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Votes for Sale

Rohit Ticku

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Abstract

This paper examines the financial gains derived from holding public office for independent legislators in India. Given that party-affiliated legislators are legally prohibited from engaging in cross-voting or defection, I hypothesize that independent legislators can secure rents when their support becomes pivotal for government formation. Utilizing candidate asset disclosures from Indian state elections spanning 2003 to 2012, I demonstrate that independent legislators amass wealth at a faster pace than their party-affiliated counterparts in states where the largest party or coalition falls short of a majority. The point estimates suggest that, for each additional seat that the largest party or coalition falls short of a majority, an independent legislator experiences an approximate 2% annual increase in their assets relative to a party-affiliated legislator. The disproportionate gains are particularly prominent in movable assets, implying a potential quid-pro-quo involving cash payments.*

Keywords

Independent politicians, Government formation, Political rents, Asset growth

JEL Classification

D74; N35; N45

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1 Introduction

What motivates an individual to enter politics? Political scientists have extensively examined both monetary and non-monetary incentives that drive people to seek public office. Understanding these motivations helps us examine the types of candidates who choose to run for office.¹ By comprehending these motivations, we can formulate policies that regulate the behavior of politicians during their tenure.

This paper studies the financial rewards associated with holding public office for independent politicians – those not affiliated with any particular political party. These independent politicians have garnered little attention within the political science literature, often being dismissed as “unconventional,” “half-baked,” and “hopeless.” (Brancati, 2008). While this marginal status holds true in countries like the United States, where independent candidates generally secure less than one percent of the national vote on average, the scenario differs in countries such as Pakistan and Russia, where independent candidates can win between twenty to forty percent of the vote (Brancati, 2008). Moreover, in highly fragmented legislatures, such as in India until 2014, even a small number of independent legislators can wield significant influence in forming or toppling a government.²

Capitalizing on a unique aspect of Indian law that prevents party-affiliated legislators from defecting or cross-voting, I posit that independent legislators can extract political rents when their support proves pivotal for government formation.

Leveraging a dataset of candidate financial disclosures from all state-level elections in India spanning from 2003 to 2012, I demonstrate that independent legislators experience greater asset growth compared to their party-affiliated counterparts in states where no single party or coalition commands an absolute majority, necessitating external support to form a government. The estimations suggest that for each seat that the largest party or coalition falls short of a majority, independent legislators enjoy approximately 2% higher annual asset growth in comparison to their party-affiliated counterparts. This result remains robust when accounting

¹For example, a growing concern in India is the increasing selection of criminal candidates in politics (Vaishnav, 2017).

²For example, from 1989 to 2014 none of the parties achieved an absolute majority in the national elections in India. During this phase of coalition politics four national governments fell before completing their term. See <https://thediplomat.com/2014/01/the-politics-of-coalitions-in-india/>.

for observable legislator characteristics and unobservable disparities in abilities, as evidenced by a sub-sample analysis of legislators who won in closely contested seats and therefore their selection into office was plausibly random.

The paper also examines the nature of these political rents. Independent legislators may extract these benefits through bribes or by securing ministerial positions. Instances of recurring “cash-for-vote” scandals, where legislators accept bribes in exchange for their legislative support, have tarnished Indian politics. However, legislative privilege shields legislators from criminal prosecution for accepting bribes tied to their votes, which might incentivize them to accept kickbacks in exchange for their support. My findings indicate that independent legislators experience a disproportionate growth in movable assets when their support is crucial for government formation, while this trend is not as evident for immovable assets. The uneven growth in movable assets hints at a quid-pro-quo involving cash transactions. Independent legislators may also negotiate for ministerial positions, which previous research has shown yield greater asset returns than ordinary legislator positions (Fisman, Schulz, and Vig, 2014). Notably, in our sample, none of the independent legislators held ministerial positions, thereby eliminating the possibility that the disproportionate asset growth is a result of bargaining for such positions.

Finally, I rule out some of the alternative explanations of the findings. I demonstrate that the uneven gains for independent legislators in states without a majority-winning party or coalition cannot be ascribed to the state’s general affluence, level of corruption, political fragmentation, or the existence of natural resources.

This paper contributes to multiple strands of existing literature. It adds to the expansive body of research on the incentives for entering politics (Barro, 1973; Caselli and Morelli, 2004; Mattozzi and Merlo, 2008; Ferraz and Finan, 2011; Gagliarducci and Nannicini, 2013; Fisman, Schulz, and Vig, 2014). Additionally, it aligns with the recent focus on political rents – benefits derived from holding political office (Querubin and Snyder Jr, 2009; Lenz and Lim, 2009; Eggers and Hainmueller, 2009). These rents can manifest through lucrative outside employment (Eggers and Hainmueller, 2009), participation in the government (Fisman, Schulz, and Vig, 2014), or political control over areas that experience mining booms (Asher and Novosad, 2023). Importantly, this study illustrates how political rents can materialize when legislators

play a critical role in government formation.

Another contribution is to the limited literature on independent politicians (Brancati, 2008; Moser, 1999; Abramson, Aldrich, Paolino, and Rohde, 1995; Kapoor and Magesan, 2018). Prior work has centered on electoral politics in the United States, examining the circumstances under which independent candidates can be electorally competitive. This study is the first, to the best of my knowledge, to quantify the economic returns from office for independent politicians.

Lastly, this paper contributes to the recent literature that examines the impact of the anti-defection law on India's political economy (Uppal and Baskaran, 2014; Lee, 2020). Uppal and Baskaran (2014) show that the anti-defection law resulted in political fragmentation which led to fiscal distortions and lowered growth rates. Lee (2020) shows that the constraints imposed by the anti-defection law are strongly associated with the anti-incumbency trend that is exhibited in Indian politics. In contrast, my paper uncovers a potential unintended consequence of the anti-defection law, revealing its potential role in incentivizing political corruption among independent legislators.

The rest of the paper is organized as follows: Section 2 discusses the implications of the anti-defection law and sets up the research hypothesis. Section 3 discusses the data. Section 4 presents the empirical findings. Section 5 concludes.

2 Background: Anti-Defection Law and Indian Politics

Politics in India underwent two distinct phases until 2014.³ From independence in 1947 to the national elections in 1967, the Congress party dominated the political landscape (Uppal and Baskaran, 2014). From 1967 onwards the political landscape became more competitive, coinciding with the steady decline of the Congress party.

The declining fortune of the Congress party coincided with frequent defections.⁴ The defection of individual elected representatives became especially commonplace between 1970 and 1985.

³Since 2014, the rise of the Bharatiya Janta Party (BJP) under Narendra Modi has ushered in a new phase of political consolidation. "A New Era in Indian Politics?", Carnegie Endowment for International Peace, (June 10, 2014). <https://carnegieendowment.org/2014/06/10/new-era-in-indian-politics-pub-55883>.

⁴A Government of India study defines defection as the "transfer of allegiance by a legislator from one party to another political party or (an) identifiable group." (Planning and Division, 1968).

A Government of India report highlighted the gravity of these desertions in the following words (Venkatachalaiah, 2002):

Between the fourth and the fifth general elections in 1967 and 1972, from among the 4000 odd members of the Lok Sabha and the Legislative Assemblies in the States and the Union Territories, there were nearly 2000 cases of defection and counter-defection. By the end of March, 1971 approximately 50% of the legislators had changed their party affiliations and several of them did it more than once - some of them as many as five times. One MLA was found to have defected five times to be a minister for only five days.

The defections were engineered through several means such as monetary incentives, lure of ministerial posts and coercion (Kamath, 1985). Allegedly, the price for a would-be defector ranged between 200,000 to 400,000 Indian rupees (US \$ 3,000 to US \$ 6,000 in the current exchange rate terms) in the 1960s. By the 1980s, the price tag had increased to 1 to 1.5 million Indian rupees (US \$ 15,000 to US \$ 23,000) (Kamath, 1985).

The frequent defections made the political system highly unstable.⁵ It created a consensus among political parties to ban defections. An anti-defection law, under the 52nd amendment to the constitution, was brought into effect in March 1985. According to this law, a party-affiliated legislator would be disqualified from the position if:

- 1) He or she voluntarily gave up his membership of the political party or joined another party or;
- 2) If he or she votes or abstains from voting against the directives of the political party in the legislature.

The law however contained a few exceptions. First, it only applied to the elected legislators that were affiliated with a political party. Second, a defection was legitimate if at least one-third of the elected members defected simultaneously (Uppal and Baskaran, 2014).

The introduction of the law had two unintended consequences. Mass defections replaced individual defections as the norm, leading to the creation of many small parties and increasing

⁵Between 1967 and 1971, 31 state governments failed to complete their tenure, as at least half of the Indian state legislators had changed their party affiliation atleast once by 1971 (Vaishnav, 2017).

political fragmentation (Uppal and Baskaran, 2014). Furthermore, the independent legislators (and legislators affiliated to parties with three or fewer elected members) remained outside the gambit of the anti-defection law and were free to align with or vote for any party or coalition of their choice (Sachdeva, 1989).

In 2003, the threshold for a legitimate defection was further increased to at least two-thirds of a party's elected representatives in the legislature (Lee, 2020). The amendment also prohibited defection or cross-voting by a party-affiliated legislator, even if they solely represented the party in the legislature (Lee, 2020).

I hypothesize that the anti-defection law increased the relevance of independent legislators by increasing political fragmentation and making cross-voting or defection for party-affiliated legislators prohibitively expensive. In this milieu, the support from independent legislators became vital in government formation⁶ when no party or coalition won an outright majority.

The preceding discussion suggests that independent legislators can bargain for political rents in exchange for supporting other parties in government formation.⁷ The ensuing rents provide independent legislators a disproportionate asset premium from holding office.

Hypothesis: *Independent legislators enjoy a higher asset premium than party-affiliated legislators in states where no party or coalition wins an outright majority.*

In the following sections, I use data from state-level elections that were held between 2003 and 2012 to evaluate the main prediction.

3 Data

Asset Disclosures.— The asset disclosures data is compiled by Fisman, Schulz, and Vig (2014) from digitized records of candidate affidavits. The data covers twenty four states that underwent two rounds of elections between 2003 and 2012.⁸ According to Indian law, politicians

⁶Similarly, the support of independent legislators could be vital in protecting an incumbent government if it fell short of a majority. In this paper, I focus on the potential political rents that might be available due to the necessities of government formation.

⁷The rents could be in the form of monetary payments or ministerial positions.

⁸The candidate affidavits were digitized by the Association of Democratic Reforms since 2004. Fisman, Schulz, and Vig (2014) further digitized the data from different sources for elections that took place in 2003. Column 1 of Table A-1 in the Online Appendix details the twenty four states that are covered in the database. Column 2 shows

are mandated to disclose their financial details when they participate in an election. Consequently, the dataset exclusively includes candidates who contested in both rounds of state elections. The disparity in asset disclosures of a candidate between two rounds of a state election elucidates wealth gains over a legislative term. Amongst the sample of candidates that recontest, [Fisman, Schulz, and Vig \(2014\)](#) exclude candidates whose declared net assets were below a minimum threshold of 100,000 Indian rupees (approximately US \$ 1,500 in the current exchange rate). In all, a universe of 1140 constituency-matched pairs of winner and runner-up for 570 constituencies across twenty four states is recorded in the dataset.

State Level election results.— I supplement asset disclosure information with data on state-level election results in the first round, that I collect from IndiaVotes website. Specifically, I collect information on the total number of seats in a state legislature, and the number of seats won by the largest party or coalition in the first round of state elections.⁹ Based on the threshold of seats required to form government in a state¹⁰ and the number of seats won by the largest group, I calculate the distance to majority, which is the number of seats that the largest party or coalition falls short of a majority. According to my calculation, one-third of the states in the first round did not have a party or coalition winning an outright majority. Figure A-1 in Online Appendix shows by how many seats the largest party or coalition fell short of the majority across the twenty four states in the sample.

Other data.— [Fisman, Schulz, and Vig \(2014\)](#) also extract a number of controls from candidate affidavits, filed during the first round of state elections, such as Age, Sex, Party Affiliation, Criminal record, and Years of Education. The authors add additional information such as the incumbency status of the candidate at the time of the first election round (i.e., whether the candidate won an election in the round prior) and the reservation status of the constituency (whether the constituency is reserved for the Scheduled Caste candidates) from the Election Commission of India (ECI) reports. They further include a state-level perceptions-based corruption measure compiled by Transparency International India in 2005 and a GDP per capita measure sourced from the Reserve Bank of India. I supplement this information with constituency-level data on the effective number of parties (ENOP) from the Trivedi Cen-

the year in which the first round of election takes place, while column 3 shows the year in which the second round of election takes place.

⁹The information is provided in Columns 4 and 5 of Table A-1 in the Online Appendix.

¹⁰In India the government is formed with a simple majority rule, i.e. $\frac{\text{totalseats}}{2} + 1$.

ter of Political Data, and I take a state-wise average to create a state-level measure of political fragmentation. Next, I collect information from the Election Commission of India (ECI) that identifies whether it officially recognizes a registered political party. Parties get recognition on the basis of securing a minimum threshold of votes, and are allocated benefits like an election symbol, provision for political campaigning on state-owned media and access to the electoral rolls.¹¹ Finally, I collect micro-data on mining activity which is sourced from The Indian Bureau of Mines. I first identify the mines that were active till the end of our sample period. I then use GIS to match the mining location to the constituency. I calculate the distance of a constituency's centroid to the nearest operational mine, which I use as a constituency-level proxy for mining activity.

Table C in Online Appendix lists the different variables and their underlying sources.

4 Empirical Setup

4.1 Revisiting Private Returns to Public Office

In Section 2 I hypothesize that independent legislators enjoy a significant wealth premium when their support is necessary for government formation. The subsequent empirical analysis aims to identify this specific channel for private wealth accumulation for elected politicians.

I revisit the link between election to office and wealth gains, which is established by [Fisman, Schulz, and Vig \(2014\)](#), and assess whether the returns to office are different for independent candidates. I run the following specification to estimate the proposed relationship.

$$Y_{ic} = \beta_1 \text{Winner}_{ic} + \beta_2 \text{Ind}_{ic} + \beta_3 \text{Winner}_{ic} \times \text{Ind}_{ic} + \delta_1 \text{LogInitialNetAssets}_{ic} + \delta_2' \text{Controls}_{ic} + \lambda_c + \epsilon_{ic} \quad (1)$$

I use two different measures, the logarithm of politician i 's net wealth at the end of the legislative term or annualized net asset growth over the legislative term, as the dependent variable.

¹¹See <https://www.drishtiiias.com/daily-updates/daily-news-analysis/registered-unrecognized-political-parties>.

Table 1: Private returns to public office

	(1)	(2)	(3)	(4)
	Final Net Wealth	Net Asset growth	Final Net Wealth	Net Asset growth
Winner	0.163*** (0.051)	0.036*** (0.012)	0.130** (0.053)	0.028** (0.013)
Independent			-0.531** (0.251)	-0.119** (0.057)
Independent×Winner			0.713** (0.349)	0.156* (0.081)
Initial Net Wealth	0.718*** (0.033)	-0.069*** (0.008)	0.715*** (0.034)	-0.070*** (0.008)
Constituency fixed effects	Yes	Yes	Yes	Yes
Additional controls	Yes	Yes	Yes	Yes
Observations	1064	1064	1064	1064

Notes: Standard errors are clustered at the constituency level. Columns 1 and 3 use Log Net Assets in Period 2 as the dependent variable. Columns 2 and 4 use Net asset growth as the dependent variable. Additional controls include candidate education, criminal status, gender, age (linear and quadratic measures) and incumbency status. For variable descriptions see Table A-2 in the Online Appendix. The sample includes two candidates i per constituency c : the winner and the runner-up. * $p < 0.10$; ** $p < 0.05$; *** $p < 0.01$

$Winner_{ic}$ is a dummy that equals 1 if politician i won the election. Ind_{ic} is a dummy that equals 1 if politician i is an independent candidate. $\log(IA)_{ic}$ is the logarithm of politician i 's net wealth before the term. $Controls_{ic}$ account for a number of other politician characteristics such as education, criminal status, gender, age, and incumbency status prior to the legislative term. λ_c controls for differential return opportunities across constituencies. Columns 1 and 2 of Table 1 replicate the findings from Fisman, Schulz, and Vig (2014), i.e., winners across state legislative elections in India enjoy a significant wealth premium. Columns 3 and 4 however show that these gains are heterogeneous across independent and party-affiliated winners (legislators henceforth) and that the independent legislators enjoy a significant wealth premium compared to the party-affiliated legislators.¹²

4.2 Baseline Analysis

The difference in wealth accumulation for independent legislators is likely a combination of the difference in individual characteristics that determine their selection to office as well as the

¹²In Column 4, the annual asset growth for party-affiliated winners is 2.8% while independent winners have an annual asset growth of $0.028 - 0.119 + 0.156 = 0.065$ i.e. 6.5%.

differences in opportunities for wealth accumulation that are available to them post-election. For instance, it is plausible that independent candidates invest more resources in campaigning than their party-affiliated counterparts to ensure selection to office.¹³ This might imply that independent legislators are on average richer than the party-affiliated legislators, which in turn bolsters their wealth accumulation over the legislative term.¹⁴ Further, as we discussed in Section 2, independent legislators have opportunities to extract rents when no political party or coalition wins an outright majority in a state.

To assess the disparity in wealth accumulation attributed to the prospect of rent extraction in cases where no political party or coalition secures an absolute majority, I conduct a comparison of the asset growth rates exclusively between independent and party-affiliated legislators (l). This comparison is made while considering the level of difficulty in forming the state government and after accounting for observable and unobservable individual differences through approaches that I elaborate on below. I estimate the following equation:

$$Netassetgrowth_{ls} = \beta_1 Ind_{ls} + \beta_2 Distance_s + \beta_3 Ind_{ls} \times Distance_s + \delta_1 Log(IA)_{ls} + \delta_2' Controls_{ls} + \lambda_s + \varepsilon_{ls} \quad (2)$$

$Netassetgrowth_{ls}$ is the outcome of interest which measures the annualized net asset growth over the legislative term for legislator l in state s .¹⁵ $log(IA)_{ls}$ controls for the differences in initial wealth across legislators in state s . $Controls_{ls}$ is a vector of legislator characteristics that might affect their wealth accumulation.¹⁶ λ_s controls for the mean difference in wealth accumulation across states. $Distance_s$ is a state-level variable that measures the difference between the minimum number of seats that are required to form government in state (s) and the seats

¹³The additional campaign investment could be pivotal to overcoming disadvantages like not having a designated election symbol or access to state-run media for campaigning, in addition to not having access to party-specific finances.

¹⁴A summary of the covariates across independent and party-affiliated legislators in Online Appendix Table A-3 in fact shows that independent legislators tend to be worse off in terms of their initial wealth, political experience, and in the likelihood of having a ministerial position.

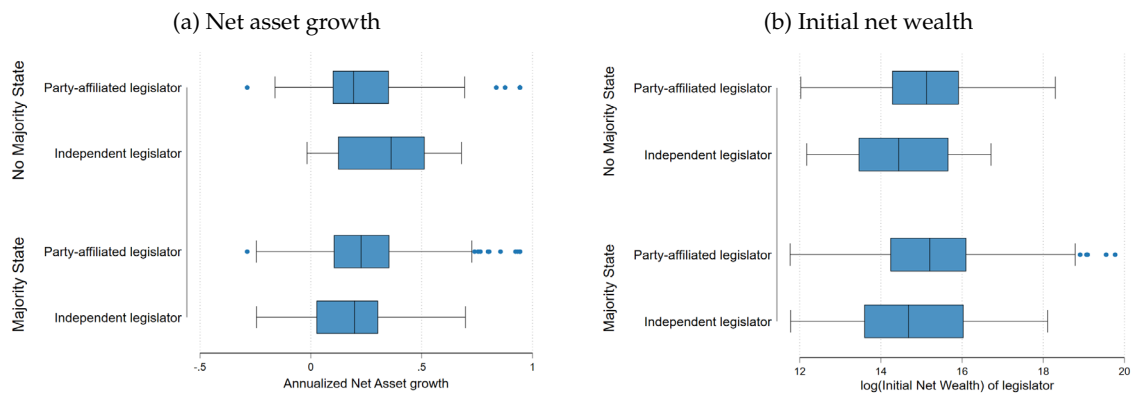
¹⁵In Online Appendix Section J I use the legislator's net wealth at the end of the term as the alternative outcome variable.

¹⁶In addition to the controls that I use in Table 1 that correspond to Fisman, Schulz, and Vig (2014)'s preferred specification, I include a dummy for whether the legislator represents a reserved constituency and whether the legislator is appointed to the council of ministers. Excluding these two controls has no effect on the main results. In Online Appendix Section I I present results from a model where I allow the initial wealth to differentiate across independent and party-affiliated legislators.

obtained by the largest party or coalition. Due to limitations on cross-party voting imposed by the anti-incumbency rule, I hypothesize that independent legislators can bargain for higher rents in return for their support in government formation. β_3 is the coefficient of interest that measures the within-state difference in asset growth between independent and party-affiliated legislators that is due to their importance in forming the government.

Before turning to the regression results, I plot the distribution of net asset growth and initial assets across independent and party-affiliated legislators, conditional on the impediment to government formation. Panel (a) of Figure 1 shows that independent legislators enjoy a substantial asset premium over their party-affiliated counterparts in states where no party or coalition obtains a full majority, while party-affiliated legislators enjoy a slight advantage in states where the largest party or coalition obtains an outright majority. Panel (b) shows that independent legislators have lower initial wealth than their party-affiliated counterparts, and this pattern is independent of the impediment to government formation.

Figure 1: Office premium for independent legislators in majority vs non-majority states



Notes: Candidate data is from [Fisman, Schulz, and Vig \(2014\)](#). State-level election results data is from [IndiaVotes](#).

Table [A-4](#) in the Online Appendix shows the difference in asset returns to independent legislators. On average independent legislators’ asset returns are not different from that of the party-affiliated legislators. The null effect persists when we control for additional candidate-level characteristics (Column 2) and when we account for unobserved ability differences between independent and party-affiliated legislators by focusing on the subset of close elections, i.e., where the winners’ selection is randomly determined (Columns 3-5).

Table 2 however reveals a difference in asset growth between independent and party-affiliated legislators which is mediated by the number of seats that the largest party or coalition falls short of a majority in a state. The coefficient of interest, β_3 , is positive and statistically significant at 1% level across different specifications. The relationship is robust to controlling for the observed and unobserved differences between independent and party-affiliated legislators (through additional controls and through restricting the sample to legislators whose election is randomly determined). The coefficient in Column 2 suggests that for every seat the largest party or coalition falls short of an outright majority, the independent legislator enjoys a 2.1% higher annual net asset growth relative to a party-affiliated legislator. The annualized gains are comparable to an approximately 3-4 percent annual net asset growth that politicians in India enjoy due to their election (Fisman, Schulz, and Vig, 2014) or a 3.3% annual net asset growth that politicians in India enjoy from representing constituencies that experience significant mining booms (Asher and Novosad, 2023). Figure A-2 in the Online Appendix plots the positive premium for independent legislators that is due to their relevance in government formation.

Table 2: Private returns to public office for independent legislators in hung state assemblies

	(1) Baseline	(2) Addl. controls	(3) Margin<=7	(4) Margin<=5	(5) Margin<=3
Independent	-0.074 (0.048)	-0.038 (0.046)	-0.039 (0.036)	-0.021 (0.053)	-0.040 (0.059)
Independent×Distance	0.023*** (0.005)	0.021*** (0.005)	0.024*** (0.004)	0.021*** (0.006)	0.018*** (0.004)
Initial Net Wealth	-0.081*** (0.008)	-0.081*** (0.007)	-0.078*** (0.007)	-0.092*** (0.008)	-0.090*** (0.016)
State fixed effects	Yes	Yes	Yes	Yes	Yes
Additional controls	No	Yes	Yes	Yes	Yes
Observations	570	548	301	219	134

Notes: Standard errors are clustered at the state level. Net asset growth is the dependent variable. Additional controls include candidate education, criminal status, gender, age (linear and quadratic measures), incumbency status, SC status, ministerial status. For variable descriptions see Table A-2 in the Online Appendix. The sample comprises one candidate per constituency c , i.e., the winner l . * $p < 0.10$; ** $p < 0.05$; *** $p < 0.01$

Before investigating the nature of these political rents, I perform five key robustness checks on the main findings. First, I address the concern that the standard errors might be underes-

estimated due to a potentially small number of clusters (Cameron and Miller, 2015). I estimate the baseline model with wild clustered bootstrapping of standard errors. Results present in Online Appendix Table A-5 show that we do not overestimate the statistically significant relationship between the interaction term and the net asset growth due to autocorrelation within a potentially small number of clusters. In Online Appendix Table A-6 I show that the coefficient of interest, β_3 , is robust to estimating the model with district-fixed effects. In Online Appendix Table A-7 I show that the coefficient of interest, β_3 , is unaffected in a model where I allow the initial wealth to differ across independent and party-affiliated legislators. In Online Appendix Table A-8 I show that the results are robust to using legislator l 's net wealth at the end of the legislative term as the dependent variable. Finally, I conduct a placebo test in which I examine the benefits of holding public office for unrecognized party legislators in states where no party or coalition achieves an absolute majority. Unrecognized party legislators share similarities with independent legislators in that they lack access to a designated election symbol and cannot utilize state media for their political campaigns. However, a distinction arises in that unrecognized party legislators are unable to cross-vote or defect according to the anti-defection law. The results displayed in Online Appendix Table A-9 reveal that unrecognized party legislators accumulate lower wealth compared to other legislators in states where no party or coalition secures an absolute majority. This result reinforces the main intuition that the disproportionate advantages garnered by independent legislators in states without a clear majority for any party or coalition stem from their exemption from penalties under the anti-defection law.

4.3 Disproportionate gains from office: Bribes or Ministerial positions

The disproportionate gains to independent legislators in states without a clear majority indicate a potential quid-pro-quo arrangement in exchange for their contribution to government formation. This quid-pro-quo could manifest as direct bribes or significant administrative appointments, through which independent legislators might extract political rents.

Indian politics has been repeatedly hit by 'cash-for-vote' scandals where legislators have been offered bribes in exchange for their support in the legislature. The most egregious case is from 1993 when a former Prime Minister was indicted for paying bribes worth US \$ 800,000

to four legislators from a regional party to protect his government.¹⁷ Another case emerged in 2008 when a leaked US diplomatic cable alleged that India's ruling party officials paid some members of the parliament US \$ 2.2 million each to support the government in a confidence vote. According to Reuters,¹⁸ the cable under the section "Votes For Sale" alleged:

Sharma's aide showed an embassy employee "two chests containing cash" and said that around 500 million to 600 million rupees (US \$ 11 million-US \$ 13 million) "was lying around the house for use as pay-offs," the cable shows.

Another example is from the state election in Karnataka in 2008, where the largest party fell short of a majority by three votes. The party allegedly offered "political and money power" and elicited support from five independent and seven rival parties' legislators to form the government.¹⁹

Curiously, the legislative privilege protects the legislators from criminal prosecution for accepting bribes to cast their vote.²⁰ The legislative privilege in turn might incentivize legislators to accept bribes in exchange for their support in the legislature.

While it is not possible to concretely attribute the disproportionate growth in assets to bribery, I provide supportive evidence by estimating the difference in growth rate across movable assets (cash and short-term deposits) and immovable assets (land and buildings). Figure 2 reveals that the asset premium that independent legislators enjoy in states without a majority is due to differential growth in moveable assets, while such a pattern does not exist for immovable assets. The disproportionate growth in movable assets suggests a potential quid-pro-quo involving cash payments.

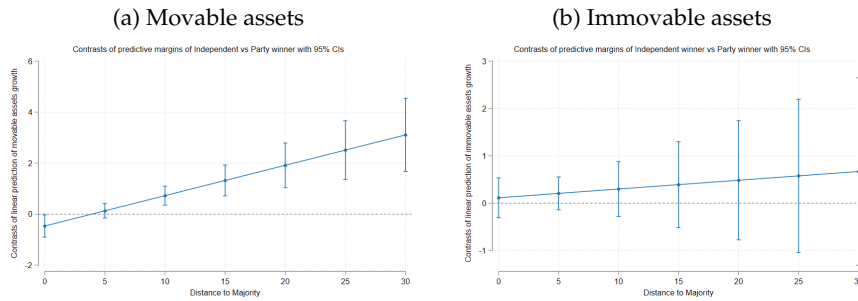
¹⁷"Corrupt Politics in India Won't Be Cured by a Harsh Verdict", (NY Times, October 12, 2000). <https://www.nytimes.com/2000/10/17/opinion/IHT-corrupt-politics-in-india-wont-be-cured-by-a-harsh-verdict.html>.

¹⁸"India's Congress paid for votes in '08: U.S. cable", (Reuters, March 18, 2011).

¹⁹"After falling short of numbers, BJP revisits 'Operation Kamala' of 2008", (The Economic Times, May 16, 2018). The seven party legislators had to resign and recontest in bye-elections.

²⁰The legislative privilege however does not protect a legislator that offers the bribe. "Can Parliamentary privilege protect tainted leaders? Supreme Court to hear", (Hindustan Times, March 08, 2019).

Figure 2: Office premium for independent legislators in non-majority states (by asset type)



Notes: Candidate data is from [Fisman, Schulz, and Vig \(2014\)](#). State-level election results data is from IndiaVotes. The contrast in asset premium is obtained in regression with a full set of controls but excluding state-fixed effects, in order to estimate all three interaction components. Movable assets include cash, bank deposits, and bonds or shares in companies, jewelry etc.. Non-movable assets include land and buildings. Panel (a) is estimated with the Log of movable assets in Round 2 as the dependent variable. Panel (b) is estimated with the Log of non-movable assets in Round 2 as the dependent variable.

Alternatively, independent legislators may negotiate for ministerial positions in the new government in exchange for their support, which could explain the differential asset returns in states without an outright majority. There is evidence that ministers enjoy a higher asset growth relative to other legislators ([Fisman, Schulz, and Vig, 2014](#)). Approximately 15% of legislators in our sample held ministerial positions. Notably, in our sample, none of the independent legislators held ministerial positions, thereby eliminating the possibility that the disproportionate asset growth is a result of bargaining for such positions.

4.4 Alternative Explanations

In this section, I address potential state-level characteristics that could explain the main findings. First of all, the absence of a clear majority might be due to the voters' dissatisfaction with politics due to poverty or high corruption. Alternatively, the absence of a clear majority might be correlated with political fragmentation that worsens legislative activity ([Jensenius and Suryanarayan, 2015](#)) and increases government expenditure policy ([Uppal, 2011](#)). In politically fragmented states, the ruling party might elicit support from the independent legislators, in exchange for political rents, to improve legislative activity. Next, states with an unclear mandate might be rich in mineral resources, and control over mining activity is shown to bring windfall gains to elected politicians in India ([Asher and Novosad, 2023](#)). Table 3 shows that

Table 3: Alternative Explanations

	(1) Poverty	(2) Corruption	(3) BIMARU	(4) Pol Frag	(5) Mining
Ind	-1.225* (0.626)	-0.032 (0.058)	-0.004 (0.050)	0.114 (0.110)	0.051 (0.079)
Ind×Distance	0.022*** (0.005)	0.020*** (0.007)	0.017*** (0.006)	0.022*** (0.006)	0.022*** (0.006)
Ind×GDPpc	0.114* (0.061)				
Initial Net Wealth	-0.081*** (0.007)	-0.078*** (0.007)	-0.081*** (0.007)	-0.080*** (0.007)	-0.077*** (0.007)
Ind×Corr. Index		-0.008 (0.024)			
Ind×BIMARU			-0.139 (0.093)		
Ind×ENOP				-0.055 (0.045)	
Ind×Mining					-0.023 (0.027)
State fixed effects	Yes	Yes	Yes	Yes	Yes
Additional controls	Yes	Yes	Yes	Yes	Yes
Observations	548	480	548	548	491

Notes: Standard errors are clustered at the state level. Net asset growth is the dependent variable. Additional controls include candidate education, criminal status, gender, age (linear and quadratic measures), incumbency status, SC status, ministerial status. For variable descriptions see Table A-2 in the Online Appendix. * $p < 0.10$; ** $p < 0.05$; *** $p < 0.01$

the main interaction is robust to controlling for the additional characteristics that may explain the disproportionate growth of assets for independent legislators in states where no party or coalition obtains an outright majority.

5 Conclusions

The paper illustrates how political rents can materialize when legislators play a critical role in government formation. Due to the specificity of Indian law that prevents party-affiliated legislators from defecting, the paper posits that independent legislators can extract political rents when their role is critical in government formation. Using candidate asset disclosures

from Indian state elections spanning 2003 to 2012, the paper reveals that independent legislators amass wealth at a faster pace than their party-affiliated counterparts in states where the largest party or coalition falls short of a majority. The disproportionate gains are especially evident in movable assets, implying a potential quid-pro-quo involving cash payments. The paper highlights the drawback of an anti-corruption law in India, which appears to have unintentionally promoted malfeasance among independent legislators. The findings of the paper also hold significant implications for other electoral democracies in which ambiguous mandates can offer a window of opportunity for elected politicians to secure rents.

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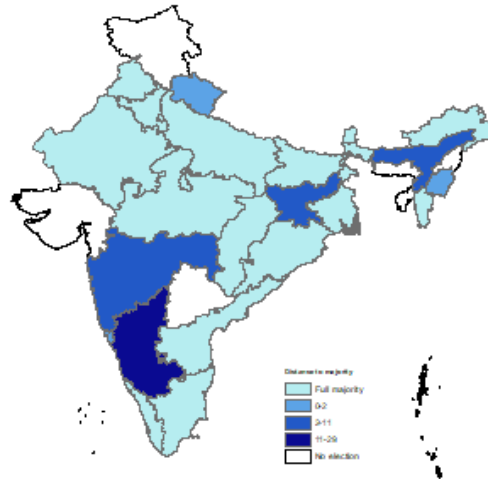
A Sample States

Table A-1: Sample States and their Electoral Outcomes

State Name	Round 1						
	Round 1	Round 2	Largest coalition	Total Seats	Largest coalition Seats	Full Majority	Distance to Majority
Andhra Pradesh	2004	2009	UPA	294	226	1	0
Arunachal Pradesh	2004	2009	INC	60	34	1	0
Assam	2006	2011	INC	126	53	0	11
Chhattisgarh	2003	2008	NDA	90	50	1	0
Delhi	2003	2008	UPA	70	47	1	0
Goa	2007	2012	UPA	40	19	0	2
Haryana	2005	2009	INC	90	67	1	0
Jharkhand	2005	2009	NDA	81	36	0	6
Karnataka	2004	2008	NDA	224	84	0	29
Kerala	2006	2011	LDF	140	102	1	0
Maharashtra	2004	2009	UPA	288	140	0	5
Manipur	2007	2012	INC	60	30	0	1
Mizoram	2003	2008	MNF	40	21	1	0
Orissa	2004	2009	BJD coalition	147	93	1	0
Puducherry	2006	2011	INC	30	10	0	6
Punjab	2007	2012	SAD coalition	116	67	1	0
Sikkim	2004	2009	SDF	32	31	1	0
Tamil Nadu	2006	2011	DMK coalition	234	163	1	0
Uttarakhand	2007	2012	BJP	69	34	0	2
West Bengal	2006	2011	Left Front	294	176	1	0
Rajasthan	2003	2008	NDA	200	120	1	0
Bihar	2005	2010	NDA	243	143	1	0
Madhya Pradesh	2003	2008	NDA	230	173	1	0
Uttar Pradesh	2007	2012	BSP	403	206	1	0

B Distance to Majority in State Elections in Round 1

Figure A-1: State level election outcomes in Round 1 (2003-2007)



Notes: State-level election results data is from IndiaVotes. In 8 out of 24 states in the sample, the biggest party or coalition could not obtain an outright majority. These states are Assam, Goa, Jharkhand, Karnataka, Maharashtra, Manipur, Puducherry, Uttarakhand.

C Variables Description

Table A-2: Variables Description

Variable	Description	Data source
Net asset growth	Annualized net asset growth of the legislator.	Fisman, Schulz, and Vig (2014)
Log(Final Net Wealth)	Log of the final net wealth of the legislator.	– "–
Log (Initial Net Wealth)	Log of the initial net wealth of the legislator.	– "–
Distance to Majority	The distance between the number of seats attained by the largest party or coalition and the absolute majority.	IndiaVotes
Independent	Dummy equals 1 if the legislator is not affiliated with any political party.	Fisman, Schulz, and Vig (2014)
Margin of Victory (%)	The margin of victory for the legislator.	– "–
Log (Years of Education)	Log of the education of the legislator in years.	– "–
Criminal Record	Dummy equals 1 if the legislator had a criminal record.	– "–
Female	Dummy equals 1 if the legislator is a woman.	– "–
Age	Age of the legislator in years.	– "–
Incumbent	Dummy equals 1 if the legislator was elected from the constituency in the previous electoral round.	– "–
Scheduled Caste (SC) status	Dummy equals 1 if the legislator represents a seat reserved for the Scheduled Caste candidates.	Fisman, Schulz, and Vig (2014)
Minister	Dummy equals 1 if the legislator was appointed to a ministerial position.	– "–
GDP pc	State level per capita net domestic product at factor cost between 2004 and 2009.	– "–
Corruption Index	Normalized Composite Corruption Score of the State (Transparency Index, 2005).	– "–
BIMARU	Dummy equals 1 if the state is either Bihar, Madhya Pradesh, Rajasthan, or Uttar Pradesh.	– "–
ENOP	Average number of parties, weighted by their size, are in a state in a given election.	Trivedi Center for Political Data
Distance to Nearest Mine (kms)	Distance to the nearest mine from the constituency centroid.	Indian Bureau of Mines
Unrecognized Party	Dummy equals 1 if the legislator belonged to an unrecognized party.	Election Commission of India

D Descriptive Statistics: Independent vs Party-affiliated legislators

Table A-3: Observable differences between independent and party-affiliated legislators

Variable	Party-affiliated				Independent				Difference in means		
	Mean	SD	Min	Max	Mean	SD	Min	Max	Difference	t-statistic	P-value
Log Initial Net Assets	15.16	1.39	11.76	19.77	14.63	1.61	11.78	18.11	0.523	1.96	0.05
Log Education Years	2.65	0.30	1.39	3.04	2.69	0.19	2.20	3.04	-0.038	-0.667	0.5
Criminal Record	0.30	0.46	0.00	1.00	0.41	0.50	0	1	-0.117	-1.34	0.18
Female	0.06	0.24	0.00	1.00	0.07	0.26	0	1	-0.01	-0.217	0.83
Age	47.95	9.86	26.00	77.00	45.59	8.42	29.00	64.00	2.36	1.27	0.21
Incumbency	0.35	0.48	0	1	0.17	0.38	0	1	0.175	1.94	0.05
Ministerial position	0.15	0.35	0	1	0	0	0	0	0.146	2.22	0.027
SC status	0.11	0.32	0.00	1	0.03	0.19	0	1	0.08	1.34	0.18

E Private returns to public office for independent legislators

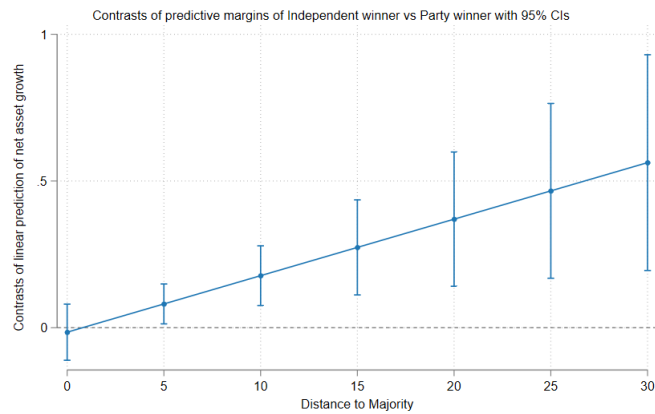
Table A-4: Net asset growth for independent legislators

	(1) Baseline	(2) Addl. controls	(3) Margin<=7	(4) Margin<=5	(5) Margin<=3
Independent	-0.009 (0.049)	0.024 (0.043)	0.043 (0.054)	0.045 (0.070)	-0.011 (0.060)
Initial Net Wealth	-0.082*** (0.008)	-0.081*** (0.007)	-0.080*** (0.008)	-0.093*** (0.008)	-0.090*** (0.015)
State fixed effects	Yes	Yes	Yes	Yes	Yes
Additional controls	No	Yes	Yes	Yes	Yes
Observations	570	548	301	219	134

Notes: Standard errors are clustered at the state level. Net asset growth is the dependent variable. Additional controls include candidate education, criminal status, gender, age (linear and quadratic measures), incumbency status, SC status, ministerial status. For variable descriptions see Table A-2 in the Online Appendix. The sample comprises one candidate per constituency c , i.e., the winner l . * $p < 0.10$; ** $p < 0.05$; *** $p < 0.01$

F Asset premium for independent legislators as a function of the difficulty in government formation

Figure A-2: Distance to majority and office premium for independent winners



Notes: Candidate data is from Fisman, Schulz, and Vig (2014). State-level election results data is from IndiaVotes. The contrast in asset premium is obtained in regression with a full set of controls but excluding state fixed effects, in order to estimate all three interaction components. The interaction coefficient is in fact smaller than compared to the corresponding specification with state dummies.

G Wild bootstrapping of standard errors

Table A-5: Net asset growth for independent legislators in hung state assemblies

	(1) Baseline	(2) Addl. controls	(3) Margin<=7	(4) Margin<= 5	(5) Margin<= 3
Independent	-0.074 (0.195)	-0.038 (0.475)	-0.039 (0.415)	-0.021 (0.760)	-0.040 (0.530)
Independent×Distance	0.023*** (0.000)	0.021*** (0.000)	0.024*** (0.000)	0.021*** (0.000)	0.018*** (0.000)
Initial Net Wealth	-0.081*** (0.005)	-0.081*** (0.005)	-0.078*** (0.005)	-0.092*** (0.005)	-0.090*** (0.005)
State fixed effects	Yes	Yes	Yes	Yes	Yes
Additional controls	No	Yes	Yes	Yes	Yes
Observations	570	548	301	220	135

Notes: Wild bootstrapped correction is applied to account for the small number of clusters. Net asset growth is the dependent variable. **P-values** are reported in parentheses. Additional controls include candidate education, criminal status, gender, age (linear and quadratic measures), incumbency status, SC status, and ministerial status. For variable descriptions see Table A-2 in the Online Appendix. * $p < 0.10$; ** $p < 0.05$; *** $p < 0.01$

H Estimations with District Fixed Effects

Table A-6: Net asset growth for independent legislators in hung state assemblies

	(1) Baseline	(2) Addl. controls	(3) Margin<=7	(4) Margin<=5	(5) Margin<= 3
Independent	-0.079 (0.054)	-0.052 (0.050)	-0.164*** (0.032)	-0.181 (0.111)	0.000 (.)
Independent×Distance	0.021** (0.008)	0.016** (0.007)	0.040*** (0.009)	0.035*** (0.010)	0.000 (.)
Initial Net Wealth	-0.078*** (0.008)	-0.072*** (0.007)	-0.059*** (0.012)	-0.060** (0.026)	-0.113 (0.075)
District fixed effects	Yes	Yes	Yes	Yes	Yes
Additional controls	No	Yes	Yes	Yes	Yes
Observations	437	415	163	93	34

Notes: Standard errors are clustered at the state level. Net asset growth is the dependent variable. Additional controls include candidate education, criminal status, gender, age (linear and quadratic measures), incumbency status, SC status, ministerial status. For variable descriptions see Table A-2 in the Online Appendix. The number of observations in Column 5 is too small to estimate the net asset growth for independent legislators in states without an outright majority for a party of an alliance. * $p < 0.10$; ** $p < 0.05$; *** $p < 0.01$

I The Differentiating Effect of Initial Wealth

Table A-7: Net asset growth for independent legislators in hung state assemblies

	(1) Baseline	(2) Addl. controls	(3) Margin<= 7	(4) Margin<= 5	(5) Margin<= 3
Independent	-0.241 (0.340)	-0.300 (0.364)	0.312 (0.309)	0.199 (0.535)	0.659 (0.411)
Ind × Distance	0.024*** (0.006)	0.022*** (0.006)	0.021*** (0.005)	0.019** (0.007)	0.014*** (0.004)
Ind × Initial Net Wealth	0.011 (0.022)	0.018 (0.024)	-0.024 (0.021)	-0.015 (0.038)	-0.049* (0.027)
Initial Net Wealth	-0.082*** (0.008)	-0.082*** (0.007)	-0.076*** (0.008)	-0.090*** (0.009)	-0.086*** (0.018)
State fixed effects	Yes	Yes	Yes	Yes	Yes
Additional controls	No	Yes	Yes	Yes	Yes
Observations	570	548	301	219	134

Notes: Standard errors are clustered at the state level. Net asset growth is the dependent variable. Additional controls include candidate education, criminal status, gender, age (linear and quadratic measures), incumbency status, SC status, ministerial status. For variable descriptions see Table A-2 in the Online Appendix. * $p < 0.10$; ** $p < 0.05$; *** $p < 0.01$

J Alternative Outcome Variable

Table A-8: Net asset growth for independent legislators in the hung state assemblies

	(1) Baseline	(2) Addl. controls	(3) Margin<=7	(4) Margin<=5	(5) Margin<=3
Independent	-0.308 (0.186)	-0.136 (0.160)	-0.147 (0.143)	-0.081 (0.204)	-0.147 (0.255)
Independent×Distance	0.092*** (0.020)	0.079*** (0.018)	0.092*** (0.015)	0.078*** (0.023)	0.073*** (0.018)
Initial Net Wealth	0.686*** (0.027)	0.688*** (0.026)	0.698*** (0.028)	0.642*** (0.033)	0.661*** (0.065)
State fixed effects	Yes	Yes	Yes	Yes	Yes
Additional controls	No	Yes	Yes	Yes	Yes
Observations	570	548	301	219	134

Notes: Standard errors are clustered at the state level. Log Net Assets in Period 2 is the dependent variable. Additional controls include candidate education, criminal status, gender, age (linear and quadratic measures), incumbency status, SC status, ministerial status. For variable descriptions see Table A-2 in the Online Appendix. * $p < 0.10$; ** $p < 0.05$; *** $p < 0.01$

K Placebo Test

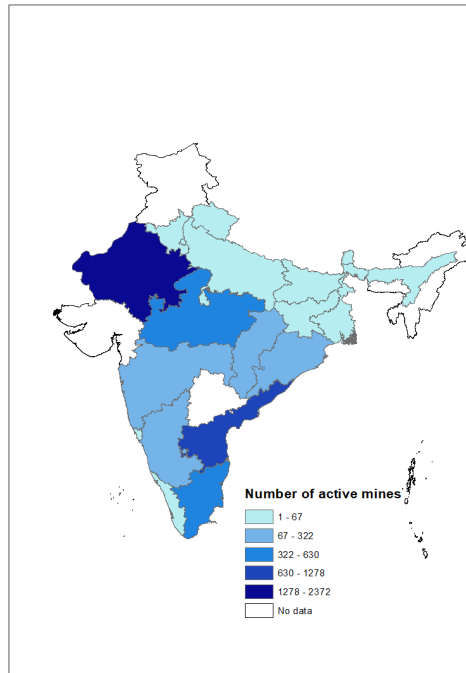
Table A-9: Net asset growth for unrecognised party legislators in hung state assemblies

	(1) Baseline	(2) Addl. controls	(3) Margin<=7	(4) Margin<=5	(5) Margin<=3
Independent	-0.074 (0.049)	-0.039 (0.046)	-0.039 (0.037)	-0.021 (0.053)	-0.037 (0.059)
Independent×Distance	0.023*** (0.005)	0.021*** (0.005)	0.024*** (0.004)	0.021*** (0.006)	0.018*** (0.004)
Unrecognized party	0.622*** (0.029)	0.662*** (0.040)	0.638*** (0.035)	-0.118*** (0.029)	-0.183*** (0.077)
Unrecognized party × Distance	-0.149*** (0.011)	-0.146*** (0.013)	-0.149*** (0.004)	0.000 (.)	0.000 (.)
Initial Net Wealth	-0.081*** (0.007)	-0.081*** (0.007)	-0.078*** (0.007)	-0.092*** (0.008)	-0.090*** (0.016)
State fixed effects	Yes	Yes	Yes	Yes	Yes
Additional controls	No	Yes	Yes	Yes	Yes
Observations	570	548	301	219	134

Notes: Standard errors are clustered at the state level. Net asset growth is the dependent variable. An unrecognized party winner is a legislator that belongs to a party that is not officially recognised by the Election commission of India. Additional controls include candidate education, criminal status, gender, age (linear and quadratic measures), incumbency status, SC status, ministerial status. For variable descriptions see Table A-2 in the Online Appendix. The number of unrecognized party legislators in Columns 4 and 5 is not sufficient to estimate their net asset growth in states without an outright majority for a party of an alliance. * $p < 0.10$; ** $p < 0.05$; *** $p < 0.01$

L Number of active mines by state

Figure A-3: Number of active mines



Notes: Mining data is obtained from Indian Mining Directory. Among states where the biggest party or coalition could not obtain an outright majority Maharashtra and Karnataka have significant mining activity.

Authors

Rohit Ticku

Robert Schuman Centre for Advanced Studies, European University Institute

rohit.ticku@eui.eu