (0.00)	0.62*** (0.00)	0.24*** (0.00)	0.23*** (0.00)	0.26*** (0.00)
<i>Panel B: Balance with Interaction</i>								
OBC Res * non SC/ST Share		0.02 (0.01)	-0.05 (0.40)	0.00 (0.00)	-0.02 (0.02)	0.14 (0.10)	0.01 (0.11)	0.06 (0.10)
Observations	5,002	5,002	5,002	5,002	5,002	5,002	5,002	5,002
Block FE	YES	YES	YES	YES	YES	YES	YES	YES

Notes: The dependent variables (column-wise) are (i) population share of non SC/ST, (ii) per capita NREGA job cards issued, (iii) population, (iv) female population share, (v) share of population that's literate, (vi - viii) Village Asset Index first quartile to third quartile. All regressions include block fixed effects and cluster the standard errors at the block level. *** p<0.01, ** p<0.05, * p<0.1.

The estimation of equation 2 however requires more balance checks. A causal interpretation to our estimation results require that there should be no difference in characteristics between OBC reserved and unreserved GPs, at each

²⁷As a first step to work on NREGS, during the period of this study, households had to register for a “job card” that would allow them to participate in the NREGS program. This correlates with demand for NREGS work in a GP.

level of non SC/ST group share. Positions for OBC Sarpach are randomized over the full sample and not for each population share. Hence this is not guaranteed and must be checked. Table 1: Panel B shows there is almost no discernible difference: when we regress each characteristic of NREGS demand on D^{RES} , S^O and $D^{RES} * S^O$, the coefficients for the interaction term, as reported, is always statistically insignificant.

2.6 Results

We first estimate equation (1) and report the result in Column (3) of Table 2. Column (1) reports the result with only the reservation dummy, while column (2) controls for the non SC/ST share. All the estimating exercises yield insignificant results. The coefficients of D^{RES} are very similar to each other (and statistically the same). When we include all the controls (column (3)), the coefficient remains statistically the same, implying that the insignificant result is unlikely to be driven by differences between reserved and unreserved GPs. This leads to the verdict that restricting elections to OBC candidates has no average effect on provision of public work. Hence there is no evidence to suggest that reserved GPs do worse than unreserved GPs in terms of NREGS work provision: if anything the insignificant coefficients are all positive.

However, this null result for the average effect hides significant heterogeneity that depends on non SC/ST group shares, as is immediately apparent when we estimate the specification which includes an interaction term (Column (3)). The coefficient of D^{RES} (β_2) becomes negative and is significant at 5 percent. Moreover, the coefficient of the interaction term β_3 is positive (and significant). Also the sum of β_2 and β_3 is positive and statistically significant. These results stay similar in our main specification, wherein we control for other covariates of demand (Column (4)). The results in Table 2 imply that OBC reservations have heterogeneous effects depending on the population share of non SC/STs. Further, using coefficients estimated in column (4), we calculate the marginal effects of OBC reservation at various values of non SC/ST population shares, using equation 3. Figure 1 plots the marginal effects (these are also reported in column (1) of Appendix Table A3). The impact of restricting elections to OBC candidates

Table 2: Differential Effect of OBC Reservation on NREGA Work

	Person-days generated per capita (Days pc)			
	(1)	(2)	(3)	(4)
OBC Res	0.13 (0.10)	0.12 (0.10)	0.14 (0.10)	-0.98** (0.49)
non SC/ST Share		-1.26*** (0.40)	-0.58 (0.36)	-0.90** (0.41)
OBC Res * non SC/ST Share				1.56** (0.69)
GP Controls	NO	NO	YES	YES
Observations	5,002	5,002	5,002	5,002
R-squared	0.577	0.578	0.599	0.599
Block FE	YES	YES	YES	YES

Notes: The dependent variable is the total person-days generated per capita under the NREGS program in 2012-13 in the state of Rajasthan. The variable “non SC/ST Share” is the proportion of GP population that belongs to the non SC/ST groups. “OBC Res” is a dummy that takes value one when the GP sarpanch election is reserved for the OBC group. The first two columns do not have any village level controls. In columns (3) and (4), village level characteristics such as population, population share of women, literacy rate, village asset index etc have been included as controls. Standard errors are clustered at block level. *** p<0.01, ** p<0.05, * p<0.1.

improve per capita days of NREGS work when the group share S^0 is high. On the other hand, when the group share of non SC/STs is low, reservations lead to a lower per capita days of NREGS work. Based on our estimated coefficients, for non SC/ST population shares lower than 62 percent (the difference is 0 at $\frac{0.98}{1.56}$), the impact of OBC reservation is negative. Taking into account the precision of the estimates, this negative effect is significantly different from zero when S^0 is less than 35 percent (we use a 10 percent significant level as the default).²⁸ On the other hand, the per capita days of NREGS is statistically larger in OBC reserved GPs at 75 percent group population share.²⁹ Also, it is important to point out that almost 44.4% of all GPs are characterized by a non SC/ST share higher than 75 percent, while the proportion over which we get a negative result is only 3 percent.³⁰ Hence the demographic of population shares over which our positive

²⁸This threshold drops to 20 percent if we choose a 5 percent significance level.

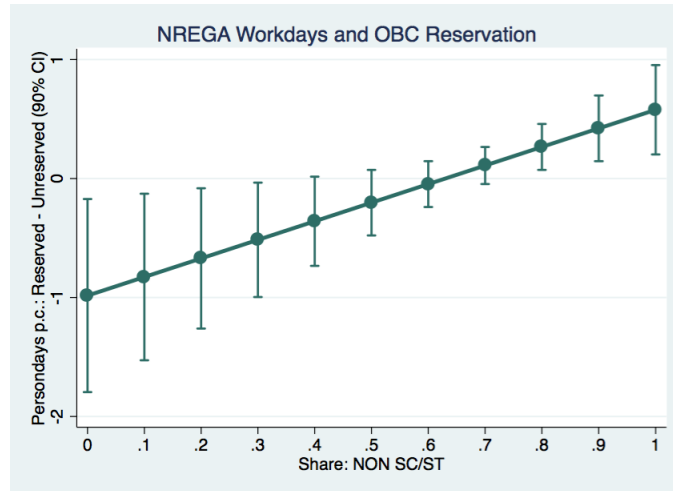
²⁹The analogous threshold for a positive effect of reservation is 80 percent for a 5 percent significance level.

³⁰While we have shown balance tests in Table 1, it is still possible that the large positive

result holds is much more common in our sample than where we get a negative result. Moreover, Appendix Figure A6 tells us that even at 75% population share of non SC/STs, the OBC population share is about 50% and hence, those villages are still quite fragmented. In fact, even when the non SC/ST population share is around 90%, the OBC population share is below 70%, and hence it is never the case that the entire GP is populated with OBCs only. Therefore, the subset of GPs where we get positive result is not only uncommon, but is never overwhelmingly populated with only one caste group.³¹

Since we consider the population divided into two broad caste groups, controlling for non SC/ST share also automatically controls for caste group fractionalization. Hence, our result highlights that conditional of ethnic fractionalization of population, fractionalization of candidates has an additional negative effect on public goods provision.

Figure 1: Differential Effects of OBC Reservation on NREGS Work Generation



The size effect of the impact of reservation is not small. When S^0 is at 0.75, the reserved GPs have 5.1 percent more work (a difference of 0.18 days given a result for non SC/ST population shares above 75% are driven by a particular geographical area. However, we find that the GPs with non SC/ST shares larger than 75% are spread over all the districts and come from 94% of the blocks of the state.

³¹Those GPs are also geographically dispersed across all districts of the state.

base of around 3.5). The impact rises with higher non SC/ST group share, with OBC reserved GPs having 11 percent more work when S^0 is around 90 percent. The negative impact of OBC reservation is also large with reserved GPs having almost 20 percent less work when S^0 is less than 35 percent.

Table 3: No Effect of OBC Reservation on Distribution across Groups

	Share of persondays: non SC/ST			
	(1)	(2)	(3)	(4)
OBC Res	-0.01 (0.01)	0.00 (0.01)	0.00 (0.01)	0.02 (0.04)
non SC/ST Share		0.87*** (0.03)	0.89*** (0.03)	0.90*** (0.03)
OBC Res * non SC/ST Share				-0.02 (0.05)
Observations	4,848	4,848	4,848	4,848
R-squared	0.363	0.539	0.545	0.545
Block FE	YES	YES	YES	YES

Notes: The dependent variables for all the columns are the share person-days going to the non SC/ST group. The last two columns include all the standard village level controls. Standard errors are clustered at block level. *** p<0.01, ** p<0.05, * p<0.1.

It is interesting to explore whether the gains in overall provision of work come with consequences for distribution of work between caste groups. To explore this, we replace, in our main specification, the days of NREGS work per capita by the proportion of NREGS days that goes to the non SCST group. Table 3 reports the results. We find that though a larger share of NREGS work goes to the non SC/ST group when the group is larger, there is no evidence that it goes up differentially in the GPs with OBC reservation. The coefficient for the interaction term in column (4) is small and statistically insignificant. The Appendix Figure A7 shows this more clearly by plotting the marginal effects of OBC reservation at various levels of population shares of non SC/STs. The marginal effects are always very small and nowhere statistically significant, implying that OBC quota didn't have any distributional impact on the provision of the public works program.

Before we move on to provide a theoretical explanation for these results and to explore the mechanism driving our result, it is important to make a note of the results regarding other covariates reported in Appendix Table A4. An argument

can be made that greater days of NREGS work does not reflect welfare improving outcomes: that the greater person-days of public work reflects systematic mis-reporting or corruption. While showing direct evidence against corruption is hard, we address this issue in two ways. We argue that if the public provision of work under NREGS correlates positively with natural covariates of demand, then part of it reflects real transfer to households. To begin with, we know that the demand from SC and ST households for NREGS work is larger than from others. In line with that, the *Days pc* is negatively correlated with S^0 . Large GPs have lesser per capita NREGS work, in line with the idea that they have more private economic activities to engage people. *Days pc* is positively correlated with the proportion of female population, reflecting the well known preference of women in the state to work on local NREGS projects. NREGS work is negatively correlated with literacy rates, which is expected as this is work done by the poorly educated. GPs that are well developed in terms of infrastructure (*DEV Q4*) show lower NREGS work per capita, re-affirming the idea that the need for NREGS is lower in developed GPs. Thus our results show that the GP level provision of NREGS work is consistent with some obvious correlates of the demand.

Further, we address this point more directly using survey data collected in Rajasthan covering 69 GPs (262 villages) and 3430 households in 2013.³² The main point of contention is whether larger expenditure on NREGS per capita for the GP reflects actual increase of NREGS work for households, and does not merely reflect corruption. To show this correlation we run a household level regression where we regress two outcomes: whether a household got work under NREGS and the number of days of work under NREGS, on GP level expenditure per capita. We control for the economic situation of the household by including two controls: whether a household has Below Poverty Line (BPL) card and land ownership. Further we control for the caste category the household belongs to: OBC, ST, SC with the upper caste group as the reference group. Also, we control for block fixed effects and cluster standard errors at the GP level.³³ Results (Appendix Table A5) show that the per capita expenditure correlates positively with both the outcome variables, thus showing that when more money is reported

³²For more on this survey, see [Himanshu et al. \(2015\)](#).

³³The clustering is at the GP level is because the sampling was done using GP as strata.

to be spent on NREGS, households receive more work under NREGS. Hence larger expenditures per capita do reflect some welfare improvement to households.

Our empirical results point out to a heterogeneity in marginal effects depending on non SC/ST population share. As we point out in the introduction, the fact that group shares matter in election outcomes in this context is not surprising since this has been explored in the literature before. OBC voters, for example, may be able to discipline a OBC head more to implement greater public spending, especially when the OBC group is large (as argued by [Munshi and Rosenzweig \(2017\)](#)). Alternatively, in contexts of adverse selection affecting candidate selection (as explored in [Banerjee and Pande \(2007\)](#)), reservation may improve politician’s ability, and this effect may be playing out more at high OBC population shares. While we will examine the evidence regarding these hypotheses later, we begin by positing an alternative explanation for our results: one that puts moral hazard at the center of the analysis. We consider moral hazard of politicians to be an important feature of our context where politicians are rent-seeking and lower provision of public projects implies greater rents for leaders. We, therefore, explain our empirical results using a formal model where such a phenomenon is at play. We show that a relatively minor tweaking of a standard probabilistic voting model to incorporate “co-ethnic” preferences yields results similar to those from our empirical results. In particular, it points out to the fact that it is natural to expect heterogeneity based on population group shares and that an average null effect is expected in contexts similar to ours. We provide evidence in favor of the mechanism explored in the model which validates the modeling exercise. We finally argue that the moral hazard story that we formalize below has a better explanatory power in our context than the alternative mechanisms.

3 MODEL

The model that we build is a standard probabilistic voting model *a la* [Persson and Tabellini \(2002\)](#) with utility functions of voters that incorporate the idea that voters have group identities and they prefer the elected leader to be from their own group.

3.1 Set Up

3.1.1 Voter Preferences

Let us suppose that there is a continuum of voters of mass 1. They are divided into two groups or ethnicities, A and B . The population shares of the groups are given by α_A and α_B , with $\alpha_A + \alpha_B = 1$. Each voter is denoted by i and $g(i)$ denotes her group membership, i.e., $g(i) \in \{A, B\}$. The voters care about the amount of public resources spent by the elected leader, denoted by r_L , and the group identity of the leader. Specifically, a voter's expected utility from public spending is given by,

$$\hat{u}_i(r_L) = \gamma_{g(i)} r_L + \mathbb{I}\{g(i) = g(L)\}.$$

The first part of the utility function captures the preference for public good spending and the second part captures the benefits of having a co-ethnic leader in power. γ_A and γ_B are the relative preference parameters with $\gamma_A \leq \gamma_B$. They capture how much voters from a group prefer the public good spending relative to having a co-ethnic leader. Higher γ_g implies higher preference for public spending, or lower preference for having a co-ethnic leader. We allow preference for public spending to be different across groups since in our context SC/STs are reported to have higher preference for NREGS spending than non SC/STs, as discussed in section 2.3.

3.1.2 Selection of Candidates

The leader is elected in a two candidate election. We fix the number of candidates in the model to focus on the changes in their composition and its consequent impact on electoral competition when election is changed from open to one with AA. Also, this modeling assumption is consistent with the literature that looks at behavior of rent-seeking politicians in a probabilistic voting setup (Polo (1998); Persson, Roland and Tabellini (1997); Besley, Persson and Strum (2010)). Moreover, in the context of our study there doesn't seem to be a lot of variation in number of candidates across two types of elections and the top 2 candidates receive a large share of the votes which makes the other candidates essentially

“non-pivotal” (see Section 4.4 for more details). Our main results do not change when we endogenize the number of candidates in our model. We explore this possibility in an extension of the model that we elaborate in Appendix Section A.6.

For each group, there is a potential candidate pool from which the group (collectively) chooses its candidate. Candidates can be either high or low ability, their ability parameters being denoted by θ_H and θ_L respectively ($\theta_H > \theta_L > 0$). The ability of a politician captures her managerial talent or capacity of implementing public projects. The candidate pool for each group consists of two candidates, one of each ability type. We, therefore, assume that there is no difference between groups in terms of the talent pool of the politicians.³⁴

Elections are of two types: open and “restricted” (i.e., with AA). In open elections each group puts up one candidate. A group chooses its candidate in a way to maximize its payoff, taking into account the other group’s choice. In a restricted election both candidates come from one group - the group which is subjected to AA. Therefore, in restricted election the eligible group essentially doesn’t have a choice but to put up its two candidates, one of each ability type. The assumption that each candidate comes from a different group in an open election can seem stark. However, this is supposed to capture the idea that often the candidate profile is highly heterogenous in open elections even when we focus on top 2 candidates and when one group is numerous in population. We provide evidence in favor of this heterogeneity in Section 4.1. Making the assumption stark in this respect helps us making the conceptual point more clearly.

3.1.3 Electoral Competition

Each candidate, once chosen by a group, announces her platform - the amount of public good spending that she will implement if elected. We assume that the candidates are able to commit to their announced platforms, i.e., their announcements are credible. However, announcing higher level of public spending is costly. The cost of higher spending depends on the ability type of the candidate. Therefore, a candidate c chooses her platform r_c to maximize:

³⁴This is not necessary for our results. As long as affirmative action is applied to a group which doesn’t have a pool of more talented politicians, our results will go through.

$$v_c(r_c) = \pi_c \left[1 - \frac{r_c}{2\theta_c} \right]$$

where π_c is the probability that candidate c wins, which may depend on both her and her opponent's platforms. The gross rent from office is 1 and $\frac{r_c}{2\theta_c}$ is the effort cost of the candidate to deliver on her promise if elected. Therefore, the expression $(1 - \frac{r_c}{2\theta_c})$ captures the net rent candidate c would enjoy if elected to office. Announcing higher public spending may increase a candidate's probability of win, but it leaves her with lower net rent. This is the trade-off that each candidate faces. Before voting takes place, each voter gets two preference shocks for each candidate in the following manner. Let the candidates be c and c' . Then voter i votes for candidate c if

$$\hat{u}_i(r_c) > \hat{u}_i(r_{c'}) + \mu_i + \sigma$$

where μ_i is the relative idiosyncratic preference shock of i for candidate c' . μ_i could either be voter i 's personal (relative) preference for c' 's ideology, or it could be i 's preference for the candidate's personal characteristics. We assume that

$$\mu_i \sim U \left[-\frac{1}{2}, \frac{1}{2} \right].$$

σ is the overall level of (relative) popularity of candidate c' . We again assume that

$$\sigma \sim U \left[-\frac{1}{2}, \frac{1}{2} \right].$$

We introduce these shocks to make the probability of win non-degenerate and smooth functions of the candidates' platforms. This is a standard technique applied in probabilistic voting models, first proposed by [Polo \(1998\)](#), and later canonized by [Persson and Tabellini \(2002\)](#).

3.1.4 Timing of Events

The sequence of events in the model is as follows: (1) The election type - open or restricted - is decided. Then (2) the eligible group(s) decide their candidates. (3) The candidates announce their platforms. Thereafter (4) the preference shocks μ_i

and σ are realized and voters cast their vote. Finally, (5) the winner implements her announced platform and payoffs are realized.

3.2 Characterization of the Equilibrium

3.2.1 Open Election

In open elections, groups A and B first choose their candidates and then they announce their platforms. We assume that both A and B put up their high ability candidates. Therefore, the candidate profiles are (A, H) and (B, H) . Let r_{AH} and r_{BH} be the announced platforms of the candidates. When the candidates choose their platforms, they balance the trade-off between increasing their probability of win and the net rent from office. One can show that the (unique) Nash equilibrium of this choice problem results in the following announcements by the candidates:

$$r_{AH}^o = 2\theta_H - \frac{(2\alpha_A - 1)}{3\kappa} - \frac{1}{2\kappa} \quad \text{and} \quad r_{BH}^o = 2\theta_H + \frac{(2\alpha_A - 1)}{3\kappa} - \frac{1}{2\kappa}, \quad (4)$$

where $\kappa = \alpha_A\gamma_A + \alpha_B\gamma_B$.

We provide formal proofs of this observation and all other forthcoming claims in Appendix Section A. Now, if group B instead of putting forward a high ability candidate, had chosen a low ability one, the announced platforms of both candidates would have been different. This is because a low ability candidate from B would have changed the incentive of the high ability candidate from A to announce higher or lower r_{AH} . Therefore, when group $g \in \{A, B\}$ chooses its candidate c it optimizes the following problem:

$$\max_{c \in \{gH, gL\}} \gamma_g \mathbb{E}r^o + \pi_c^o$$

where π_c^o is the probability that candidate c wins an open election and $\mathbb{E}r^o$ is the expected public spending given the choice of the candidates. We get that in an open election, both groups in equilibrium would choose their high ability candidates and the candidates announce platforms as specified in equation 4.

3.2.2 Election with AA

We assume through out the paper that affirmative action is applied to group A . Therefore the candidate profiles in the election are (A, H) and (A, L) . Hence, for voters from both groups the candidates are symmetric from the point of view of being co-ethnic. For group A both candidates are co-ethnic while for group B none are so. Hence a voter from group g would vote for candidate (A, H) if

$$\gamma_g(r_{AH} - r_{AL}) - \sigma > \mu_i.$$

Following the same logic as before we can compute the probability of win for (A, H) to be

$$\pi_{AH} = \frac{1}{2} + \kappa(r_{AH} - r_{AL}).$$

Candidates choose r_{AH} and r_{AL} to maximize their expected rents from office which results in the following equilibrium announcements:

$$r_{AH}^* = \frac{2(2\theta_H + \theta_L)}{3} - \frac{1}{2\kappa} \quad \text{and} \quad r_{AL}^* = \frac{2(\theta_H + 2\theta_L)}{3} - \frac{1}{2\kappa}. \quad (5)$$

3.3 Main Result I

We first look at what happens to expected public spending when the group A is either very large or very small. The formal result is stated in the form of following hypothesis:

Hypothesis 1 *If $\gamma_A < \frac{0.25}{\theta_H - \theta_L} < \gamma_B$ then,*

$$(i) \quad \lim_{\alpha_A \rightarrow 0} (\mathbb{E}r^* - \mathbb{E}r^o) < 0 \quad \text{and} \quad (ii) \quad \lim_{\alpha_A \rightarrow 1} (\mathbb{E}r^* - \mathbb{E}r^o) > 0.$$

The result above states that provided the relative preferences of the groups are different enough, affirmative action would reduce public good spending when the eligible group is sufficiently small in size, and it would improve outcome when the group is sufficiently large. Notice that the result is consistent with what we find in our empirical exercise. Table 2 (column (4)) shows that the effect of AA

is negative (i.e., $\beta_2 < 0$) when non SC/ST population share is close to zero, while it is positive (i.e., $\beta_2 + \beta_3 > 0$) when the share is close to one.

We first discuss the intuition for the second part of the result. Suppose that group A is large. Therefore, the group A candidate has a large co-ethnic advantage to begin with, which reduces competition. Hence, she can get away by announcing relatively low public good spending, i.e., $r_{AH}^o < r_{BH}^o$. Now, in case of election with AA, both candidates are from group A and therefore, the co-ethnic advantage of (A, H) is now removed. This intensifies the competition between the candidates. However, this higher electoral competition comes at the cost of allowing a low ability candidate to run. Therefore, the outcome improves when the co-ethnic preference is sufficiently important relative to the ability gap between the candidates, or stated otherwise, γ_A is small enough relative to $(\theta_H - \theta_L)$.

The first part of the result follows from the fact that group B voters have a stronger preference for public spending. Therefore, when group B is large (i.e., when α_A is close to zero), the overall demand for public spending is high among voters. Therefore in open elections, the group B candidate in spite of suffering from moral hazard, would not be able to win by promising low level of public spending. Hence, in elections with AA, the ability gap effect would dominate the moral hazard effect as long as γ_B is sufficiently large relative to $(\theta_H - \theta_L)$.

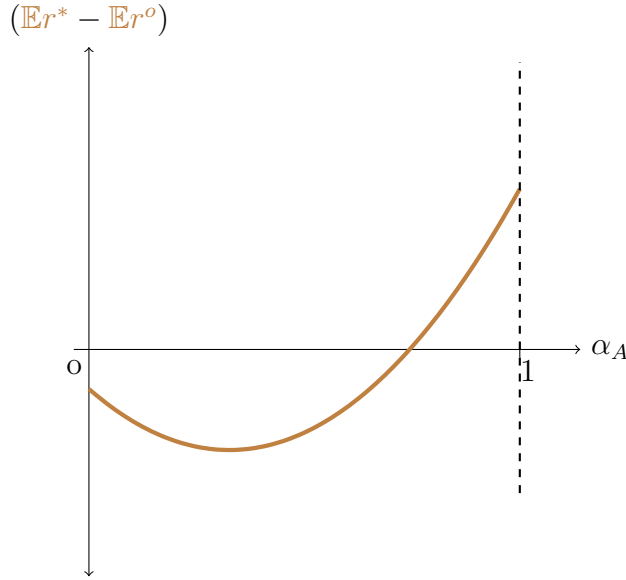
3.4 Main Result II

In the previous section we looked at the effect of AA on expected spending at the two extreme ends of the population share distribution. We now generalize this result across all values α_A to show that our argument explained above holds more generally for intermediate ranges of population shares as well. The formal result is stated below:

Hypothesis 2 *If $\gamma_A < \frac{0.25}{\theta_H - \theta_L} < \gamma_B$ then there exists $\bar{\alpha}_A \in (0, 1)$ such that for all $\alpha_A < \bar{\alpha}_A$ we have $\mathbb{E}r^*(\alpha_A) < \mathbb{E}r^o(\alpha_A)$, for all $\alpha_A > \bar{\alpha}_A$ we have $\mathbb{E}r^*(\alpha_A) > \mathbb{E}r^o(\alpha_A)$, and at $\alpha_A = \bar{\alpha}_A$, $\mathbb{E}r^*(\alpha_A) = \mathbb{E}r^o(\alpha_A)$.*

We explain the result using the Figure 2. The graph plots the difference between expected public spending under the restricted and open election regimes

Figure 2: Expected Policy and Population Share when $\gamma_A < \frac{0.25}{\theta_H - \theta_L} < \gamma_B$



as a function of the population share of group A .³⁵ As the figure shows, for a range of values of α_A lower than some threshold, the curve is below the horizontal axis, implying that AA will lead to a fall in public spending for those values of α_A . However, for values of α_A larger than the threshold, AA improves expected public spending. Moreover, as α_A becomes larger and comes close to one, the effect of AA becomes greater. Importantly, this is exactly what we get in our data, as depicted in Figure 1. We get that there is a threshold value of non SC/ST population share (estimated to be 62%) below which AA leads to a fall in provision of NREGS work. GPs with higher non SC/ST share than the threshold experience increase in NREGS work provision in presence of AA. Further, the improvement in NREGS provision is larger in GPs with higher values of non SC/ST share. Our model of moral hazard along with the observed difference in preferences between SC/STs and non SC/STs is, therefore, able to explain the opposite effects of AA at the two ends of the non SC/ST population share distribution.

³⁵The parameter values are taken to be: $\theta_H - \theta_L = 0.25$, $\gamma_A = 0.9$ and $\gamma_B = 1.1$.

3.4.1 Margin of Victory

The model is able to generate results on performance that are consistent with our empirical findings. However, it is still not obvious if this is indeed the right model for our purpose. To examine this we look at the mechanism that drives all the results in the model. The primary mechanism in our model is the change in political competition due to affirmative action. Hence we now look at the behavior of margin of victory as we change α_A . We first define win margins under the two election regimes as

$$m^o \equiv |V_{AH}^o - V_{BH}^o| \quad \text{and} \quad m^* \equiv |V_{AH}^* - V_{AL}^*|.$$

where V_c^o and V_c^* are the vote shares of candidate c in open election and election with AA, respectively. We now formalize our main hypothesis regarding how margin of victory would behave with α_A across the two types of elections.

Hypothesis 3 *If $\gamma_A < \frac{0.5}{\theta_H - \theta_L} < \gamma_B$ then there exists $\hat{\alpha}_A \in (0.5, 1)$ such that for all $\alpha_A < \hat{\alpha}_A$, $m^* > m^o$, for all $\alpha_A > \hat{\alpha}_A$, $m^* < m^o$ and at $\alpha_A = \hat{\alpha}_A$, we have $m^* = m^o$.*

The result implies that we should expect the exact opposite patterns on win margin compared to the result on public spending. This is because higher public spending in this model comes about due to tightening of electoral competition which means that the win margins should be narrower in such cases. Therefore, the test of Hypothesis 3 would provide a test for the mechanism. Importantly, we notice that the result is different from what [Banerjee and Pande \(2007\)](#) find in their paper, which sets up the model as an adverse selection problem. We on the other hand give agency to politicians and hence, explore the consequences of moral hazard shaping the behavior of politicians.

4 VALIDATION OF THE MODEL

4.1 Co-ethnic Preferences and Top 2 Candidates

One of the main assumptions of our model is that there are co-ethnic preferences. Though we do not have direct evidence for the existence of such preferences, we

provide some suggestive evidence from our data: if preferences are co-ethnic, we would expect that the vote shares of OBC candidates as a group would be positively correlated to the non SC/ST population share. We find evidence of a strong positive correlation and this result survives even when we compare GPs within a block and when we control for other demographic and economic covariates at the GP level. The results are reported in Appendix Table A2. The columns (1) and (2) report the correlations without and with GP level controls, respectively. Both coefficients are positive, highly statistically significant and are close to each other. This is in line with the findings of Banerjee and Pande (2007) and agrees with similar claims made regularly in the public discourse on Indian politics.

In the model we fix the number of candidates to 2. However, in the data we find that the average number of candidates in our sample is about 6 (Table A1). We note here that like in many developing countries, village elections in India also see a large number of individuals running as candidates, though many of them get very small number of votes. We have reported in Table A1 the average vote shares of the top 4 candidates. The top 2 candidates on average get about 70% of the votes. Also the vote share of the third position candidate is about the same as the difference between the vote shares of the top two candidates (or the win margin). Therefore, the third position candidate in an average election is barely pivotal, in the sense that if all her votes went to the runner-up it would barely make her a winner. In that sense, the fourth position candidate is not at all pivotal. This motivates the assumptions of our model.

Moreover the mechanics that is important for our model is that all candidates should not belong to the OBC group in open elections even when their share of population is high. Among the top 2, we find that in 59% of the cases, one of the top candidates is not an OBC. Even when the non SC/ST share is 75 percent and higher, in 48 percent cases, one of the top candidates is not an OBC candidate. If we consider the top 3, then the analogous numbers are 66% and 56% respectively. This is in contrast to reserved elections, where all candidates are OBC.

4.2 Mechanism

To explore further why we obtain the results that we do, we delve into testing the mechanics of our model that drive the theoretical results. The main force at play, we claim, is political competition in the face of co-ethnic preferences. The model predicts that for values of S^0 above a threshold, the difference between win margins in restricted elections and open elections is negative, while for values of S^0 below the threshold it will be positive. In other words, restricted elections are more competitive relative to open elections for high S^0 . To test this, we estimate the following equation:

$$WinMargin_{vb} = \delta_b + \delta_1 * S_{vb}^O + \delta_2 * D_{vb}^{RES} + \delta_3 * S_{vb}^O * D_{vb}^{RES} + \eta' Z_{vb} + \epsilon_{vb} \quad (6)$$

The Hypothesis 3 implies the following tests for specification 6: (i) $\delta_2 > 0$, (ii) $\delta_3 < 0$, (iii) $\delta_2 + \delta_3 < 0$.

Table 4: Differential Effect of OBC Reservation on Win margin, Number of Candidates and Candidates' Education

	Win margin				HHI of	No. of	Candidate education		
	(1)	(2)	(3)	(4)	vote shares	Candidates	Winner	Top 2	Top 3
OBC Res	-0.01*	-0.01*	-0.01**	0.03	0.03	-1.00	-1.98**	-1.30	-1.08
	(0.00)	(0.00)	(0.00)	(0.03)	(0.02)	(0.65)	(0.96)	(0.84)	(0.77)
non SC/ST Share		-0.03	-0.04*	-0.03	0.02	-0.73	-0.89	-0.28	-0.31
		(0.02)	(0.02)	(0.02)	(0.02)	(0.48)	(0.72)	(0.58)	(0.55)
OBC Res * non SC/ST Share				-0.06*	-0.05*	1.27	2.08	1.39	1.19
				(0.03)	(0.03)	(0.87)	(1.30)	(1.14)	(1.04)
Observations	4,352	4,352	4,352	4,352	4,352	4,352	4,273	4,199	3,666
R-squared	0.100	0.100	0.104	0.104	0.286	0.385	0.099	0.121	0.126
Block FE	YES	YES	YES	YES	YES	YES	YES	YES	YES

Notes: The dependent variable for columns (1)-(4) is win margin, for column (5) is the HHI of vote shares of the top 5 candidates, for column (6) is the number of candidates running in the 2010 Sarpanch elections, and for columns (7) - (9) are the (average) years of schooling of the winning candidate, top 2 candidates and top 3 candidates, respectively. The variable "non SC/ST Share" is the proportion of GP population that belongs to the non SC/ST groups. "OBC Res" is a dummy that takes value one when the GP sarpanch election is reserved for the OBC group. In columns (3)-(8) village level characteristics such as population, population share of women, literacy rate, village asset index etc have been included as controls. Standard errors are clustered at block level. *** p<0.01, ** p<0.05, * p<0.1.

Table 4 columns (1)-(4) report the results on win margins. We first note that while the average win margin is 10 percent, the reserved elections have,

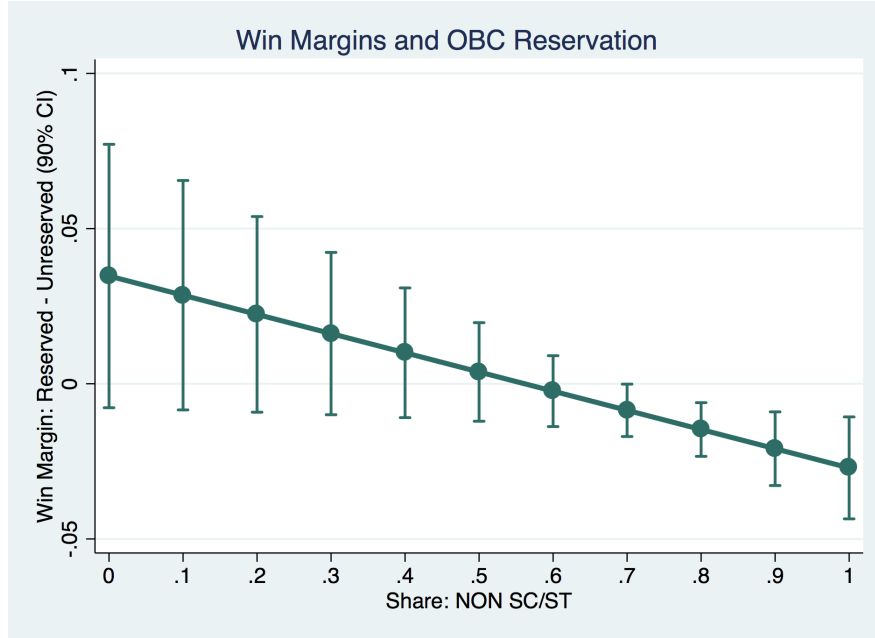
on an average 1 percentage point lower win margin than open elections (Table A1; Columns (1)-(3) in Table 4). This is consistent with the positive, though imprecise, estimate of the average effect of reservation on NREGS work (Columns (1)-(3) in Table 2). Results of the specification in equation 6 are reported in column (4). All the coefficients have the signs as predicted by the model, but δ_2 is imprecisely estimated. Part (ii) of the hypothesis proposed above, however, is verified by the data. For part (iii) we estimate the effect of reservation at various values of S^O . We compute

$$\mathbb{E} [WinMargin_{vb}|D^{RES} = 1, S^O, Z] - \mathbb{E} [WinMargin_{vb}|D^{RES} = 0, S^O, Z] = \delta_2 + \delta_3 S^O. \quad (7)$$

The marginal effects are reported in Column (2) of Appendix Table A3, and depicted in the Figure 3. Using the estimated coefficients, we find that this difference is negative and significant at 5 percent for all S^O greater than 0.7. Since the marginal effect at $S^O = 1$ is negative and statistically significant, part (iii) of the hypothesis is also verified. The difference is positive below a non SC/ST group share of 0.5; however it is estimated with large standard errors and we cannot reject the null of no differential win margin.

While we have discussed our results with win margin as the main dependent variable, our results go through when we use the Herfindahl-Hirschman Index or HHI (defined as the sum of the squares of vote shares among the top 5 candidates) as our measure of electoral competition (column (5)). In the mechanism suggested in the model, we underplay the possibility that the number of candidates responds to the election format. The number of electoral candidates can also increase the political competition and if it was the case that the total number of candidates was larger in reserved elections, at high values of S^O , this would have a similar effect on win margins. However, this is unlikely to be the case as can be seen in column (6) of Table 4. We find that the number of candidates are no different across the two election formats; nor do they differ across the two types of elections for any value of S^O .

Figure 3: Differential Effects of OBC Reservation on Margin of Victory



4.3 Alternative Mechanisms

In this section we explore the possibility that our results are driven by other plausible mechanisms. We consider and discuss three major alternatives in the followings paragraphs.

Selection on Ability: One may argue that our results are driven by a selection effect; that the rise in performance is given by selection of better candidates in reserved election, especially when the the OBC population share is high. (Banerjee and Pande, 2007) While the ability of candidates is very hard to measure, we follow Munshi and Rosenzweig (2017), Anderson and Francois (2017) and Banerjee et al. (2017) in proxying quality by the education of the candidates. The results in columns (7) to (9) of Table 4 that regress the (average) years of schooling of the winner, the top 2 candidates and the top 3 candidates show that, if anything, the average quality falls in reserved elections. While the interaction term with S^O is positive, the overall marginal effect is still negative for very high population

shares and is never significant.

Group Alignment and Leader Disciplining: It can be argued that when a group is large and the leader is aligned to the group, then public good provision improves. One reason to expect this is that a large group can credibly discipline a leader from own group more and consequently, extract more work out of her. [Munshi and Rosenzweig \(2017\)](#) explore this mechanism in the context of ward level elections in rural India. In our context, the result that OBC reservation produces better public provision when S^0 is high enough could be driven by similar alignment issues. Reservation would always guarantee an OBC leader while open elections could produce non OBC heads even when S^0 is large. Hence there could be more cases of alignment when there is reservation as compared to open elections, thus giving rise to better provision. We test this hypothesis in two ways. In one specification, we add to our main specification a dummy variable for an OBC leader (whether reserved or open election) and its interaction with S^0 . If all the results are driven by such alignment, then the coefficient of D_{vb}^{RES} and $S_{vb}^0 * D_{vb}^{RES}$ should become insignificant after the inclusion of these variables. However, as Column (2) in Table 5 shows, this is not the case. The variables stay significant and retain their sign. Another exercise that brings this out more clearly is if we keep only the subset of GPs where some OBC headman came to power, irrespective of whether this was through open elections or reservations. We run our main regression on this sample. In this exercise, the comparison group for OBC reserved GPs is all GPs where an OBC has been elected in open elections. As evident from column (3) of the same table, we find a similar result as our main specification, thus pointing out that the results have nothing to do with OBC leaders coming into power. It has to do with the reservation per se.

Party Politics: The results above also show that party politics are not likely to drive our main results. Though parties are formally not allowed to be part of local elections in Rajasthan, they are often informally aligned to candidates. These affiliations are often based on caste groups but are fluid over time, responding to concurrent political contingencies. However, if our results are driven by party politics, then the population shares of groups in a GP and the winner's caste

Table 5: Comparing OBC Sarpanches with the Same in Reserved GPs

	Person-days generated p.c. (Days pc)		
	(1)	(2)	(3)
OBC Res	-0.98** (0.49)	-1.33** (0.65)	-1.50** (0.68)
non SC/ST Share	-0.90** (0.41)	-0.86* (0.44)	-1.57** (0.75)
OBC Res * non SC/ST Share	1.56** (0.69)	1.95** (0.89)	2.11** (0.92)
OBC Sarpanch		0.45 (0.46)	
OBC Sarpanch * NON SC/ST Share		-0.44 (0.64)	
Observations	5,002	5,002	3,186
R-squared	0.599	0.600	0.620
Block FE	YES	YES	YES

Notes: The dependent variable is the total person-days generated per capita under the NGREGS program in 2012-13 in the state of Rajasthan. The variable “non SC/ST Share” is the proportion of GP population that belongs to the non SC/ST group. “OBC Res” is a dummy that takes value one when the GP sarpanch election is reserved for the OBC group. “OBC Sarpanch” is a dummy indicating whether the sarpanch is from the OBC group. Column (3) runs the column (1) specification on the sample of GPs with OBC sarpanches only. In all the columns village level characteristics such as population, population share of women, literacy rate, village asset index have been included as controls. Standard errors are clustered at block level. *** p<0.01, ** p<0.05, * p<0.1.

identity would determine the level of delivery of public goods. We, therefore, should not expect any difference in outcomes between OBC reserved GPs and GPs where OBCs win in open elections (for the same population composition of groups). Thus party politics may have a limited role in explaining our results.

Salience of Caste Identity: An important mechanism that may explain our result is that the salience of caste as a way to mobilize voters may be reduced in GPs where the OBC quotas are imposed. [Vaishnav \(2017\)](#), for example, argues that SC reservation reduces the importance of caste based vote mobilization, since all the candidates are from the same caste, and makes the candidates run on a more developmental platform. If such a force is at play in our context then it may explain our results as well. However, if OBC reservation causes the candidates to focus less on caste and more on delivery of public goods and services, then we

should expect a positive outcome in all GPs, which we don't see. Moreover, if fractionalization captures salience of group identities, which researchers of ethnic conflict argue to be the case, GPs with large non SC/ST population share would arguably have lower potential for caste based voter mobilization to begin with. Hence, the effect of OBC reservation would be lower in GPs with high non SC/ST population share and highest when the groups are symmetric. However, this is not consistent with what we find. Hence it is unlikely to be the primary mechanism behind our result.

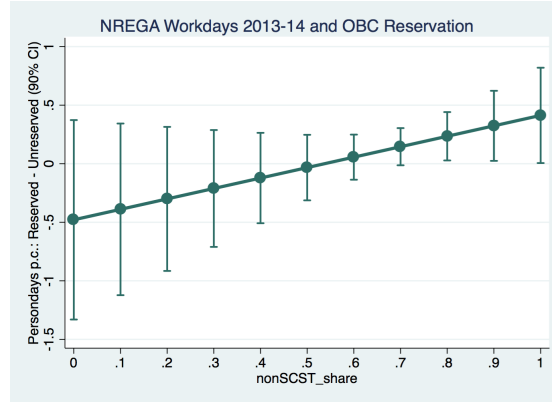
4.4 Robustness

OBC dominated Open Elections: Our empirical exercise draws a contrast between open election contests between candidates of different castes and reserved elections that restrict candidates to only one caste. We have taken advantage of the randomized nature of the caste reservation to draw out the difference in the two cases. However, in many open elections, there are only OBC candidates among the top 2 to 3 candidates. In such elections as well, there should be no co-ethnicity advantage, akin to reserved elections. While this occurrence is not exogenous in open elections, our argument should go through if we compare GPs with such OBC dominated open elections to other GPs where there are candidates of different castes. As Appendix Table A6 shows, this is indeed the case when all top 3 candidates are OBC (column (2)). The coefficients are similar in sign to those for reserved elections. In the case of only the top 2 candidates being OBC, the signs are similar but estimated less precisely (column (1)).

Outcome in Another Year: We use the NREGS outcomes of 2012-'13 to show our result. This is the third year of the tenure of a Sarpanch. We show the robustness of our result by reproducing it for the next financial year, 2013-'14. The Figure 4 shows the marginal effects of OBC reservation on per capita person-days generated in 2013-'14 at various levels of population share of non SC/ST. The figure looks same as the Figure 1 though the estimates at low values of non SC/ST population shares are imprecise. The estimated effect at the very top of the non SC/ST share is virtually identical to the one we get from the main result.

Matching the outcome data for 2013-'14 to our main dataset resulted in a loss of about 1,000 GPs. The imprecision of some of the estimates could potentially be due to that fact.

Figure 4: Effect of OBC Reservation on NREGS Work Generation in 2013-'14



Imputation of OBC shares: The other potential threat to our results is that we have used SC/STs and non SC/STs as the relevant groups instead of using OBCs and the rest, which would have been ideal. Since the census data doesn't provide OBC demographics (the primary reason for our choice of groups), we computed district level OBC shares and non SC/ST shares from the NSS (2011) data. We then use the district level ratios of these two shares and impute village OBC shares by multiplying the village level non SC/ST shares with this ratio (which is identical for all villages with a district). We use these imputed OBC shares to run equation 2. The results are in column (6) of Table 6. As evident from the coefficients, the result remains unchanged.

Additional Controls: There can be two further threats to our results. The first threat comes from the fact that there may still be differences across the reserved and unreserved GPs. We have been parsimonious with our list of covariates that determine demand. A better proxy would be to include labour market characterization of the GPs which determine the demand for NREGS work. While

Table 6: Robustness Checks

	Person-days generated per capita (Days pc)					
	(1)	(2)	(3)	(4)	(5)	(6)
OBC Res	-0.98**	-0.82*	-0.75	-0.65	-0.74	-0.64*
non SC/ST Share	(0.49)	(0.49)	(0.48)	(0.49)	(0.49)	(0.33)
OBC Res * non SC/ST Share	-0.85**	-0.61	-0.85**	-0.86**	-0.85**	
	(0.41)	(0.40)	(0.40)	(0.41)	(0.41)	
No. of Candidates	1.56**	1.32*	1.31*	1.18*	1.30*	
	(0.69)	(0.68)	(0.69)	(0.70)	(0.69)	
Education of Sarpanch			-0.00			
			(0.02)			
Woman Sarpanch dummy				-0.00		
				(0.01)		
Imputed OBC Pop Share					0.05	
					(0.08)	
OBC Res * Imputed OBC Pop Share						-0.97**
						(0.49)
Observations	4,996	5,002	4,372	4,293	4,370	5,002
R-squared	0.600	0.625	0.619	0.616	0.619	0.599
Block FE	YES	YES	YES	YES	YES	YES

Notes: The dependent variable for all columns is the total person-days generated per capita under the NREGS program in 2012-13 in the state of Rajasthan. The variable “non SC/ST Share” is the proportion of GP population that belongs to the non SC/ST group. “OBC Res” is a dummy that takes value one when the GP sarpanch election is reserved for the OBC group. Column (1) is the same specification as in column (4) of Table 2. Column (2) has additional village controls of occupational patterns and area irrigated added. Results in column (3) to (5) further controlled for 3 separate election outcomes: number of candidates, years of schooling of sarpanch and a dummy indicating whether sarpanch is a woman. Column (6) used imputed values of OBC population share of villages instead of Non SC/ST share. Standard errors are clustered at block level. *** p<0.01, ** p<0.05, * p<0.1.

data for the number of cultivators, the number of agricultural laborers and industrial workers are available from the census for 2011, the occupation profile is itself determined by the work offered under NREGS. Hence we have excluded the potentially endogenous characterization of the occupation profile from our baseline specification. However, a natural question arises about whether our results remains similar when we control for these covariates. We present results after including all these occupation variables, along with share of area irrigated in Table 6 (Column (1)). In addition, we also present results when we control directly for the reported demand for NREGS work by households (Column (2)). In both cases, our results remain unchanged. We also control for (potentially

endogenous) electoral outcomes such as total number of candidates (in column (3)), years of schooling of the Sarpanch to proxy for his ability (in column (4)) and whether the village head is a woman or not (in column (5)).³⁶ These controls make the OBC reservation coefficient noisy, though the magnitude doesn't change a lot. The other two coefficients of interest remain statistically significant and their magnitudes remain almost identical.

5 POLICY AND OTHER LESSONS

Electoral quotas for disadvantaged groups as an affirmative action policy is popular in many countries, as we have mentioned in the introduction. However, the design of the quota policy varies from one country to the other, and in case of India, is different even across states. Our paper helps us in understanding an aspect of the design of the quota policy, namely how to optimally *target* the quotas across jurisdictions once the total number of quota positions is decided. Our results suggest that when groups are unevenly spread across jurisdictions (GPs in our context), targeting the jurisdictions where one group is numerous would have better outcome from the point of view of leader's performance. We have used the context of OBC reservations in India to demonstrate this point. However, the forces and mechanisms we discuss would be true for any society where ethnicities are important for voting behavior and where asymmetry in population sizes of ethnic groups is present. In most states in India electoral quotas for groups such as Scheduled Castes (SCs) and Scheduled Tribes (STs) are indeed targeted where these groups are relatively large. Our work therefore provides a justification for such a design choice. Specifically, the STs in India have a highly uneven concentration across villages, constituting either an overwhelming majority in many villages or a tiny minority in others. The forces that we examine, therefore, are likely to be at play in affirmative action for STs as well. This argument is also consistent with the finding of [Pande \(2003\)](#) that ST reservation in state assembly elections in India increased overall spending in the constituency.

It is also pertinent to add at this point that our research delves into the

³⁶Results go through even if we control for the number of candidates in each caste category: SC, ST and General candidates

implications of AA for a group that, unlike the SCs and the STs, lies in the “middle” of the economic strata of society. While this is an interesting topic to study on its own right, we do not take any normative position on the desirability of AA for such groups. Our purpose of using OBC reservation policy is to demonstrate the possibility that AA policy need not be in conflict with enhancing performance of the elected leader.

Finally, our work shows that in ethnically diverse societies, the institution of election may create an additional mechanism to reduce provision of public goods. Therefore, elections, notwithstanding its enormous virtues, may contribute in diminishing a population’s ability for collective action, especially in societies with asymmetric group sizes.

6 CONCLUSION

One persistent concern with affirmative action policies, in general, is that it intends to promote equity at the cost of efficiency or performance. We shed some light on this debate, albeit indirectly, in the world of politics by focusing on the consequences of affirmative action policies in elections on the performance of elected officials, measured by the provision of public goods. We exploit randomized quota policy of village president positions for a caste group (OBCs) in Rajasthan to show that affirmative action improves public provision of work in the relevant GPs. We then show that the effect is not driven by changes in preference or ability of the elected leader,

We build a model to study the effects of AA on electoral competition and public spending and then test the predictions in the context of election of heads in GPs in the state of Rajasthan in India.

The insight from the model is that presence of “co-ethnic” preferences reduces electoral competition between candidates from two groups. This presents a moral hazard problem for the expected winning candidate. This is especially so when the population share of the groups are skewed, i.e., one group is relatively large in size. Therefore, in such a situation imposing a restriction on candidate entry in the form of an AA policy removes this friction from election and hence, electoral competition may go up leading to improvement in public goods pro-

vision. and in fact, the effects on win margin are consistent with the model's prediction about how it is mediated through tightening of electoral competition. Hence one of the main take-aways from this paper is that it is not true that restricting candidates through AA will necessarily lead to poorly performing elected officials in all contexts. Therefore, we may need to reevaluate the performance related efficiency concerns of affirmative action policies.

References

- ALESINA, A. (1988). Credibility and policy convergence in a two-party system with rational voters. *The American Economic Review*, 78(4), 796-805.
- ALESINA, A., R. Baqir, and W. Easterly (1999). Public goods and ethnic divisions. *The Quarterly Journal of Economics*, 114(4), 1243-1284.
- ALESINA, Alberto, Caterina Gennaioli, and Stefania Lovo. (2018). Public goods and ethnic diversity: evidence from deforestation in Indonesia. *Economica*. doi:10.1111/ecca.12285.
- ALESINA, A. and E. La Ferrara (2000). Participation in heterogeneous communities. *The quarterly journal of economics*, 115(3), 847-904.
- ANDERSON, S., and Francois, P. (2017). Reservations and the Politics of Fear. Working Paper.
- ANTONOVICS, K., and Backes, B. (2014). The effect of banning affirmative action on college admissions policies and student quality. *Journal of Human Resources*, 49(2), 295-322.
- AFRIDI, F., Iversen, V., and Sharan, M. R. (2017). Women political leaders, corruption and learning: Evidence from a large public program in India. *Economic Development and Cultural Change*, 66(1), 1-30.
- AFZAL, M. (2014). Do barriers to candidacy reduce political competition? Evidence from a bachelor's degree requirement for legislators in Pakistan. *Public Choice*, 161(1-2), 51-72.
- AUERBACH, A. and Ziegfeld (2016). How Do Electoral Quotas Influence Political Competition? Evidence from Municipal, State, and National Elections in India, George Washington University, WP 2016.
- BACKES, B. (2012). Do affirmative action bans lower minority college enrollment and attainment? Evidence from statewide bans. *Journal of Human Resources*, 47(2), 435-455.

- BANERJEE, A., Duflo, E., Imbert, C. and Pande, R. (2017). Entry, Exit and Candidate Selection: Evidence from India. Working Paper.
- BANERJEE, A. and Pande, R. (2007). Parochial politics: Ethnic preferences and politician corruption. Working Paper
- BARDHAN, Pranab and Dilip Mookherjee (2000). Capture and governance at local and national levels. *American Economic Review*. 90(2): 135-139.
- BARDHAN, Pranab and Dilip Mookherjee (2006). Pro-poor targeting and accountability of local governments in West Bengal. *Journal of Development Economics*. 79(2): 303-327.
- BARDHAN, Pranab, Dilip Mookherjee, and Monica Parra Torrado (2010). Impact of political reservations in West Bengal local governments on anti-poverty targeting. *Journal of Globalization and Development*, 1(1).
- BESLEY, T. J., Folke, O., Persson, T., and Rickne, J. (2017). Gender quotas and the crisis of the mediocre man: Theory and evidence from Sweden. *American Economic Review*, 107(8), 2204-42.
- BESLEY, Tim, Rohini Pande, and Vijayendra Rao (2012). Just Rewards? Local Politics and Public Resource Allocation in South India. *World Bank Economic Review*, 26(2): 191-216.
- BESLEY, Tim, Rohini Pande, Lupin Rahman and Vijayendra Rao (2004). The Politics of Public Good Provision: Evidence from Indian Local Governments. *Journal of the European Economic Association Papers and Proceedings*, 2(2-3): 416-426.
- BESLEY, T., Persson, T., and Sturm, D. M. (2010). Political competition, policy and growth: theory and evidence from the US. *The Review of Economic Studies*, 77(4), 1329-1352.
- BHAVNANI, R. (2016). Do the Effects of Temporary Ethnic Group Quotas Persist? Evidence from India. *American Economic Journal: Applied Economics*, Forthcoming.
- BIRD, K. (2014). Ethnic quotas and ethnic representation worldwide. *International Political Science Review*, 35(1), 12-26.
- BURDEN, B. C. (2007). Ballot regulations and multiparty politics in the states. *PS: Political Science & Politics*, 40(04), 669-673.
- CALSAMIGLIA, C., Franke, J., and Rey-Biel, P. (2013). The incentive effects of affirmative action in a real-effort tournament. *Journal of Public Economics*, 98, 15-31.

- CHATTOPADHYAY, Raghendra, and Esther Duflo, (2004). Women as Policy Makers: Evidence from a India-Wide Randomized Policy Experiment. *Econometrica*, 72(5), 1409-1444.
- CHIN, A. and Prakash, N. (2011). The redistributive effects of political reservation for minorities: Evidence from India. *Journal of Development Economics*, 96(2), 265-277.
- COATE, S., and Loury, G., (1993). Anti-discrimination Enforcement and the Problem of Patronization. *American Economic Review Papers and Proceedings*, 83(2), 92-98.
- DAS, S. and Palsson, C. (2019). Reelection Incentive and Public Good Provision: Evidence from India. Unpublished Manuscript.
- DROMETER, M., and Rincke, J. (2009). The impact of ballot access restrictions on electoral competition: evidence from a natural experiment. *Public Choice*, 138(3-4), 461-474.
- DROMETER, M., and Rincke, J. (2014). Electoral competition and endogenous barriers to entry. *European Journal of Political Economy*, 34, 253-262.
- DUNNING, Thad and Janhavi Nilekani (2013). Ethnic Quotas and Political Mobilization: Caste, Parties, and Distribution in Indian Village Councils. *American Political Science Review*, 107(1), 35-56.
- GAJWANI, K., and Zhang, X. (2014). Gender and public goods provision in Tamil Nadu's village governments. *The World Bank Economic Review*, April, 1-28.
- FANG, H. and Moro, A. (2010). Theories of Statistical Discrimination and Affirmative Action: A Survey, in *Handbook of Social Economics*, Chapter 5, Vol IA, edited by Jess Benhabib, Alberto Bisin, and Matthew Jackson, North-Holland, 133-200.
- FOSTER, Andrew and Mark Rosenzweig (2004). Democratization and the Distribution of Local Public Goods in a Poor Rural Economy. Working Paper.
- HIMANSHU, Abhiroop Mukhopadhyay and M. Sharan (2015). The National Rural Employment Guarantee Scheme in Rajasthan: Rational Funds and their Allocation across villages. *Economic and Political Weekly*, 50(6), 52-60.
- JENSENIUS, F.R. (2017). *Social justice through inclusion: The consequences of electoral quotas in India*. Oxford University Press.
- JENSENIUS, F. R. (2015). Development from representation? A study of quotas for the scheduled castes in India. *American Economic Journal: Applied Economics*, 7(3), 196-220.
- LOURY, G. C. (1992). Incentive effects of affirmative action. *The ANNALS of the American Academy of Political and Social Science*, 523(1), 19-29.

- MIGUEL, E. and M. K. Gugerty (2005). Ethnic diversity, social sanctions, and public goods in Kenya. *Journal of Public Economics*, 89 (11), 2325-2368.
- MORO, A., and Norman, P. (2003). Affirmative action in a competitive economy. *Journal of Public Economics*, 87(3), 567-594.
- Munshi, K. (2017). Caste and the Indian economy. Working Paper.
- MUNSHI, K., and Rosenzweig, M. (2017). Insiders and outsiders: local ethnic politics and public goods provision. mimeo, Cambridge University.
- PADRO-I-MIQUEL, G. (2007). The Control of Politicians in Divided Societies: The Politics of Fear, *Review of Economic Studies*, 74(4): 1259-1274.
- PANDE, R. (2003). Can mandated political representation increase policy influence for disadvantaged minorities? Theory and evidence from India. *American Economic Review*, 93(4), 1132-1151.
- PERSSON, T., Roland, G., and Tabellini, G. (1997). Separation of powers and political accountability. *The Quarterly Journal of Economics*, 112(4), 1163-1202.
- PERSSON, T. and Tabellini, G.E. (2002). *Political economics: explaining economic policy*. MIT press.
- POLO, M. (1998). Electoral competition and political rents. Working Paper.
- SCHOTTER, A., and Weigelt, K. (1992). Asymmetric tournaments, equal opportunity laws, and affirmative action: Some experimental results. *The Quarterly Journal of Economics*, 107(2), 511-539.
- STRATMANN, T. (2005). Ballot access restrictions and candidate entry in elections. *European Journal of Political Economy*, 21(1), 59-71.
- VAISHNAV, Milan. (2017). *When crime pays: Money and muscle in Indian politics*. Yale University Press.

Appendix

A Theoretical Results

In this section we first provide formal proofs of the various claims and hypotheses we made in the main text of the paper. We then discuss an extension of our model where we endogenize the number of candidates to allow for the possibility that multiple candidates from the same group may run for election.

A.1 Equilibrium Policy in Open Elections

Observation 1 *Let the candidates in the open election be given by (A, H) and (B, H) . Then their platform announcement game has a unique Nash Equilibrium and it is given by*

$$r_{AH}^o = 2\theta_H - \frac{(2\alpha_A - 1)}{3\kappa} - \frac{1}{2\kappa} \quad \text{and} \quad r_{BH}^o = 2\theta_H + \frac{(2\alpha_A - 1)}{3\kappa} - \frac{1}{2\kappa},$$

where $\kappa = \alpha_A\gamma_A + \alpha_B\gamma_B$.

Proof: Suppose the candidates (A, H) and (B, H) announce r_{AH} and r_{BH} as their platforms. Then voters from group A would vote for candidate (A, H) if

$$\gamma_A(r_{AH} - a_{BH}) + 1 - \sigma > \mu_i$$

where μ_i is voter i 's idiosyncratic (relative) preference for the candidate (B, H) and σ is the overall (relative) popularity of the same candidate. Therefore, the vote share of candidate (A, H) from group A is given by,

$$V_{AH}^A = \mathbb{P}[\gamma_A(r_{AH} - r_{BH}) + 1 - \sigma > \mu_i] = \frac{1}{2} + [\gamma_A(r_{AH} - r_{BH}) + 1 - \sigma].$$

Similarly, the vote share of candidate (A, H) from group B is given by,

$$V_{AH}^B = \mathbb{P}[\gamma_B(r_{AH} - r_{BH}) - 1 - \sigma > \mu_i] = \frac{1}{2} + [\gamma_B(r_{AH} - r_{BH}) - 1 - \sigma].$$

Notice that the vote shares are random because the overall (relative) popularity of the candidates are random, which makes the preference of the median voter random. Therefore, the probability that candidate (A, H) wins is non-trivial and is given by,

$$\pi_{AH} = \mathbb{P} \left[\alpha_A V_{AH}^A + \alpha_B V_{AH}^B > \frac{1}{2} \right]$$

$$\Rightarrow \pi_{AH} = \frac{1}{2} + \kappa(r_{AH} - r_{BH}) + (2\alpha_A - 1),$$

$$\text{where } \kappa = \alpha_A\gamma_A + \alpha_B\gamma_B$$

$$\Rightarrow \pi_{BH} = 1 - \pi_{AH} = \frac{1}{2} + \kappa(r_{BH} - r_{AH}) - (2\alpha_A - 1)$$

Candidate (A, H) now solves the following problem:

$$\max_{r_{AH}} \pi_{AH} \left[1 - \frac{r_{AH}}{2\theta_H} \right]$$

which yields the following best response function:

$$r_{AH} = \theta_H + \frac{r_{BH}}{2} - \frac{(2\alpha_A - 1)\beta}{2\kappa} - \frac{1}{4\kappa}.$$

Similar optimization by candidate (B, H) results in the following best response function:

$$r_{BH} = \theta_H + \frac{r_{AH}}{2} - \frac{(2\alpha_A - 1)\beta}{2\kappa} - \frac{1}{4\kappa}.$$

As evident from the two equations, they entail a unique Nash Equilibrium given by,

$$\begin{aligned} r_{AH}^o &= 2\theta_H - \frac{(2\alpha_A - 1)}{3\kappa} - \frac{1}{2\kappa}, \\ r_{BH}^o &= 2\theta_H + \frac{(2\alpha_A - 1)}{3\kappa} - \frac{1}{2\kappa}. \end{aligned}$$

■

Observation 2 *The open election game has a unique Nash Equilibrium where both groups choose their high ability candidates and the candidates announce platforms as specified in Proposition 1.*

Proof: Suppose that candidate from group B is (B, H) . Now, group A is considering whether to put up the high or low ability candidate. If it puts up the candidate (A, L) then the equilibrium announcements by the candidates will be,

$$\begin{aligned} \tilde{r}_{AL}^o &= 2\left(\frac{1}{3}\theta_H + \frac{2}{3}\theta_L\right) - \frac{(2\alpha_A - 1)}{3\kappa} - \frac{1}{2\kappa}, \\ \tilde{r}_{BH}^o &= 2\left(\frac{2}{3}\theta_H + \frac{1}{3}\theta_L\right) + \frac{(2\alpha_A - 1)}{3\kappa} - \frac{1}{2\kappa}. \end{aligned}$$

Clearly, the expected public spending is lower in this case compared to the case where candidate (A, H) was put up since $\tilde{r}_{AL}^o < r_{AH}^o$ and $\tilde{r}_{BH}^o < r_{BH}^o$. Candidate

(A, L) announces a lower public spending because she is less competent. Candidate from group B responds to that by announcing in equilibrium a lower public spending. Also, the probability that the candidate from group A wins is now,

$$\tilde{\pi}_{AL} = \frac{1}{2} + \kappa(\tilde{r}_{AL}^o - \tilde{r}_{BH}^o) + (2\alpha_A - 1) = \frac{1}{2} + \frac{2\kappa}{3}(\theta_L - \theta_H) + \frac{1}{3}(2\alpha_A - 1).$$

Therefore, $\tilde{\pi}_{AL} < \pi_{AH}^o = \pi_{AH}(r_{AH}^o, r_{BH}^o)$. Hence, group A 's payoff is unambiguously worse under candidate (A, L) . Therefore, group A will choose the high ability candidate. Notice that this will be true even if group B had picked its low ability candidate for election. It is, therefore, a dominant strategy for A to pick its high ability candidate. By similar logic, it is also a dominant strategy for group B to choose its high ability candidate. Hence, both groups picking their high ability candidate is a unique Nash Equilibrium.

Equilibrium expected public spending is calculated using the formula

$$\mathbb{E}r^o = \pi_{AH}^o r_{AH}^o + (1 - \pi_{AH}^o) r_{BH}^o$$

which gives us the necessary result. ■

A.2 Equilibrium Policy in Elections with AA

Observation 3 *In the restricted election, the announcement game has a unique Nash Equilibrium. Candidates (A, H) and (A, L) announce*

$$r_{AH}^* = \frac{2(2\theta_H + \theta_L)}{3} - \frac{1}{2\kappa} \quad \text{and} \quad r_{AL}^* = \frac{2(\theta_H + 2\theta_L)}{3} - \frac{1}{2\kappa}.$$

Proof: Proof follows similar logic as in the proof of Proposition 1. ■

A.3 Main Result I

Hypothesis 4 *If $\gamma_A < \frac{0.25}{\theta_H - \theta_L} < \gamma_B$ then,*

$$\lim_{\alpha_A \rightarrow 0} (\mathbb{E}r^* - \mathbb{E}r^o) < 0 \quad \text{and} \quad \lim_{\alpha_A \rightarrow 1} (\mathbb{E}r^* - \mathbb{E}r^o) > 0.$$

Proof: We calculate the difference between $\mathbb{E}r^o$ and $\mathbb{E}r^*$ at $\alpha_A = 0$ and 1.

$$(\mathbb{E}r^o - \mathbb{E}r^*) |_{\alpha_A=0} = \frac{1}{\gamma_B} \left[\gamma_B(\theta_H - \theta_L) \left\{ 1 - \frac{4}{9}\gamma_B(\theta_H - \theta_L) \right\} - \frac{2}{9} \right],$$

and

$$(\mathbb{E}r^o - \mathbb{E}r^*)|_{\alpha_A=1} = \frac{1}{\gamma_A} \left[\gamma_A(\theta_H - \theta_L) \left\{ 1 - \frac{4}{9}\gamma_A(\theta_H - \theta_L) \right\} - \frac{2}{9} \right].$$

Therefore, $\gamma_B(\theta_H - \theta_L) > 0.25$ implies that $(\mathbb{E}r^o - \mathbb{E}r^*)|_{\alpha_A=0} > 0$ and, $\gamma_A(\theta_H - \theta_L) < 0.25$ implies that $(\mathbb{E}r^o - \mathbb{E}r^*)|_{\alpha_A=1} < 0$. ■

A.4 Main Result II

Hypothesis 5 *If $\gamma_A < \frac{0.25}{\theta_H - \theta_L} < \gamma_B$ then there exists $\bar{\alpha}_A \in (\tilde{\alpha}_A, 1)$ such that for all $\alpha_A < \bar{\alpha}_A$ we have $\mathbb{E}r^*(\alpha_A) < \mathbb{E}r^o(\alpha_A)$, for all $\alpha_A > \bar{\alpha}_A$ we have $\mathbb{E}r^*(\alpha_A) > \mathbb{E}r^o(\alpha_A)$, and at $\alpha_A = \bar{\alpha}_A$, $\mathbb{E}r^*(\alpha_A) = \mathbb{E}r^o(\alpha_A)$.*

Proof: We first proof the following observation:

Observation 4 *Suppose $\gamma_A \leq \gamma_B$ and $\gamma_A < \frac{0.25}{\theta_H - \theta_L}$. Then there exists $\tilde{\alpha}_A \in (0, 1)$ such that,*

$$\begin{aligned} \frac{\partial(\mathbb{E}r^* - \mathbb{E}r^o)}{\partial\alpha_A} &> 0 \quad \text{for all } \alpha_A \in (\tilde{\alpha}_A, 1], \\ \frac{\partial(\mathbb{E}r^* - \mathbb{E}r^o)}{\partial\alpha_A} &< 0 \quad \text{for all } \alpha_A \in [0, \tilde{\alpha}_A), \quad \text{and} \\ \frac{\partial(\mathbb{E}r^* - \mathbb{E}r^o)}{\partial\alpha_A} &= 0 \quad \text{at } \alpha_A = \tilde{\alpha}_A. \end{aligned}$$

Proof:

$$\begin{aligned} \mathbb{E}r^* - \mathbb{E}r^o &= \theta_H - \theta_L + \frac{4\kappa(\theta_H - \theta_L)^2}{9} + \frac{2(2\alpha_A - 1)^2}{9\kappa} \\ \Rightarrow \frac{\partial(\mathbb{E}r^* - \mathbb{E}r^o)}{\partial\alpha_A} &= \frac{4(\theta_H - \theta_L)^2(\gamma_A - \gamma_B)}{9} - \frac{2(2\alpha_A - 1)^2(\gamma_A - \gamma_B)}{9\kappa^2} + \frac{8(2\alpha_A - 1)}{9\kappa} \\ \Rightarrow \frac{\partial(\mathbb{E}r^* - \mathbb{E}r^o)}{\partial\alpha_A} &= \frac{4(\theta_H - \theta_L)^2(\gamma_A - \gamma_B)}{9} + \frac{2(2\alpha_A - 1)}{9\kappa^2} [2\kappa + \gamma_A + \gamma_B] \end{aligned}$$

It is clear that

$$\frac{\partial(\mathbb{E}r^* - \mathbb{E}r^o)}{\partial\alpha_A} |_{\alpha_A=0} < 0 \quad \text{and} \quad \frac{\partial(\mathbb{E}r^* - \mathbb{E}r^o)}{\partial\alpha_A} |_{\alpha_A=1} > 0$$

given that $\gamma_A \leq \gamma_B$ and $\gamma_A < \frac{0.25}{\theta_H - \theta_L}$. Hence there exists $\tilde{\alpha}_A \in (0, 1)$ such that the derivative is zero at $\tilde{\alpha}_A$. Also,

$$\frac{\partial^2(\mathbb{E}r^* - \mathbb{E}r^o)}{\partial\alpha_A^2} > 0$$

implying that $\tilde{\alpha}_A$ is unique. ■

Given the assumption $\gamma_A < \frac{0.25}{\theta_H - \theta_L} < \gamma_B$, we have $\mathbb{E}r^* < \mathbb{E}r^o$ at $\alpha_A = 0$ and $\mathbb{E}r^* > \mathbb{E}r^o$ at $\alpha_A = 1$, by Hypothesis 4. Since $(\mathbb{E}r^* - \mathbb{E}r^o)$ is falling in α_A in $[0, \tilde{\alpha}_A)$ (by Observation 4), we have $\mathbb{E}r^* < \mathbb{E}r^o$ at $\alpha_A = \tilde{\alpha}_A$. Therefore, there exists at least one $\bar{\alpha}_A \in (\tilde{\alpha}_A, 1)$ where $\mathbb{E}r^* = \mathbb{E}r^o$. Since $(\mathbb{E}r^* - \mathbb{E}r^o)$ is monotonically increasing in $[\tilde{\alpha}_A, 1]$, $\bar{\alpha}_A$ is unique and we have $\mathbb{E}r^* < \mathbb{E}r^o$ for all $\alpha_A < \bar{\alpha}_A$ and $\mathbb{E}r^* > \mathbb{E}r^o$ for all $\alpha_A > \bar{\alpha}_A$. ■

A.5 Margin of Victory

Hypothesis 6 *If $\gamma_A < \frac{0.5}{\theta_H - \theta_L} < \gamma_B$ then there exists $\hat{\alpha}_A \in (0.5, 1)$ such that for all $\alpha_A < \hat{\alpha}_A$, $m^* > m^o$, for all $\alpha_A > \hat{\alpha}_A$, $m^* < m^o$ and at $\alpha_A = \hat{\alpha}_A$, we have $m^* = m^o$.*

Proof: We calculate that

$$V_{AH}^o - V_{BH}^o = \frac{1}{2} + \kappa(r_{AH}^o - r_{BH}^o) + 2\alpha_A - 1 = \frac{1}{2} + \frac{1}{3}(2\alpha_A - 1)$$

$$\Rightarrow m^o = \frac{1}{2} + \frac{1}{3}(1 - 2\alpha_A) \text{ for } \alpha_A \in [0, \frac{1}{2}]$$

$$\text{and } m^o = \frac{1}{2} + \frac{1}{3}(2\alpha_A - 1) \text{ for } \alpha_A \in [\frac{1}{2}, 1]$$

$$m^* = V_{AH}^* - V_{BH}^* = \frac{1}{2} + \kappa(r_{AH}^* - r_{BH}^*) = \frac{1}{2} + \frac{2}{3}\kappa(\theta_H - \theta_L)$$

$$\Rightarrow m^* - m^o = \frac{2}{3}\kappa(\theta_H - \theta_L) - \frac{1}{3}(1 - 2\alpha_A) \text{ for } \alpha_A \in [0, \frac{1}{2}]$$

$$\text{and } m^* - m^o = \frac{2}{3}\kappa(\theta_H - \theta_L) - \frac{1}{3}(2\alpha_A - 1) \text{ for } \alpha_A \in [\frac{1}{2}, 1]$$

Therefore, at $\alpha_A = 0$, we have $m^* > m^o$ if $\gamma_B > \frac{0.5}{\theta_H - \theta_L}$. Similarly, at $\alpha_A = 1$, we have $m^* < m^o$ if $\gamma_A < \frac{0.5}{\theta_H - \theta_L}$. Also, $m^* > m^o$ at $\alpha_A = \frac{1}{2}$. Hence, $m^* > m^o$ for all $\alpha_A \in [0, \frac{1}{2}]$. Therefore, there exists a $\hat{\alpha}_A \in (0.5, 1)$ such that $m^* > m^o$ for $\alpha_A \in [0, \hat{\alpha}_A)$, $m^* < m^o$ for $\alpha_A \in (\hat{\alpha}_A, 1]$ and $m^* = m^o$ for $\alpha_A = \hat{\alpha}_A$. ■

A.6 Extension of the Model

In this section we discuss one possible extension of the model where we endogenize the number of candidates that a group can put up. We maintain the assumption that each group has a set of two potential candidates - one high and one low ability. In presence of AA the eligible group would still continue to put up both of its candidates, since putting up only one candidate would result in zero public

good provision owing to no electoral competition. Therefore, we only need to worry about the open elections.

Now let us consider a case where group A is majority and both groups have initially chosen their respective best candidates. Now suppose group A is considering whether to allow its low ability politician to run as well. If there is a second candidate from the same group, the high ability candidate from group A would increase her platform due to competition. This increases group A 's payoff. However, notice that if the second candidate from group A runs, then *ceteris paribus* the group B candidate wins with higher probability, since the group A votes are now split between the two candidates. Therefore, the probability that any of the group A candidates wins is lower. This reduces group A 's payoff. Also, since the second candidate from group A is of low quality, it reduces the average quality of the candidate pool which reduces expected public spending. Therefore, group A will put up a second candidate only when the moral hazard problem is quite severe, i.e., when α_A is very high. It is evident from this discussion that the minority group would not put up its second politician as candidate. For extremely high values of α_A , therefore, the majority group would put forward two candidates. However, this would not disturb the main result of the model. To see this notice the following: for large values of α_A , the two candidates from group A become the effective candidates in an open election. However, the presence of the group B candidate implies that the marginal return on announcing higher public spending is lower for the group A candidates in an open election compared to a restricted election regime, where the group B voters would not have any option but to vote for one of the group A candidates.³⁷

Here we note that in our context, though the groups can have high population shares, they do not usually reach the limiting case when the aforementioned theoretical possibility is entertained. We discuss this in further detail in the section on descriptive statistics.

B BACKGROUND AND INSTITUTIONAL DETAILS

B.1 Village Councils and Quota Policies in Village Elections in India

The village council or Gram Panchayat (GP from now on) is the lowest tier of governance in India. It is part of a three tier governance system that all Indian states adopted after the 73rd Constitutional amendment in 1993. In this system

³⁷Technically speaking, in election with AA, group B voters switch from one group A candidate to the other at an infinitely high rate with higher announcements by a candidate. However, in open elections, this rate is finite in presence of a group B candidate.

each state is divided into districts which are run by district councils headed by a President. The districts are further divided into blocks which are divided, in turn, into GPs. The GPs are comprised of councilors who are elected from single member wards within GPs. Each GP has a president or Sarpanch, analogous to a mayor in a municipality. Depending on the state, the Sarpanch may or may not be directly elected. We focus on the election of Sarpanches for our study and, therefore, choose as our context the state of Rajasthan which holds direct elections for that position. ³⁸

The primary responsibility of a GP is to provide local public goods, such as village roads, drinking water facilities (hand pumps, wells etc), primary schools, health centers, irrigation facilities (such as public canals, water sheds). The GPs, however, have minimal taxation power. Their expenditure is met by resources received from higher tier governments. Literature has shown that the Sarpanch enjoys significant discretionary power in deciding budgetary allocations in a GP, including the number of public projects to be implemented and their composition (see, for example, [Besley, Pande and Rao \(2004\)](#), [Besley, Pande and Rao \(2012\)](#), [Chattopadhyay and Duflo \(2004\)](#)). The source of this discretion is possibly the fact that the Sarpanch heads the planning and finance subcommittee within a GP and therefore signs off on all the public good expenditures. In the recent years, owing to increasing decentralization in the delivery of public goods and services, the resources available at the GPs have increased manifold. Therefore the extent of work done by a GP depends a lot on the organizational capacity of the GP which, in turn, is heavily influenced by the Sarpanch's managerial ability and efforts. In particular, in the provision of work under the National Rural Guarantee Scheme (NREGS), the role of the Sarpanch is especially important. We turn to that in the description of NREGS.

B.2 NREGS

National Rural Employment Guarantee Scheme (NREGS) is the largest running public works program in the world that was initiated by the Indian Government in 2006. By the year 2008, it was made universal, i.e., the program was running in all districts of India. As part of the program, any adult member of a rural household is entitled to 100 days of employment in a year. The employment is generated by implementing various public projects in the villages, such as construction of roads, watershed, irrigation canal, wells, sanitation facilities etc. The GPs are the implementing agencies of this program and by the time of our study, 2012-13, NREGS had become the largest expenditure head in the annual budgets of

³⁸This is in contrast to the context used by [Anderson and Francois \(2017\)](#). Maharashtra is a state where the Sarpanch is chosen by elected members of the GP among themselves.

GPs, comprising of a significant majority of their annual expenditure. Though in principle the program is demand driven, there is now growing evidence that a significant part of the expenditure under NREGS is determined by supply side factors such as bottlenecks in bureaucratic procedures during fund allocation, or capacity of local GPs to plan for new projects and execute them on time (Himanshu et al., 2015). Hence, the managerial efforts of the Sarpanch is an important determinant of the level of public goods that’s provided through this program. We therefore use the extent of work implementation under NREGS as our primary measure of performance of the Sarpanch.

C Construction of Village Development Index

We also construct a GP development index using infrastructure data from the 2011 census. For each village, the census records the access to a set of amenities. Let $I_{jiv} = 1$ indicate that the village i in GP v has access to the amenity j (0 if it doesn’t). We construct the GP access to the amenity j as $I_{jv} = \sum w_i I_{jiv}$ where w_i is the population weight of each village i in the GP. We construct such GP level indicators for access to a set of amenities. We divide amenities into two groups. Since some facilities do not need to be inside a village to provide services, we take into account the distance to Primary Healthcare Centre, Post Office, All Weather (Pucca) Road, State Highway, Wholesale Market (Mandi), Assembly Polling Station, Government Primary School, Private Primary School, Government Senior Secondary School. We define the village to have access to these amenities if they are within 5 kms of the the village. For other amenities which need to be inside the village to benefit households, we define the village to have access if any household in the village has access to the stated amenity. We consider access to Treated Tap Water and Closed or Covered (permanent) Drainage facilities as a part of this list. Next, these indicators are combined to a GP level development index using principle component analysis. As is conventional in the literature, we use the first factor and generate development quartiles using data on all GPs ($DEV Q1 - DEV Q4$) with $DEV Q1$ being the most developed GP.

D Empirical Results

D.1 Additional Tables and Figures

Table A1: Summary statistics

Variable	Mean	Std. Dev.	N
Number of NREGS Days Per Capita (Days p.c.)	3.6	4.2	5,002
Number of NREGS Days per Household (Days p.H.)	19.4	23	5,002
Share of population: non SC/ST	0.71	0.15	5,002
OBC Sarpanch reservation	0.24	0.43	5,002
non SC/ST Share * OBC Res	0.17	0.31	5,002
Total Population (in thousands)	5.51	1.93	5,002
Share of population: Females	0.48	0.01	5,002
Share of population: Literates	0.62	0.09	5,002
Dummy: Development Quartile 2 (DEV Q2)	0.23	0.42	5,002
Dummy: Development Quartile 3 (DEV Q3)	0.26	0.44	5,002
Dummy: Development Quartile 4 (Most Developed) (DEV Q4)	0.27	0.45	5,002
Total Number of Candidates	6.18	3.75	4,352
Vote share - position 1 (winner)	0.41	0.14	4,352
Vote share - position 2 (runner-up)	0.28	0.09	4,352
Vote share - position 3	0.13	0.08	4,352
Vote share - position 4	0.07	0.06	4,352
Win Margin	0.13	0.13	4,352

Table A2: Co-ethnic Voting in Sarpanch Elections

	OBC Vote Share	
Share: NON SC/ST	0.582*** (0.0544)	0.636*** (0.0527)
Observations	3,813	3,813
R-squared	0.273	0.282
Block FE	YES	YES
GP Controls	NO	YES

Notes: The dependent variables for both columns are aggregate vote share of the OBC candidates in the top 5 positions. The sample includes only the GPs which had an open election for the Sarpanches in 2010. Column (1) doesn't control for any GP level characteristics, while column (2) controls for population, female share, literacy rate and development quartile indicators. Standard errors are clustered at block level. *** p<0.01, ** p<0.05, * p<0.1.

Table A3: Marginal Effect Estimates of OBC Reservation

Non SC/ST Share	<i>Person days generated p.c.</i>	<i>Win margin</i>
0	-0.98** (0.49)	0.03 (0.03)
0.1	-0.82* (0.42)	0.03 (0.02)
0.2	-0.67* (0.36)	0.02 (0.02)
0.3	-0.51* (0.29)	0.02 (0.02)
0.4	-0.36 (0.23)	0.009 (0.01)
0.5	-0.20 (0.17)	0.004 (0.01)
0.6	-0.05 (0.12)	-0.002 (0.007)
0.7	0.11 (0.09)	-0.009* (0.005)
0.8	0.27** (0.12)	-0.15*** (0.005)
0.9	0.42** (0.17)	-0.02*** (0.007)
1	0.57** (0.23)	-0.03*** (0.01)
Observations	5,002	4,352

Notes: The dependent variables for the two columns are the total person-days generated per capita under the NGREGS program in 2012-13 and the win margin, i.e., the difference between vote shares of the winner and the runner-up in the 2010 village elections, respectively. The table provides estimates of marginal effect of OBC reservation across villages with different non SC/ST population shares, ranging from zero to 1. Standard errors are clustered at block level. *** p<0.01, ** p<0.05, * p<0.1.

Table A4: Full Table Looking at Effect of OBC Reservation on NREGS Work

	Person-days generated per capita (Days pc)			
	(1)	(2)	(3)	(4)
OBC Res	0.13 (0.10)	0.12 (0.10)	0.14 (0.10)	-0.98** (0.49)
non SC/ST Share		-1.26*** (0.40)	-0.58 (0.36)	-0.90** (0.41)
OBC Res * non SC/ST Share				1.56** (0.69)
Population			-0.24*** (0.03)	-0.24*** (0.03)
Female Share			12.28** (6.10)	12.15** (6.09)
Literate Share			-4.46*** (1.01)	-4.45*** (1.00)
DEV Q2			-0.14 (0.15)	-0.14 (0.15)
DEV Q3			-0.21 (0.14)	-0.20 (0.14)
DEV Q4			-0.44*** (0.14)	-0.43*** (0.14)
GP Controls	NO	NO	YES	YES
Observations	5,002	5,002	5,002	5,002
R-squared	0.577	0.578	0.599	0.599
Block FE	YES	YES	YES	YES

Notes: The dependent variable is the total person-days generated per capita under the NREGS program in 2012-13 in the state of Rajasthan. The variable “non SC/ST Share” is the proportion of GP population that belongs to the non SC/ST group. “OBC Res” is a dummy that takes value one when the GP sarpanch election is reserved for the OBC group. “OBC Sarpanch” is a dummy indicating whether the sarpanch is from the OBC group. Female Share and Literate Share are shares of the population who are female and literate, respectively. DEV Q2-Q4 are indicators of development quartiles based on village level infrastructure. Standard errors are clustered at block level. *** p<0.01, ** p<0.05, * p<0.1.

Table A5: Correlation between Household level NREGS Work and Reported NREGS Work in GP

	Household Got Work (1)	No. of days of Worked (2)
Person-days of NREGS generated per capita	2.13** (1.02)	176.86* (103.87)
Land owned (acres)	-0.00*** (0.00)	-0.18 (0.14)
Household has Below Poverty Line Card	0.05** (0.02)	5.38*** (1.65)
Caste Category of Household - OBC	0.11** (0.04)	9.11*** (2.90)
Caste Category of Household - SC	0.14*** (0.04)	10.83*** (2.76)
Caste Category of Household - ST	0.14** (0.06)	14.10*** (4.41)
Observations	3,430	3,430
R-squared	0.311	0.327
Block FE	YES	YES

Notes: The dataset used for this result comes from a household survey in Rajasthan in 2013 ([Himanshu et al., 2015](#)). The dependent variable in column (1) is a dummy indicating if any member of the household worked under NREGS in Rajasthan. The dependent variable for column (2) is the number of days a household worked under NREGS. The variable “Person-days of NREGS generated per capita” is the per capita person-days generated under the NREGS in the GP, as reported in the official sources. Standard errors are clustered at GP level. *** p<0.01, ** p<0.05, * p<0.1.

Table A6: Comparing GPs with Top Candidates OBC and GPs with Mixed Group Top Candidates

	Person-days per capita (Days pc)	
	(1)	(2)
Top 2 Candidates OBC	-0.498 (0.504)	
non SC/ST Share	-0.845* (0.484)	-0.883* (0.472)
Top 2 Candidates OBC * non SC/ST Share	0.814 (0.732)	
Top 3 Candidates OBC		-1.017* (0.536)
Top 3 Candidates OBC * non SC/ST Share		1.480* (0.751)
Observations	3,079	3,079
R-squared	0.623	0.623
Block FE	YES	YES

Notes: The dependent variable is the total person-days generated per capita under the NGREGS program in 2012-13 in the state of Rajasthan. The sample includes only open election GPs. “Top 2 Candidates OBC” is a dummy which takes value one if the top two candidates in the Sarpanch election is from OBC. The “Top 3 Candidates OBC” dummy is defined in a similar way. The variable “non SC/ST Share” is the proportion of GP population that belongs to the non SC/ST group. Standard errors are clustered at block level. *** p<0.01, ** p<0.05, * p<0.1.

Figure A5: Distribution of non SC/ST population share

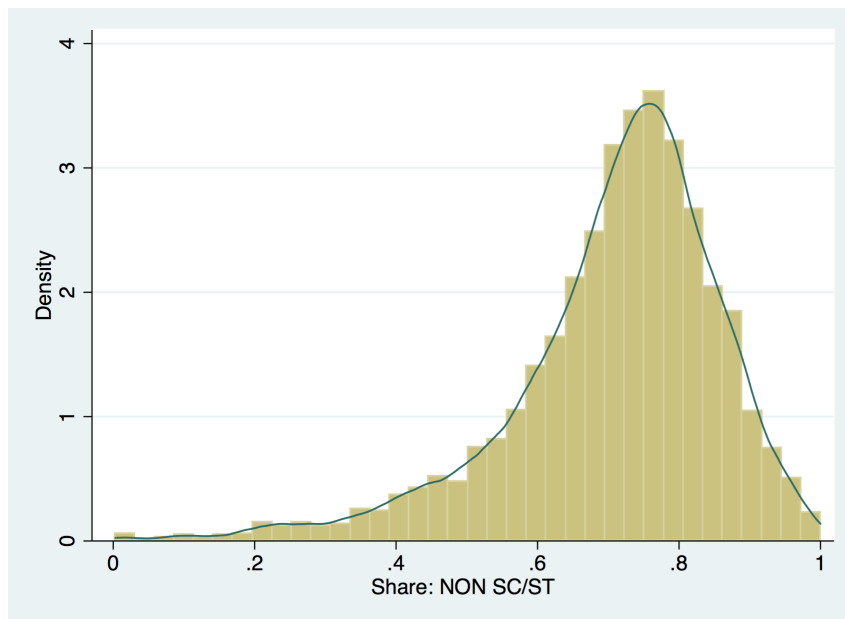


Figure A6: Correlation between Non SC/ST Population Share and OBC Population Share

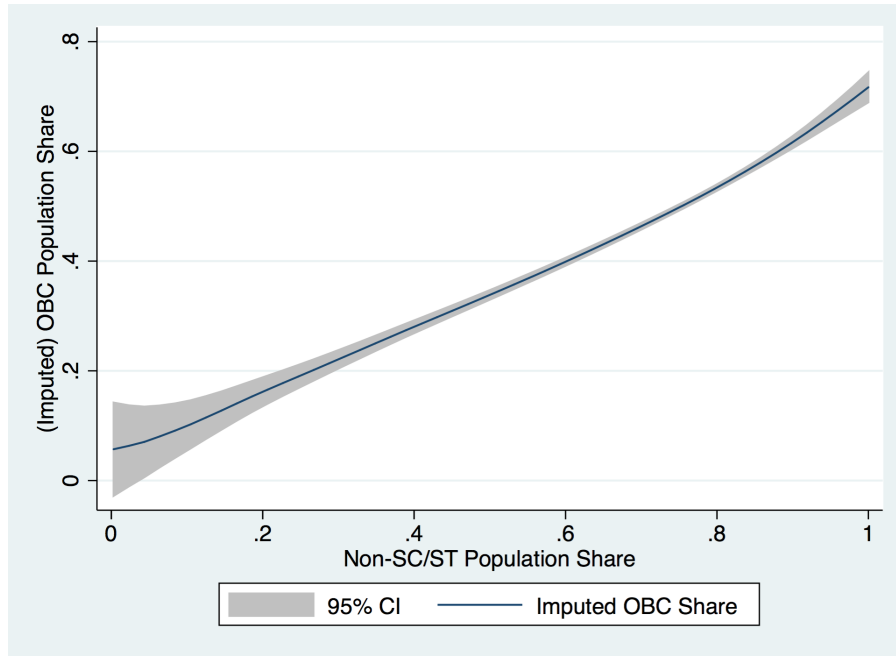


Figure A7: No Distributional Consequences of OBC Reservation

