

## **Decentralization and Ethnic Diversity**

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Political decentralization allegedly eases basic problems of governance in ethnically diverse societies. According to fiscal federalism theory, preference heterogeneity associated with ethnic divisions promotes conflict over the nature of public goods and the distribution of private benefits. Reduction in the local heterogeneity of preferences via decentralization may thus foster greater horizontal cooperation and thus produce welfare gains.<sup>1</sup> Decentralization may also boost equity and accountability; for example, it may be a vehicle for institutions that empower marginalized or disadvantaged ethnic groups at the local level. This theory of change motivates substantial development programming by USAID and other international donors. Yet to what extent, and under what conditions, has decentralization fostered improvements in governance? What are the challenges to public goods provision in diverse localities, and what interventions may minimize these problems?

In this chapter, I make several observations that challenge and extend this standard theory of change—and call into question donors' focus on devolution as a matter of absolute normative preference. While devolution can conceivably have positive effects on accountability or public goods provision, it can also worsen some forms of ethnic division. The dynamics of devolution can render associated development programming ineffective for boosting local accountability as well. Local and national circumstances may determine the extent to which decentralization does or does not improve governance outcomes. I argue that two dimensions of variation not sufficiently discussed by fiscal federalism theory may condition the effects of decentralizing reforms and related development programming.

First, one may draw a stylized distinction between settings in which sub-national units are ethnically homogenous—as in many parts of Sub-Saharan Africa, where ethnic groups are identified with particular rural home regions—and those that are locally heterogeneous—such as Indian villages, which are typically home to numerous castes or religious communities. In the former case, devolution approaches, in the limit, ethnic partition. Fiscal federalism theory applies most clearly in this context. One might therefore expect the gains from decentralization to be greater in the case of local homogeneity. An important caveat is that even if devolution locally mitigates distributive or social choice problems, it could also exacerbate conflicts *between* homogenous communities in an otherwise heterogeneous society. In the latter case, by contrast, local governments may encounter many of the governance tensions associated with ethnic diversity, but at a smaller scale. Theories of decentralization and diversity should distinguish these very different settings.

Second and especially important for my argument, while political decentralization extends spheres of autonomous action to subnational governments, it also involves continued interaction between subnational and national actors—and can even create new opportunities for the penetration of central government actors in

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<sup>1</sup> Oates 1999.

local affairs. For example, subnational elections can give rise to bottom-up political movements that then scale up to the national level. They can also provide novel vehicles for incursion of national parties at the grassroots. Elected subnational leaders are natural “brokers” for national political parties seeking to curry local favor—or even to buy local votes. Thus, subnational elections can allow for forms of local-national linkage that would not have existed in their absence. Even in semi-authoritarian settings without national elections, local elections can provide new avenues for national-local linkage. This observation shifts our attention from the independent spheres of action that devolution allows toward a focus on the linkages between units that are retained post-devolution—and that sometimes develop in response to devolution. Of course, devolution may strengthen local-national linkages differently in distinct cases: for example, in systems with weak national parties (or strong local/regional parties), national organizations may not penetrate subnational elections effectively. In this case, devolution could bolster horizontal responsiveness more than vertical accountability. A second key dimension of variation is therefore the strength or weakness of local-national ties in the wake of devolution.

Crossing these two dimensions of variation gives a 2x2 typology based on local ethnic diversity and the strength of local-national linkages (Table 1). Different combinations of conditions may suggest contrasting impacts of devolution. Taking the top-left cell of Table 1 first, in the case of weak local-national linkages, limited diversity might indeed smooth the path of some forms of local governance—for instance, the provision of in-kind donations to small-scale public goods. This setting approaches the situation envisioned by much fiscal federalism theory. Nonetheless, as a large literature related to residential sorting suggests and as I detail further later, segregation into homogenous, self-governing communities could also inflame cross-community conflict.

**Table 1: Decentralization and Diversity: A Typology**

		Local Ethnic Diversity	
		Homogenous	Heterogeneous
Local-National Linkages	Weakened	Improved local governance (but possible cross-community conflict)	Local reproduction of governance challenges
	Strengthened	Empowerment of “wholesale” ethnic brokers	Empowerment of “retail” partisan brokers; may undercut ethnic empowerment

In the lower-left cell of Table 1—where strong local-national linkages exist after devolution—devolved governance to a homogeneous setting could still mitigate local conflict over private or public goods. Yet, local homogeneity may also foster the emergence of “wholesale” ethnic brokers, who can deliver the support of their

ethnically homogenous constituents to national parties and leaders in exchange for policy favors. These brokers may be unelected (e.g. chiefs in sub-Saharan Africa), but federalism can also create opportunities for election of ethnic leaders of previously unrepresented groups (e.g. indigenous mayors in southern Mexico or Peru). Such leaders may have substantial bargaining power vis-à-vis national leaders, since they sometimes command blocks of voters who may be mobile between different partisan options and can therefore be offered to the highest bidder. Yet, ethnic brokers may retain rents rather than diffuse them broadly to constituents. The consequences of devolution for equity, accountability, and other governance outcomes are therefore an open question, in the presence of local homogeneity and strong local-national linkages (lower-left cell of Table 1).

Moving to the upper-right cell of Table 1, we have both local ethnic heterogeneity and weak local-national linkages. Here, devolution may simply duplicate at the local level many of the governance problems associated with heterogeneity at the national level. Indeed, ethnic inequities may be as or more severe locally than they are nationally, so decentralization could worsen horizontal cooperation. However, many instances of devolution are also accompanied by explicit institutional interventions designed to redress such local inequalities. For example, the 73<sup>rd</sup> Amendment in India mandated the holding of elections for village councils, created new powers for those subnational governments, and also decreed the reservation of certain elected positions for members of marginalized castes and tribes as well as women. Those elected leaders may promote the material welfare and security of their constituents and also generate broader symbolic benefits for their communities.

Yet the Indian case—and many other cases in which reforms seek to bolster the power of marginalized groups in subnational governments—should in fact be situated in the lower-right cell of Table 1. Here, we have both local ethnic diversity and strong local-national linkages. This final case deserves special attention, because it is empirically common yet understudied. Much of the literature on decentralization and diversity assumes a setting in which preference heterogeneity is reduced by bringing government “closer to the people.” Yet in many settings that presumption does not hold. Moreover, the perpetuation and even strengthening of local-national linkages in the wake of political decentralization—often though not exclusively via the channel of party organization and partisan competition—is substantially more important than much of the literature on devolution would presume.

In this final context, efforts to improve local equity and accountability can have unexpected consequences. For example, local elections—accompanied by the reservation of offices for particular groups, or other policies designed to empower marginalized citizens—can give state and national parties new inroads at the grassroots. Such elections allow national leaders readily to identify influential local leaders from a range of ethnic backgrounds. As in the case of local homogeneity and strong local-national linkages, elected leaders may therefore

become important “brokers.” Yet, in part because local heterogeneity may not exactly reproduce national demographics, and in part because national politics is about broader issues not directly salient at the local level, grassroots ethnic cleavages may not map onto broader partisan divides. Rather than serving solely as ethnic intermediaries at the local level, influential leaders may tend to work for the benefit of national parties or other broad national organizations. This may have important consequences for the capacity of political decentralization to minimize governance problems associated with ethnic diversity, as well as to boost equity and accountability.

In the rest of this chapter, I seek to accomplish two related objectives. First, I extend my discussion of the typology in Table 1, focusing particularly on building theory about the consequences of decentralization in settings of local heterogeneity and strong local-national linkages. I begin in the next section by developing the idea that decentralization can foster new kinds of such linkages: for example, devolution of powers (especially but not only involving subnational elections) may empower local brokers who mediate between national or state politicians and citizens. I then turn to some implications for the capacity of decentralization to solve basic governance problems, as well as to remedy problems of inequity and lack of accountability. This theory-building exercise may open a path for USAID and other donors to reconsider thinking about the effects of decentralization programming.

Next, I turn to empirical testing of several propositions that emerge from this theory-building exercise. India is a particular useful context for empirical assessment, both because decentralization occurred in a context of local heterogeneity and strong national-subnational linkages and because an institution designed to empower marginalized groups was created in a way that allows credible identification of its causal effects. While the details of electoral reservation in local elections are specific to the Indian case, lessons from this analysis extend to other contexts in which USAID and other donors design programs to improve governance outcomes and rectify problem of ethnic inequity and lack of accountability. This analysis replicates and extends my previous work on the impact of electoral quotas in this context.<sup>2</sup> My results indicate the difficulties of using such institutions to remedy problems of ethnic marginalization at the local level. In particular, the evidence underscores the importance of formal and informal linkages between levels of government, especially partisan ties, in driving null results of quotas. I return in the conclusion to conditions under which devolution may and may not foster better governance outcomes.

### **Local-National Linkages after Devolution**

Per USAID’s definition of devolution—which follows that of many scholars of decentralization—devolution “is the most expansive form of decentralization, in that it requires subnational governments to hold defined spheres of autonomous

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<sup>2</sup> Dunning and Nilekani 2013.

action, which typically means the use of subnational elections.”<sup>3</sup> After devolution, separately elected decision makers in subnational governments may thus be independent of the national government in many ways.

Yet, devolved units “are still bound by the provisions of national laws (such as those regarding political rights and civil liberties), national policy priorities (including meeting basic needs and reducing poverty), and national standards (in such areas as fiscal responsibility, healthcare, and water quality).”<sup>4</sup> As Rodden argues, the links between national and subnational governments—and the ultimate responsibility of the former for the latter—is the source of fiscal indiscipline in multi-tiered systems of government, engendering as it does the moral hazard faced by subnational units.<sup>5</sup> Even more to the point for my purposes, subnational actors interact politically with national leaders—not only for reasons of governing, but also for contesting and financing electoral campaigns, interacting with the bureaucracy, and more generally for serving, rallying, persuading, cajoling, and mobilizing citizens to different ends. Much of the literature on decentralization has focused on the independent spheres of action that devolution allows—rightly so, because this independence is partly decentralization’s *raison d’être*. Yet this should not belie the importance of the many continued linkages between subnational and national levels, as in federal systems generally.<sup>6</sup>

Not only are such connections maintained after devolution, but devolution may itself engender novel forms of local-national linkage. One illustration is the tendency of subnational elections to spawn regional movements or parties that can, under some conditions, become national political forces. But beyond this “bottom-up” form of linkage, subnational elections can also provide new openings for “top-down” penetration at the grassroots, for example, in enhancing the capacity of existing national forces to boost their local influence. One critical issue for national parties concerns the identification of effective local “brokers” who intermediate between parties or national leaders and citizens. In clientelist systems, where parties exchange material benefits in a *quid pro quo* for political support, such brokers are *sine qua non*: they provide the local knowledge that is crucial for identifying receptive voters and monitoring their compliance with the clientelist contract.<sup>7</sup> Even where conditionalities are not always enforced, local brokers can prove extremely valuable to national leaders by providing the local knowledge or authority to make national policies effective. Baldwin, for example, describes the legitimating functions of local chiefs in sub-Saharan Africa, who

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<sup>3</sup> Rodden and Wibbels, 2015.

<sup>4</sup> Ibid.

<sup>5</sup> Rodden 2006.

<sup>6</sup> Wibbels 2012 analyzes the representation of regional interests in national politics and also the partisan influence of national leaders over subnational politicians.

<sup>7</sup> Stokes, Dunning, Nazareno and Brusco 2013.

can pair with national politicians (such as MPs) to make development projects more efficacious.<sup>8</sup>

Subnational elections are often extremely helpful for identifying effective brokers, as they provide an observable measure of local popularity and influence. Electoral success may indicate not only that a local politician is hard-working and competent but also that she targets resources in a politically efficacious way—always an important issue in a setting with agency problems, in which local brokers may not target resources to optimize the political interests of national leaders.<sup>9</sup> Effective brokers can in turn be highly valuable electoral assets for higher-level politicians. Novaes, using a series of close-election designs, shows that electoral success at higher levels of government (e.g. state and national offices) allows Brazilian parties to “hire” mayors, whose success in turn boosts the electoral fortunes of gubernatorial or congressional candidates of the hiring party.<sup>10</sup> Such connections between elected politicians at different tiers of the political system are critical after devolution—indeed, in federal systems generally. In Argentina, city councilors work as brokers for mayors on the outskirts of metropolitan Buenos Aires, and mayors themselves are brokers for gubernatorial or national-level candidates. In India, members and especially the presidents of local village councils can serve as vote brokers for members of state assemblies or the national parliament.<sup>11</sup> Even in authoritarian systems without national elections such as China’s, local elections can play important roles in developing intermediaries and providing higher-ups with useful information.<sup>12</sup>

However, local elections are not necessary for brokerage after devolution, as effective brokers can be identified through other mechanisms. Traditional authorities or leaders of religious communities, though not elected by citizens, may possess the moral authority required to deliver votes or enhance service delivery.<sup>13</sup> Baldwin argues that democratization in sub-Saharan Africa bolstered the constitutional status of traditional areas governed by chiefs and devolved defined spheres of autonomous action to those subnational units. These chiefs in turn proved valuable to national-level MPs for promoting development and retaining office. Here too, devolution thus created new opportunities for the penetration of national-level politics at the local level. At the micro level at which many intermediaries engage face-to-face with their clients, brokers are often not themselves electoral candidates; instead, they are simply citizens who specialize in solving the problems of their neighbors (e.g. *punteros* in Argentina<sup>14</sup> or *naya netas* in India<sup>15</sup>) and can build relationships with higher-ups in political parties.

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<sup>8</sup> Baldwin 2015.

<sup>9</sup> Camp, Forthcoming.

<sup>10</sup> Novaes 2015.

<sup>11</sup> Dunning and Nilekani 2013.

<sup>12</sup> Manion 2016.

<sup>13</sup> On traditional authorities, see Baldwin 2015; on religious leaders, Koter 2013.

<sup>14</sup> Auyero 2001.

<sup>15</sup> Krishna 2011..

Political leaders may then use indicators other than or in addition to election results to identify effective brokers—such as the size of the crowd that a neighborhood leader has managed to turn out to a political rally.<sup>16</sup>

One critical feature of the local-national nexus, especially in settings with elected brokers, is the local penetration of national parties. Thus, parties often recruit brokers who work for the benefit of the party ticket—even if those brokers are by no means committed to a single party over time. In contexts like Brazil and India, there is often considerable party switching by brokers over time. (After all, there are some brokers one cannot buy—only rent). An especially striking illustration comes from the aftermath of the 73<sup>rd</sup> Amendment in India. Notwithstanding the fact that mandated local council elections almost everywhere in India are officially non-partisan (candidates do not affix party symbols or logos to their name on the ballot), partisanship is rife in such councils. Dunning and Nilekani found that well over 90% of sampled citizens in three Indian states could name the party of their council president, and elected members of councils could readily name the partisan orientation of all other council members; knowledge of councilors' party was at least as widespread at the village level as knowledge of caste.<sup>17</sup> While major Indian parties have long had some form of organization at the grassroots, decentralization gave them a new kind of toehold: competing for elections revealed and ratified the influence of local leaders, while the cost of local elections and the need to raise campaign finance often put them in direct conversation with party higher-ups, for whom they would also serve as brokers in state and national elections.<sup>18</sup>

In sum, devolution extends spheres of autonomous action to subnational units, who therefore work independently in a number of domains. Yet in federal systems, both formal and informal mechanisms continue to link subnational actors to national leaders—and devolution even allows new forms of national penetration at the grassroots. One of the most important of these arises through party organization. National elections depend on subnational mobilization, and so national party leaders have strong incentives to recruit local intermediaries who can assist them in the tasks of local persuasion and mobilization. Devolution can produce ideal intermediaries. Often, these are elected leaders at the subnational (especially village or municipal) level; sometimes, they are non-elected leaders (such as traditional authorities) to whom new powers are devolved. In either case, it is important to recognize that just as decentralization involves a certain degree of independence of subnational from national units, it can also engender new forms of local-national linkages, and sometimes even more intensive national penetration into local affairs.

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<sup>16</sup> Schwartzberg 2015.

<sup>17</sup> Dunning and Nilekani 2013.

<sup>18</sup> Decentralization also provided national parties with new tools for competing with state parties at a third tier of governance; see Bolhken 2015.



## Devolution and Diversity

What, then, are the implications of such local-national linkages for governance in ethnically diverse societies? How do these linkages affect the capacity of devolution to solve problems of collective action or to boost equity and accountability in the face of ethnic heterogeneity?

As discussed in the introduction, we can distinguish four settings, according to the extent of local ethnic diversity and the nature of local-national linkages in the wake of decentralization. These are of course ideal types, and one can think about continuums that link these poles. But they also correspond substantially to concrete empirical referents. In many contexts, ethnic groups are associated with particular home regions, and so the devolution of power to rural bodies in those regions generates subnational polities with much greater ethnic homogeneity than the national polity as a whole. Examples include subnational constituencies (not just provincial assembly units but also chiefly kingdoms) in sub-Saharan Africa, as well as certain indigenous regions in parts of the Americas, in which native councils are given authority over circumscribed actions within delimited, ethnically homogeneous homelands. In other settings, by contrast, the local constituencies are themselves ethnically diverse. This is true in some rural settings (such as Indian villages) and also tends to characterize devolution to municipal/urban bodies. In considering the possible impacts of devolution for governance in ethnically diverse societies, it is useful to consider these settings separately—with an eye to the moderating influence of the local-national linkages traced above. In this section, I expand on the theory-building discussion in the introduction.

Consider first the case of local homogeneity with weak local-national linkages (top-right cell of Table 1). This is perhaps the emblematic case for the fiscal theory of federalism, according to which homogeneity of tastes can lead to more efficient local outcomes after devolution. Oates, for example, summarizes this theory as follows: “By tailoring outputs of such goods and services to the particular preferences and circumstances of their constituencies, decentralized provision increases economic welfare above that which results from the more uniform levels of such services that are likely under national provision. The basic point here is simply that the efficient level of output of a ‘local’ public good...is likely to vary across jurisdictions as a result of both differences in preferences and cost differentials. To maximize overall social welfare thus requires that local outputs vary accordingly.”<sup>19</sup>

The conjecture that ethnic heterogeneity impedes cooperation and therefore leads to worse governance outcomes—for example, diminished public goods provision—is plausible enough, and it is backed by a range of associational evidence in the form of a very large body of regressions. There are also many mechanisms through which ethnic heterogeneity may impede public goods

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<sup>19</sup> Oates 1999: 1121-2.

provision, including not only differences in tastes but also barriers to cross-group communication, or distinct presumptions about the strategies that members of other groups will follow.<sup>20</sup> As a large political economy literature suggests, ethnic diversity can also affect a wide range of outcomes beyond public goods provision; see, for instance, work by Spolaore and Wacziarg on relatedness and war, Michalopoulos on the causes, persistence and implications of ethnic diversity, and Posner on political influences on interethnic cooperation in realms such as marriage.<sup>21</sup> To be sure, the causal link between diversity and governance is in fact extremely difficult to identify and prove empirically. Yet if it exists, local ethnic homogeneity should foster cooperation for public goods provision, and so devolution in this setting should offer a solution to basic problems of governance—at least locally.

Notwithstanding this conjecture, it is also the case that devolving governance to homogenous local entities could exacerbate distributive conflicts *between* communities in an otherwise heterogeneous society—and could also increase overall poverty or inequality and worsen broader governance outcomes. In developed countries such as the U.S., scholars of residential sorting focus on such broader impacts of ethnic segregation.<sup>22</sup> Kasara presents evidence that ethnic segregation in Kenya both diminishes interethnic trust and fosters intergroup conflict.<sup>23</sup> These dynamics through which local homogeneity exaggerates between-locality conflict may plausibly be only heightened by the devolution of self-governing powers to ethnic homeland-like subnational units. Moreover, the tendency for conflict between these units could also be increased when formal or informal local-national linkages are weak (so that subnational units are not as integrated into a national political sphere).

Yet if strong integration of ethnically homogenous units into the national sphere might inhibit horizontal conflict between units, it can also pose different kinds of risks to equity and accountability. To consider this case of local homogeneity with strong local-national linkages (bottom-left cell of Table 1), one can profitably distinguish between the kind of horizontal cooperation on which this literature tends to focus—for example, in-kind contributions to the upkeep of water wells or roads—and vertical relations between citizens and their local leaders that also impact the quality of governance—in particular, the degree of accountability.<sup>24</sup> Here the tendency of homogeneous ethnic regions to produce leaders who serve as “wholesale” brokers—delivering the votes of an entire community to national political leaders in exchange for benefits or rents—appears especially germane. Indeed, this tendency was identified by Bates as one of the basic sources of

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<sup>20</sup> Habyarimana, Humphreys, Posner, and Weinstein 2007.

<sup>21</sup> Spolaore and Wacziarg 2009; Michalopoulos 2008; Posner 2004, 2005.

<sup>22</sup> See e.g. Bruch 2014.

<sup>23</sup> Kasara 2013, 2016.

<sup>24</sup> Lierl 2015 uses lab-in-the-field experiments to investigate contrasting problems of horizontal cooperation and vertical accountability in relatively homogeneous Tanzania.

group identification in Africa, according to which political entrepreneurs turned home regions into “ethnic” bases of power.<sup>25</sup>

What are the consequences of such wholesale group representation by ethnic brokers? Local bodies may produce leaders who are exceptionally secure in their tenure, either because their resources as local elites allow them to secure electoral advantages or because of their non-electoral resources (such as hereditary authority in the case of chiefs). Because they can promise to deliver their ethnic or religious followers in a wholesale manner to the highest bidder, this can generate substantial rents from political higher-ups, as Koter documents for the case of Senegal.<sup>26</sup> Ironically, co-ethnicity of these local brokers and their clients could undermine accountability by allowing brokers to retain a large portion of these rents they obtain through subnational-national bargains. To my knowledge empirical work has not largely focused on this possibility or linked it to patterns of devolution, but this appears to be an important area for further research.<sup>27</sup>

In sum, with local ethnic homogeneity, devolution could have contrasting impacts through diverse mechanisms. It may lead to more horizontal cooperation, consistent with the theory that ethnic diversity impedes contributions to public goods: rather than contributing in a diverse national constituency, citizens in a subnational unit face local ethnic similarity. Through this channel, devolution could contribute to solving basic problems of governance. Yet devolution in a context of segregation could also inflame cross-community conflict. And devolution could also potentially undermine vertical accountability, if it empowers local brokers or leaders who can take the support of their ethnically homogeneous constituents for granted. Through this channel, devolution could exacerbate other basic governance challenges.

Consider now the case of local ethnic heterogeneity. As mentioned previously, in the limit where subnational and national diversity are the same, devolution in this context may simply reproduce problems of governance associated with ethnic difference, albeit at a smaller scale—particularly in the case of weak local-national linkages (top-right cell of Table 1). It is particularly in such small-scale settings that ethnic diversity seems negatively related to the provision of public goods.<sup>28</sup> Thus, devolution in this setting might not necessarily be expected to foster greater in-kind contributions to public goods or more generally to promote horizontal cooperation. Of course, this could be conditional on the nature of local intergroup hostility, which, while substantial in many cases, is not in others; Kasara for instance finds that ethnic integration in Kenya is associated with trust,

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<sup>25</sup> Bates 1983.

<sup>26</sup> Koter 2013.

<sup>27</sup> In a somewhat distinct vein, Kasara 2007 finds that national leaders in Africa tend to deny their co-ethnic regions favorable tax policies, relative to non-coethnics; local brokers play an important role in her interpretation. See also Padro-i-Miquel 2007.

<sup>28</sup> See the evidence reviewed in Habyarimana et al. 2007, Chapter 2.

a finding also suggested by the “contact” hypothesis.<sup>29</sup> In some settings, identity-based heterogeneity might simply be easier to manage at the local level—perhaps because people are much more likely to be personally interacting with ethnic others. This may be less likely the case in what Horowitz called “ranked” systems in which ethnicity establishes a hierarchy of rights and privileges, such as the case of caste in India.<sup>30</sup> Even there, it is possible priming ethnic identities is more costly locally than it would be nationally—e.g., for a politician such as Prime Minister Narendra Modi of the Bharatiya Janata Party (BJP), who has been affiliated with Hindutva nationalist groups (and alleged to have permitted ethnic rioting targeted at Muslims while chief minister of the state of Gujarat) but who may at the national level be able to avoid many of the negative political consequences of fomenting violence in specific localities. Thus, devolution could conceivably have positive as well as negative consequences for horizontal interethnic cooperation.

Yet, can devolution improve vertical accountability in this setting of local heterogeneity? Here, it is especially important to consider the case of strong local-national linkages (bottom-right cell of Table 1). Devolution in such settings has often been accompanied by formal mechanisms designed to rectify local imbalances in political power, in particular, to bolster the voice and policy influence of marginalized groups. For example, I discuss extensively below the case of electoral quotas in India, which mandate the descriptive representation of marginalized castes and tribes as well as women on village councils. One can also point reforms or interventions in other contexts that facilitate the political participation of marginalized groups. For example, much programming of international donors, including USAID, aims to bolster the participation of disadvantaged groups in local government. Political participation and leadership by historically marginalized groups may have several kinds of salutary effects. It can deeply shape perceptions of the balance of power in local contexts, allowing disadvantaged communities to confront local elites as relative equals for the first time. Some of these benefits can be symbolic, though not the less important for this reason: in India, electoral quotas are sometimes seen in terms of the “politics of dignity” that empower communities subject to the strictures of untouchability. Yet descriptive representation can also breed substantive representation: quotas may allow members of disadvantaged groups to influence policy outcomes through more vertical accountability, for example, to induce politicians to deliver material benefits to members of their poor and excluded communities.

In many of these settings, however, the subnational context is not simply a microcosm of the larger environment. This is not only because the grassroots could be particularly propitious setting for generating participation by disfavored citizens, in ways that may not be possible at the national level, but also because of substantial linkages between subnational and national organizations structure

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<sup>29</sup> Kasara 2013; Allport 1954.

<sup>30</sup> Horowitz 1985.

the context in which these reforms and interventions take place—and can be key for determining whether such outcomes materialize. Like devolution generally, electoral quotas help party elites identify influential local intermediaries from a range of ethnic groups (because reserved seats require local candidates from marginalized groups). Thus, local leaders from marginalized as well as dominant local communities come into contact with party higher-ups, who may use them for electoral mobilization and reward them with private rents. To reiterate, such individuals become party brokers: that is, they are remunerated by the national or state party, and their mobilization efforts tend to take place *qua* members of parties rather than *qua* members of ethnic groups (even if in practice they target voters from their respective communities).

A key observation is that in part because of these dynamics, ethnicity and party tend to become somewhat decoupled, in a context of local heterogeneity. In the case of quotas, each party seeks to identify local allies from marginalized groups to support as candidates.<sup>31</sup> Even without formal quotas, efforts to encourage the political participation of marginalized groups (as in much development programming by USAID and other donors) do not determine partisan affiliations. Competing local leaders from the same group may ally with different factions or parties. Party and ethnicity can therefore become crosscutting cleavages, with candidates and voters of marginalized as well as dominant groups represented in each competing party.

What are the consequences of this cross-cuttingness of party and ethnic ties? As my case study of Indian local councils below suggests, when party is the dominant organizing force of political competition and members of different communities are incorporated in the same party (while members of the same group join different parties), reservation of a council seat or presidency can have little impact on policy outcomes. A quota changes the ethnic identity of a seat's occupant—but does not necessarily change the party that holds the seat. This persistence in partisan orientations of incumbents can diminish the contrast between policy outcomes in the presence of quotas and in their absence.

To be sure, local-national linkages via party organization can also be propitious for historical disadvantaged groups. For example, ties to party higher-ups can help ease access to public services outside of the village council's direct control, such as those offered by the state police and bureaucracy; party higher-ups often have formal or informal influence over such authorities, for example, through sway over transfers from favorable to unfavorable postings.<sup>32</sup> Influence over the police is especially important for righting local injustices—such as ritual beatings and murders of lower-caste citizens. Thus, the impact of policies such as quotas, in the context of the new local-national linkages that devolution fosters, may be

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<sup>31</sup> Again, candidates for village councils do not run on formal party tickets in most Indian states, but as I detail later, many local elections are de facto partisan contests in which party higher-ups provide significant campaign finance and other support.

<sup>32</sup> Bussell 2012.

far from straightforward—nor unidirectional for every outcome. (It is also generally exceptionally difficult to estimate empirically, posing difficulties that I discuss in the next section).

To summarize, policies such as electoral quotas—or development programs aimed at supporting political participation of disadvantaged citizens—often seek to shift the balance of power in favor of marginalized groups and therefore boost equity and accountability. These policies have arisen especially in the context of decentralization and devolution, perhaps because countering exclusion through greater political participation seems especially feasible at the grassroots. Yet it is critical to recognize that in the settings of local ethnic heterogeneity in which such programs are developed, formal or informal mechanisms often continue to connect the subnational and national spheres. In these contexts, the specific nature of local-national linkages after devolution can substantially influence the effectiveness of interventions designed to bolster equity and accountability.

### **A Case Study: Devolution and Ethnic Quotas in India**

I now turn to empirical testing of several propositions developed in the previous sections. A particularly informative case is the devolution of power to rural village councils in India, as mandated by the 73<sup>rd</sup> Amendment to the Indian Constitution passed in 1993-94. The case is useful for a few reasons. First, it exemplifies the common but understudied setting of decentralization with local ethnic heterogeneity and strong local-national linkages, where the impact of devolution is not clearly predicted by existing theories. Second, this devolution made concrete provisions for the rotation of electoral quotas across councils, allowing empirical study of the impact of the presence of a local quota—one key mechanism that could in principle boost vertical accountability and therefore improve the quality of governance. Finally, the reform was intended at least on its face to decouple village governance from state and national politics, consistent perhaps with Gandhian idealizations of apolitical village life; for example, in almost every Indian state, candidates for village councils cannot run explicitly on party labels. The degree of local-national political ties in the wake of such a devolution—while substantial, as I show below—could therefore be thought of as a kind of lower bound on the linkages likely to be found elsewhere.

I report results here of a replication and extension of Dunning and Nilekani's study of the impact of local quotas for council presidencies in the states of Karnataka, Rajasthan, and Bihar.<sup>33</sup> In that study, we used the rotation of presidencies reserved for Scheduled Castes and Scheduled Tribes across village councils to identify the effect of quotas in the following manner. Within administrative units at the sub-district level called blocks (or *taluks* or *mandals*), bureaucrats rank village council constituencies according to the proportion or

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<sup>33</sup> Dunning and Nilekani 2013.

number of Scheduled Caste or Scheduled Tribe residents.<sup>34</sup> Since the number of council presidencies to be reserved in a given electoral term depends on the overall proportion of each group in the block, a number smaller than the ranked list is reserved in each term. To assign reservation, bureaucrats rotate reservation down the list, starting at the top in one electoral term and moving down sequentially across terms. Near the threshold for reservation (that is, the bottom of the set of councils assigned to quotas in a particular term), whether a council receives a quota or not in a given term can be considered as-good-as-random random (a conjecture consistent with the available evidence). As we describe in more detail in Dunning and Nilekani, we therefore select for our study group pairs of councils near the threshold for reservation (one just above and one just below) in a given electoral term in sampled blocks in Karnataka, Rajasthan, and Bihar. We are interested here in the policy consequences of reservation, and in particular if quotas lead to greater material benefits (in the form of access to schemes such as the employment program MGNREGA) for Scheduled Castes and Scheduled Tribes. Chauchard used a nearly identical identification strategy in Rajasthan to study the effects of reservation on symbolic stereotyping, perceptions of ethnic threat, and the propensity of dominant castes to victimize members of marginalized groups.<sup>35</sup>

Dunning and Nilekani found no evidence that electoral quotas improve material outcomes for marginalized groups, in a large and well-powered study. Using data on council spending priorities as well as detailed household surveys, we found some evidence that quotas shape perceptions, for instance, of the priority that the village council affords to marginalized groups. Yet reservation did not shape the actual spending priorities of councils, nor did it increase the propensity of members of Scheduled Castes and Scheduled Tribes to benefit from that spending. What explains these null effects? Dunning and Nilekani conjecture that local-national linkages, and in particular ties between council presidents and the state and national parties for which they serve as brokers, can help to explain the relative invariance of policies to the presence of an electoral quota. Since local leaders are recruited *qua* party members and run implicitly on party tickets—I noted above the strong salience of partisanship in these local elections, despite the formal prohibition on party labels—their spending allegiances are often oriented towards party members or those persuadable as party members. The replacement of a party member of one caste by a party member of another caste—due to the presence of an electoral quota—does not therefore result in a major reorientation of council spending (despite the president’s formal and informal ability to target beneficiaries, as documented in Dunning and Nilekani).

This does not imply that quotas have no effect on other outcomes. The symbolic benefits of descriptive representation for minority groups can be substantial and

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<sup>34</sup> State-level lists (or “schedules”) include the particular castes or tribes eligible for the benefits of Scheduled Caste or Scheduled Tribe reservation; Scheduled Castes include Dalit (formerly “untouchable”) castes.

<sup>35</sup> Chauchard 2015.

real, consistent with a large literature on the importance of the “politics of dignity.” Chauchard provides evidence of tangible benefits of this empowerment. Studying members of dominant castes, and using survey techniques including vignettes over MP3 players that may allow for reliable elicitation of sensitive attitudes, he finds that electoral quotas do not reduce stereotyping of minority groups; but they do reduce the propensity to engage in or support atrocities against those groups. One interpretation of these findings, alluded to above, is that local-national linkages foster perceptions of the power of the village council president to intervene with the police or the bureaucracy to punish atrocities. For example, the presence of a quota in a given village significantly increases the propensity of dominant castes to agree with the statement, “If a member of the upper castes gets into a dispute with an SC [Scheduled Caste] villager, then he will be in a lot of trouble with the policy.”<sup>36</sup> Thus, Chauchard’s findings appear consistent with the idea that the impact of quotas depends on the kinds of linkages across levels of government that devolution may sustain or generate—though in his case those linkages promote better outcomes from the perspective of marginalized groups than for the targeted distributive spending. The null findings on targeted distributive spending should not distract from evidence of effects on these other important outcomes—and they do not belie the connection between descriptive and substantive representation in other contexts.<sup>37</sup>

In addition, other mechanisms are consistent with the available evidence, especially the null findings of Dunning and Nilekani. Their identification strategy leverages the rotation of quotas across village councils and therefore allows them to estimate the effect of the presence of a quota, relative to its absence, in any electoral term; but it cannot estimate the effect of the overall system of rotation, i.e., the institution of reservation itself. Indeed, the effects we estimate are conditional on the overall system of reservation; the fact that the absence of reservation today implies its future presence, or its presence today its future absence, may even foment the kind of inter-temporal, intraparty compromises that our theory highlights. However, even in the absence of partisan ties that cross-cut ethnic cleavages, the dynamics of rotation could moderate shifts in spending outcomes from one electoral term to the next.<sup>38</sup> Dunning and Nilekani’s findings also imply that quotas may induce a bigger shift in outcomes when party and caste are more tightly linked than they are in the states they examined—since then a caste quota may tend to result in the change of the partisanship as well as the caste of the village council president.

To explore these possibilities, I precisely replicated the approach of Dunning and Nilekani in two additional Indian states, Jharkhand and Uttar Pradesh. These states are useful for distinct reasons. First, Jharkhand was subject to extreme delays in the implementation of village council elections after the passage of the 73<sup>rd</sup> Amendment, due mainly to a series of court cases that challenged the

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<sup>36</sup> Chauchard 2015: 415.

<sup>37</sup> See e.g. Grossman, Gazal-Ayal, Pimentel, and Weinstein 2016.

<sup>38</sup> See e.g. Dixit, Grossman, and Gul 2000.



method of allocating reservation in so-called Scheduled Areas (home to a majority of tribal groups). Indeed, the first council elections took place in 2010. Because I gather outcome data after these election, but before the second set of elections took place five years later, I can estimate effects in a setting where the consequences of inter-temporal rotation of quotas is plausibly less than in the other Indian states studied by Dunning and Nilekani. (To be sure, council members in Jharkhand during the study period may anticipate that future rotation will occur with some probability; but the certainty may be much less, given the lack of regularity of elections in that state). Second, Uttar Pradesh is a state with well-known connections between party and caste at the state level and, in particular, one in which Scheduled Castes tend to be associated with one party, the Bahujan Samaj Party (which was the party of then Chief Minister, Mayawati, at the time of the study). The question thus arises as to whether the impact of quotas is in consequence greater in that state. These replications can also further bolster confidence in Dunning and Nilekani's overall findings, given that pooling data from Karnataka, Rajasthan, Bihar, Jharkhand, and Uttar Pradesh will imply a very large study group of councils. The external validity of the estimates also appears substantial, given the heterogeneity in the states studied and the fact that village councils are sampled from states with a collective population of 473 million people—about 64% the population of Europe.<sup>39</sup> The data suggest a preponderant role of government welfare schemes in the lives of the rural populations of these states. For example, Figure 1 shows the proportion of our survey respondents who received any government benefit in the previous year by state (we did not ask the question in this way in Karnataka); the proportion who have received a job from the village council in the previous year (a category that may be understood in a narrow way by respondents); and the proportion who benefited from the employment guarantee scheme MGNREGA in the previous year, a scheme which is substantially under the control of the village council (but which had not yet penetrated surveyed areas of Karnataka at the time of our surveys there, in 2009). On average between 60 and 80 percent of respondents received government benefits, and MGNREGA is a substantial source of benefits as well (e.g., over 30 percent of respondents in Rajasthan).

To implement the design, I first sampled blocks at random in Jharkhand (33 blocks) and Uttar Pradesh (150 blocks). Within each block, after obtaining village council-wise information on reservation histories from the respective State Election Commissions or district officers, and the proportion Scheduled Caste, Scheduled Tribe and other covariates from the census, I followed the procedure outlined in Dunning and Nilekani to select pairs of village councils within each block, one assigned to an electoral quota in the most recent village council election and the other not. This resulted in a sample of 118 council constituencies in Jharkhand and 300 in Uttar Pradesh.<sup>40</sup> My survey firm then

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<sup>39</sup> Karnataka: 64 million. Rajasthan: 74 million. Bihar: 99 million. Jharkhand: 32 million. Uttar Pradesh: 204 million.

<sup>40</sup> In Jharkhand, due to very fine grained-differences in the proportion SC or ST at the relevant thresholds, it was sometimes possible to select two pairs within a block.

conducted detailed household surveys in each of these village councils; the protocol called for 16 interviews per village council, with the houses selected using a random start point and interval sampling, and the individuals selected using the next birthday method.<sup>41</sup> This resulted in a sample of 1,888 citizens in Jharkhand and 4,800 citizens in Uttar Pradesh. Combining these data with the three states included in Dunning and Nilekani, the study group is comprised of 13,680 citizens living in 930 village council constituencies. To account for clustered assignment to treatment, our main analysis is at the level of the council constituency mean when using individual survey data. Evidence suggests balance across the treatment and control groups on a wide range of covariates, consistent with random assignment of the 930 councils to quotas.

What is the impact of reservation of the council presidency in these two additional states? Essentially, the results track Dunning and Nilekani's findings in the states of Karnataka, Rajasthan, and Bihar. In both Uttar Pradesh and Jharkhand, quotas have some impact on perceptions that the village council prioritizes the needs of marginalized groups (Figures 2 and 3). For example, quotas significantly increase the proportion of respondents who say that Scheduled Castes or Scheduled Tribes are "influential." In Jharkhand (though not Uttar Pradesh), reservation also increases the proportion who say the council gives "priority" to these groups. Yet, despite these perceptions, there is no evidence of impact on the material benefits received by marginalized castes or tribes. For example, among Scheduled Caste and Scheduled Tribe respondents, quotas do not affect the proportion who have received a government benefit, a job or benefit from the village council, or a benefit from MGNREGA in the previous year. We also asked respondents what they think the most important spending priority of the council should be and what it actually is, with a list of five response options.<sup>42</sup> In Uttar Pradesh, reservation of the council presidency does not increase the proportion of Scheduled Caste or Scheduled Tribe citizens for which the answers to these two questions agree; there is some evidence of impact in Jharkhand. However, when pooling data from five states, including the three reported in Dunning and Nilekani, I find evidence of impact on perceptions of council priorities—but very precisely estimated null results on the effect of quotas on benefits received by the groups the quotas are intended to be helping.

Why does sharing the caste or tribe category of the council president not result in a bigger increase in benefits received, among citizens from the Scheduled Castes and Scheduled Tribes? As in the previous three states, the salience of party is striking in both Uttar Pradesh and Rajasthan, with knowledge of the party of council members as widespread or more widespread than knowledge of caste.

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<sup>41</sup> In cases where respondents did not know their birth date (and no identity card with this information could be produced), enumerators asked who in the household had a birthday closest to the next major festival.

<sup>42</sup> The match between responses to these two questions is similar to the outcome variable in Chattopadhyay and Duflo 2004, who find that female reservation increases spending on public goods desired by women citizens.

Interestingly, caste and party are not especially strongly related at the local level in Uttar Pradesh, especially among council members. This makes sense in some ways, despite the strong connection between caste and party in state elections (where fewer seats are reserved, and those that are remain permanently frozen between delimitations): to run candidates for council presidencies that are reserved in a particular term, parties must recruit them from among the caste categories eligible for quotas. Mobilization of voters may therefore occur among party lines, as Dunning and Nilekani's fieldwork suggests it does in Karnataka, Rajasthan, and Bihar. Again, cross-cutting party and caste ties at the local level could therefore account for the relative invariance of distributive targeting to the presence of a quota.

To investigate the influence of partisanship more systematically in Uttar Pradesh and Jharkhand, I embedded a survey experiment in our household survey instrument, in which the caste (*jati*) and political party of a hypothetical candidate for village council president were varied at random.<sup>43</sup> In both states, respondents were exposed at random to a candidate from the Yadav or the Chamar caste. The former is a dominant group classified as part of the Other Backward Classes in most states (and is the caste of Uttar Pradesh's current Chief Minister Akhilesh Yadav). The latter is a Dalit (formerly "untouchable") Scheduled Caste comprised traditionally of leather workers (and is the caste of Uttar Pradesh's former Chief Minister Mayawati). I code the caste relationship between the respondent and the candidate using three indicator variables: (1) the respondent-candidate pair is coded 1 if the respondent and candidate are both Scheduled Caste or Scheduled Tribe, or both not Scheduled Caste or Scheduled Tribe (this is a "broad caste category" coding that potentially includes all respondents); (2) it is coded 1 if the respondent and candidate are both classified as Scheduled Caste or both Other Backward Classes (a "narrow caste category" coding, including only respondents from the Scheduled Castes or Other Backward Classes groups and therefore omitting Scheduled Tribes and forward castes, who cannot be exposed to a candidate from their own narrow caste category in the experiment); and (3) the pair is coded 1 if the respondent shares candidate's *jati* or does not (a "caste" coding, which only includes respondents from one of candidate's potential *jatis*, i.e., Yadav or Chamar).

The experiment also varied at random the party of the hypothetical candidate. In Uttar Pradesh, the candidate's party was assigned as one of four salient partisan options in that state (BSP, BJP, SP, and Congress); in Jharkhand, I used just two party options (JMM and BJP). To measure partisan ties between the respondent and candidate, I coded the respondents' partisanship in two ways: by the party in which the respondent professes membership (so this measure includes only professed party members), and by the party to which respondent feels closest (which includes all respondents). Here, I report only analyses using the second measure, since the sample is very substantially larger in that case; however,

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<sup>43</sup> This parallels Dunning and Nilekani's approach in Rajasthan and Bihar (we did not embed a survey experiment in the Karnataka questionnaire).

results are similar using only professed party members. Note also that I exclude respondents who report closeness to a party other than one of the hypothetical candidate's four (in Uttar Pradesh) or two (in Jharkhand) possible parties, since such respondents are assigned with probability 0 to co-partisanship. This excludes only a small number of respondents from the experimental study group.

The survey experiment thus exposes respondents at random to a candidate from their caste or not, and from their party or not. The co-partisan and shared caste conditions were fully crossed in a 2x2 factorial design; eligible respondents were exposed with equal probability to any combination. Using the broad definition of shared caste category, the study group size in Jharkhand and Uttar Pradesh is 4,826 respondents; with the narrow definition, it is 3,629; and using the definition based on caste (*jati*), it is 1,325. After reading respondents a short speech by the hypothetical candidate, we asked them to rate on a 1-7 scale (1) their likelihood of voting for the candidate; (2) their expectation of receiving a job from the village council if the candidate were elected; and (3) their expectation of receiving any other benefit from the village council if candidate were elected. In the analysis, we sum the job and benefit responses to form a single measure; we then normalize both the vote and job/benefit measures to lie between 0 and 1.

The evidence suggests the salience of both party and caste ties—but suggest that the influence of partisanship on vote choice and expectations of benefit receipt is at least as important as is caste (Figures 4-6). In each figure, the effect of shared partisanship on vote intention—and crucially, expected benefit receipt—is about as large or larger as the effect of shared caste. Indeed, the effect of shared partisanship is about the same size whether or not the candidate is from the same or different caste as the respondent. As one would expect, both vote intentions and expectations of benefit receipt increase monotonically in response to sharing the caste, or sharing the partisanship, of the candidate. And those exposed to a candidate who shares both their party and their caste have the strongest vote intentions and expectations of benefits. Yet sharing a party nearly cancels, in each of the three figures, the negative effect of caste difference. The survey experimental results therefore suggest the important of partisanship in driving distributive outcomes (e.g. as measured by expectations of benefit receipt), even in a context in which local caste relations are the subject of explicit political interventions such as electoral quotas.

### **Conclusion: Implications for evaluation and programming**

Devolution could conceivably produce welfare gains from greater local cooperation, as well as policy outcomes that are more aligned with the preferences of the local population. This is arguably more often the case when the regions governed by devolved governments are more ethnically homogeneous than the national population as a whole. However, devolution to local governments that are themselves ethnically heterogeneous may duplicate many of the governance problems experienced at the national scale. Certainly,

efforts to redress ethnic inequalities through quotas or other instruments may be more feasible to implement at the local level, and their potential symbolic impacts provide an important rationale for their adoption. However, their mixed success in promoting policy outcomes favorable to marginalized groups suggest that further scrutiny is warranted as well. The null effects of one policy intervention—caste-based electoral quotas in India—for increasing material benefits received by marginalized groups is a cautionary against the assumption that devolution and related interventions can solve problems of governance, and more particularly points to the importance of understanding the nature of linkages across levels of government in the wake of decentralization.

Overall, the experiences of devolution raises the question of what it means for governments to be “closer to the people.” To be sure, community councils elicit citizen candidates who make governance decisions at a small scale. Yet it is also important to recognize that devolution not only requires sustaining ties between levels of government, it can also create novel opportunities for top-down penetration of national actors at the grassroots. Particularly noteworthy is the way that local elections may allow state or national leaders to identify promising “brokers,” influential local leaders who can deliver services to people and votes to parties. The logic of partisan brokerage can deeply impact efforts to promote equity or accountability along ethnic lines, as in the case of devolution to Indian village councils analyzed in this chapter.

What are the possible implications for development programming? One natural possibility is that the set of prescriptions should differ in settings with local ethnic homogeneity and heterogeneity. And in both cases one should pay special attention to the nature of local-national linkages—for example, the influence and importance of local brokers empowered through subnational elections. Donor agencies such as USAID as well as groups such as NDI or IRI often focus on political party strengthening at the local level, but the evidence presented here suggests the multiple implications of strengthening parties—not all of them propitious from the point of view of governance outcomes. For town-hall meetings and other efforts to promote programmatic politics, the identity of facilitators (for instance, whether they are local or national leaders) may be consequential.<sup>44</sup> Efforts to foment political participation by marginalized groups may also have very different effects, depending on how ethnic and partisan affiliations line up locally. In this way, this chapter can contribute to USAID’s thinking about the wide range of impacts that may emerge from decentralization under different circumstances—and perhaps move analysis away from an absolute normative preference for devolution.

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<sup>44</sup> See Fujiwara and Wantchekon, forthcoming.

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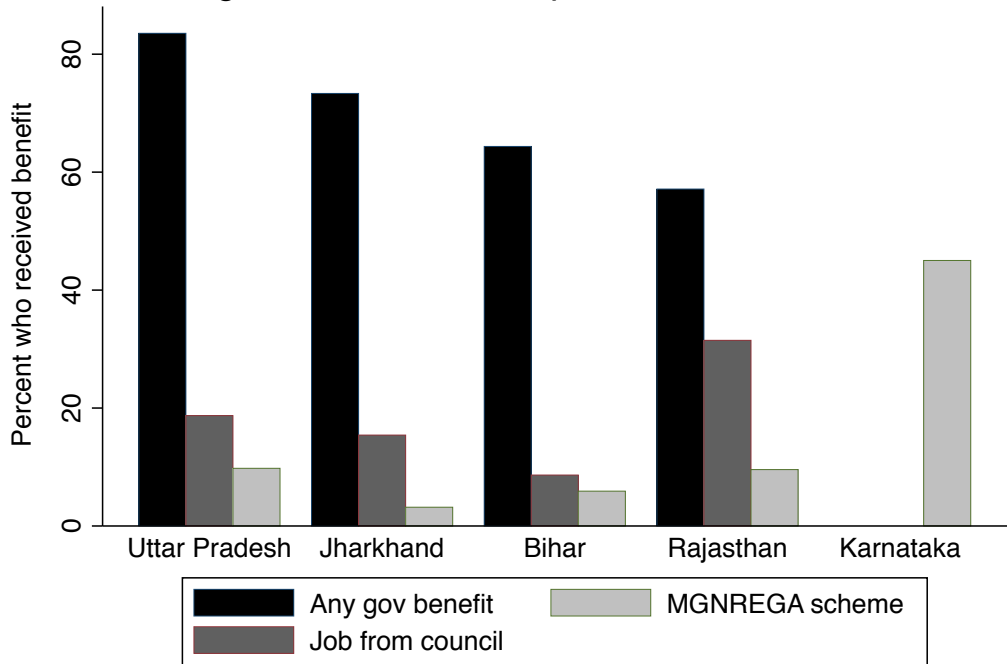
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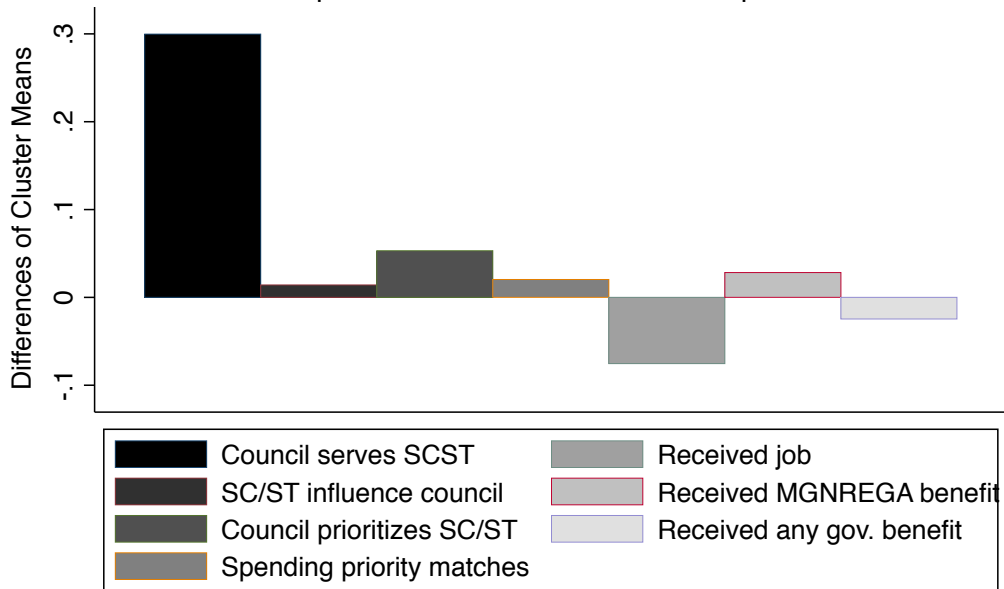


Figure 1: Benefit receipt across Indian states



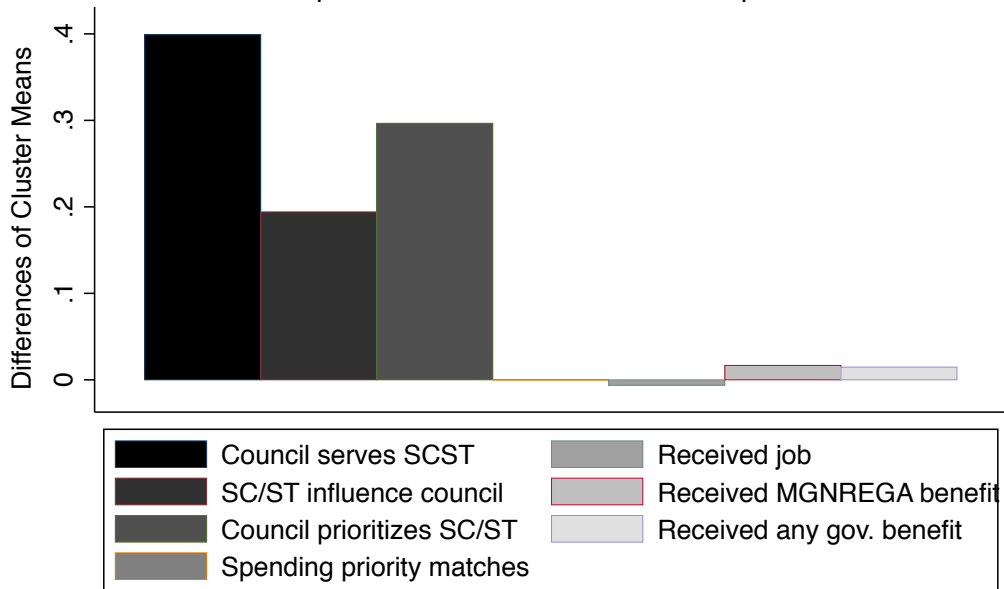
## Figure 2: Effects of Quotas (Uttar Pradesh)

Perceptions and Benefits of SC/ST respondents



SE of the difference of means  $\approx 0.05$ ;  $\approx 0.18$  for Council Serves SCST

Figure 3: Effects of Quotas (Jharkhand)  
Perceptions and Benefits of SC/ST respondents



SE of the difference of means  $\approx 0.05$ ;  $\approx 0.18$  for Council Serves SCST

Figure 4: Effects of Shared  
Partisanship and Broad Caste Category  
(Survey Experiment)

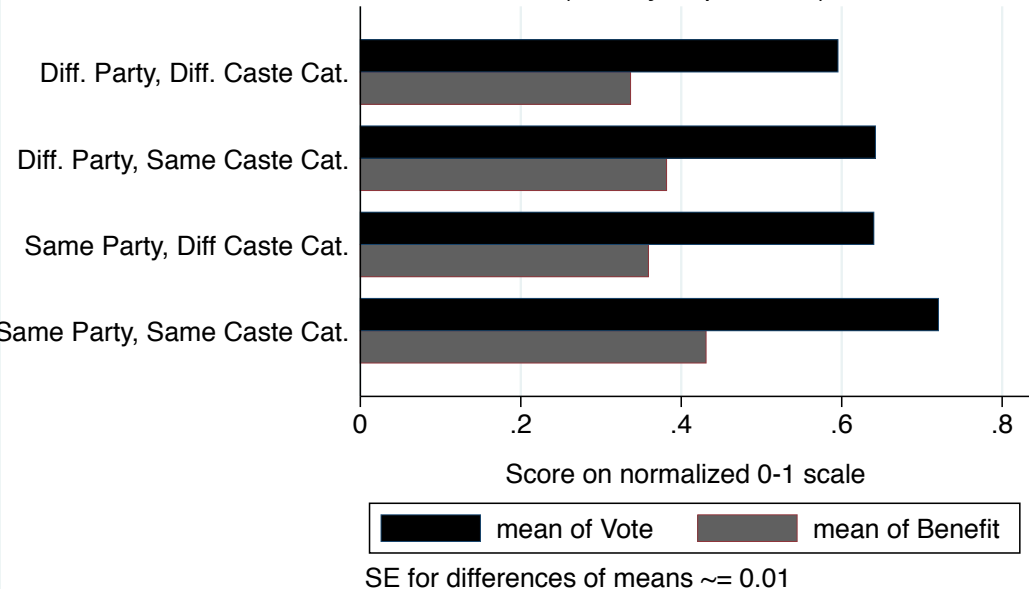


Figure 5: Effects of Shared Partisanship and Narrow Caste Category  
(Survey Experiment)

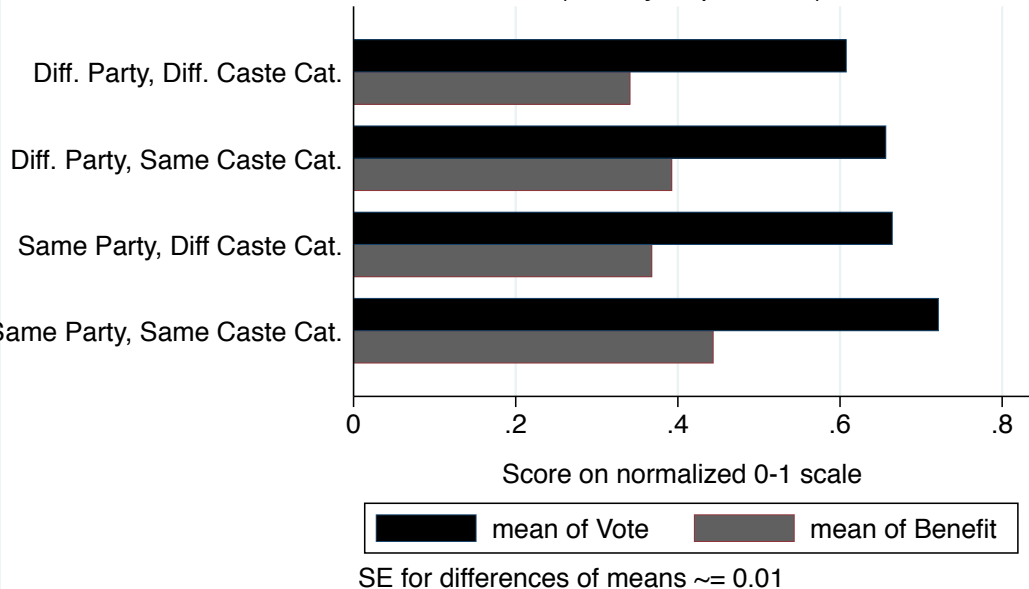


Figure 6: Effects of Shared  
Partisanship and Caste (jati)  
(Survey Experiment)

