

# COSTS OF DEMOCRACY

‘This volume fills an important gap in both the literature on Indian political economy, as well as in the broader study of electoral finance. The book should be read both by scholars and policymakers interested in the issue of the role money plays in the world’s largest democracy.’

—Atul Kohli, David K.E. Bruce Professor of International Affairs  
and Professor of Politics and International Affairs,  
Princeton University, USA

‘One of the vital challenges in India and around the world is curbing the corrosive role of money in politics. This study, by a distinguished team of contributors, provides new insights into campaign finance in India, the world’s most populous democracy, and how regulations could be reformed. The research will be of widespread interest for scholars of elections, corruption, and political reform.’

—Pippa Norris, Paul F. McGuire Lecturer in Comparative Politics  
at the John F. Kennedy School of Government, Harvard University,  
USA, Laureate Professor of government and International Relations  
at the University of Sydney, Australia, and founding Director of the  
Electoral Integrity Project

‘Democracy doesn’t come cheap. Its cost is tremendous and rising. Unfortunately, the role of money in politics has lately assumed pernicious dimensions. It is no consolation that India is not alone facing this problem. This timely book is not only the first of its kind for India but also a rare contribution to the broader comparative literature.’

—S.Y. Quraishi, former Chief Election Commissioner of India



COSTS OF DEMOCRACY

POLITICAL FINANCE IN INDIA

EDITED BY  
DEVESH KAPUR  
MILAN VAISHNAV



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Devesh Kapur  
Milan Vaishnav  
February 2018

# Abbreviations

AAP	Aam Aadmi Party
ADMK	Anna Dravida Munnetra Kazhagam
ADR	Association for Democratic Reforms
AEO	Assistant Expenditure Observer
AIADMK	All India Anna Dravida Munnetra Kazhagam
AIC	Akaike Information Criterion
BC	Backward Class
BJP	Bharatiya Janata Party
BMC	Brihanmumbai (Bombay) Municipal Corporation
BSP	Bahujan Samaj Party
CAG	Comptroller and Auditor General
CBI	Central Bureau of Investigation
CEO	Chief Electoral Officer
CIC	Central Information Commission
CII	Confederation of Indian Industry
CLU	Change in Land Use
CMA	Cement Manufacturers' Association of India
CMS	Centre for Media Studies
CPI	Communist Party of India
CPI(M)	Communist Party of India (Marxist)
DK	Dravida Kazhagam
DMK	Dravida Munnetra Kazhagam
DPI	Dalit Panther Iyakkam
DWCRA	Development of Women and Children in Rural Areas
ECI	Election Commission of India
EO	Expenditure Observer

EVR	E.V. Ramasamy
FCRA	Foreign Contributions Regulation Act
FDI	Foreign Direct Investment
FEC	Federal Election Commission
FERA	Foreign Exchange Regulation Act
FIR	First Information Report
FOIA	Freedom of Information Act
FS	Flying Squad
FSI	Floor Space Index
GDP	Gross Domestic Product
IAC	India Against Corruption
IIP	Index of Industrial Production
INC	Indian National Congress
INR	Indian Rupees
IT	Income Tax
LJP	Lok Janshakti Party
MBC	Most Backward Class
MC	Master of ceremonies
MCMC	Markov Chain Monte Carlo
MGNREGA	Mahatma Gandhi National Rural Employment Guarantee Act
MGR	M.G. Ramachandran
MLA	Member of the Legislative Assembly
MLC	Member of the Legislative Council
MNS	Maharashtra Navnirman Sena
MP	Member of Parliament
MRTTP	Monopolies and Restrictive Trade Practices
NCP	Nationalist Congress Party
NDA	National Democratic Alliance
NGO	Non-governmental organization
NSS	National Sample Survey
OBC	Other Backward Classes
OLS	Ordinary Least Squares
PAC	Political Affairs Committee
PAN	Permanent Account Number
PC	Parliamentary Constituency
PCSE	Panel-corrected Standard Errors
PIL	Public Interest Litigation

PMK	Pattali Makkal Katchi
PT	Pudhiya Tamizhagam
PWA	People's Welfare Alliance
RBI	Reserve Bank of India
RERA	Real Estate Regulatory Authorities
RJD	Rashtriya Janata Dal
RO	Returning Officer
RPA	Representation of the People Act
RPI	Republican Party of India
RTI	Right to Information
SC	Scheduled Caste
SEZ	Special Economic Zone
SHG	Self-Help Group
SRS	Slum Rehabilitation Scheme
SS	Shiv Sena
SST	Static Surveillance Team
ST	Scheduled Tribe
USD	United States Dollar
VCK	Viduthalai Chiruthaigal Katchi
VST	Video Surveillance Team
VVT	Video Viewing Team
YSR	Y.S. Reddy





# Introduction\*

Devesh Kapur and Milan Vaishnav

Worldwide, there is a palpable sense that democracy is under stress. Numerous books and articles lament the democratic ‘recession,’ ‘decline,’ or ‘retreat’ across the globe.<sup>1</sup> The breakdown of democracy in 27 countries between 2000 and 2015 and new constrictions on individual and associational freedoms in several others show just how quickly the post–Cold War state of euphoria over liberal democracy’s triumph has faded.<sup>2</sup>

Scholars have pointed to an array of factors that have contributed to this recent stress on democracy, including widening inequalities, stagnant middle–class incomes, limited social mobility, and weak political leadership. To quote Francis Fukuyama, the crux of the problem is that

\* The authors are grateful to the contributors for helpful comments and to Rebecca Brown for excellent research assistance.

<sup>1</sup> On the ‘democratic malaise’ infecting Western democracies, see Charles Kupchan, ‘The Democratic Malaise: Globalization and the Threat to the West’, *Foreign Affairs* 91, no. 1 (January/February 2012): 62–7. For a discussion on the global democratic recession, see Larry Diamond, ‘Facing up to the Democratic Recession’, *Journal of Democracy* 26, no. 1 (January 2015): 141–55. For a global argument, see Joshua Kurlantzick, *Democracy in Retreat: The Revolt of the Middle Class and the Worldwide Decline of Representative Government* (New Haven: Yale University Press, 2014).

<sup>2</sup> Larry Diamond, ‘Democracy in Decline: How Washington Can Reverse the Tide’, *Foreign Affairs* 95, no. 4 (July/August 2016): 151–9.

‘state capacity in many new and existing democracies has not kept pace with popular demands for democratic accountability.’<sup>3</sup> The emerging gap between the rhetoric and reality of democracy has also fuelled a reconsideration of non-democratic alternatives, namely, the models put forward by authoritarian China and Russia.<sup>4</sup>

Perhaps one of the most damaging attacks on the primacy of democracy is the inability of representative governments to regulate the flood of money in politics.<sup>5</sup> Ironically, the problem is structurally part of democracy itself. It is widely accepted that elections represent the procedural foundations of democracy; indeed, it is impossible to conceive of democracy without them. However, it is equally impractical to imagine elections without financial resources. As American politician and Democratic power broker Jesse Unruh once put it, ‘Money is the mother’s milk of politics.’ Observers have long understood that the sources, amounts, and uses of money for elections have profound political consequences. Indeed, two millennia ago, Plutarch suggested that the corrosive effects of money gradually led to the fall of the Roman republic, writing that: ‘The abuse of buying and selling votes crept in and money began to play an important part in determining elections.’ In his 1932 study of political financing in the United Kingdom, Germany, and France, James Kerr Pollock warned: ‘The relation between money and politics has come to be one of the great problems of democratic government.’<sup>6</sup>

The massive disruptions of the war upended pre-war arrangements in political finance, especially the role of private industry. The changes were underpinned by new laws (for example, public funding of parties in Germany instituted in 1958) and numerous court decisions. However, as is often the case, over time, private interests found new ways to fund parties and candidates. Scandals would occasionally erupt and the resulting public outrage would drive a new round of political

<sup>3</sup> Francis Fukuyama, ‘Why is Democracy Performing So Poorly’, *Journal of Democracy* 26, no. 1 (January 2015): 12.

<sup>4</sup> Joshua Kurlantzick, *State Capitalism: How the Return of Statism is Transforming the World* (New York: Oxford University Press, 2016).

<sup>5</sup> Pippa Norris and Andrea Abel van Es, eds, *Checkbook Elections? Political Finance in Comparative Perspective* (New York: Oxford University Press, 2016).

<sup>6</sup> James Kerr Pollock, *Money and Politics Abroad* (New York: Knopf, 1932), 1.

finance reforms.<sup>7</sup> While the current angst might be viewed as another ‘punctuated equilibria’, there are three concomitant trends that make the current scenario different.

First, parties—especially cadre-based parties—have weakened globally, which has increased their dependency on external sources of political finance.<sup>8</sup> Second, income inequalities have grown to levels unprecedented in living memory and the concentration of wealth has, in turn, drawn attention to imbalances in the concentration of power.<sup>9</sup> And third, political polarization appears to be increasing in many democracies, raising the stakes of elections.<sup>10</sup>

In virtually all corners of the world, contesting elections is a costly undertaking—albeit one that has become dramatically more expensive.<sup>11</sup> Data compiled by the United States Federal Election Commission (FEC) indicates that candidates, parties, political action committees, and independent groups spent more than \$8.2 billion in the 2011–12 election cycle. This is more than double what these entities spent on races held in 1999–2000 (in nominal terms).<sup>12</sup> Identifying hard numbers on election spending in most developing countries is a

<sup>7</sup> Examples include the series of party finance scandals in 1987 in France that forced legislative changes and the mid-1990s scandal in Germany when Chancellor Helmut Kohl’s Christian Democratic Union (CDU) party was found to have received dubious donations. For a discussion, see Véronique Pujas and Martin Rhodes, ‘Party Finance and Political Scandal in Italy, Spain, and France’, *West European Politics* 22, no. 3 (July 1999): 41–63.

<sup>8</sup> For a discussion on the decline of political parties, drawing on the European experience, see Paul F. Witeley, ‘Is the Party Over? The Decline of Party Activism and Membership across the Democratic World’, *Party Politics* 17, no. 1 (March 2009): 21–44.

<sup>9</sup> Thomas Piketty, *Capital in the Twenty-First Century*, trans. Arthur Goldhammer (Cambridge, MA: Harvard University Press, 2014).

<sup>10</sup> Daniela Giannetti and Kenneth Benoit, eds., *Intra-Party Politics and Coalition Governments* (New York: Routledge, 2009).

<sup>11</sup> Michael Pinto-Duschinsky, ‘Financing Politics: A Global View’, *Journal of Democracy* 13, no. 4 (October 2002): 69–85.

<sup>12</sup> The quoted figures include both congressional and presidential elections. See United States Federal Election Commission, ‘FEC Summarizes Campaign Activity of the 2011–2012 Cycle’, 27 March 2014, <https://www.fec.gov/updates/fec-summarizes-campaign-activity-of-the-2011-2012-election-cycle/>.

harder task, but estimates suggest they are increasingly lucrative affairs. In India's 2014 general election, the Centre for Media Studies (CMS) estimated that as much as \$5 billion was spent on election-related activities. This was considerably higher than the \$2 billion price tag CMS placed on the previous national election in 2009.<sup>13</sup> The story is similar in Brazil, where official political party spending has increased more than tenfold from 2002 to 2014. Since actual expenditure is underreported, the volume of true spending is likely even larger.<sup>14</sup>

The costs of democracy are cause for concern, not simply because of the significance of the material outlays involved, but also due to the broader impacts money can have on political behaviour. In recent decades, the growing concentration of wealth, rising cost of elections, and deepening links between money and political power have raised serious normative concerns, prompting a range of studies about the causes and consequences of money in democratic politics.

To the extent access to financial resources is considered a prerequisite for contesting elections, money can have a powerful 'selection effect' on the candidate pool standing for office, not to mention the characteristics of who is ultimately elected.<sup>15</sup> With regard to impacts on public policy, raising money from supporters can potentially incentivize post-election paybacks in terms of the political manipulation of public policies.<sup>16</sup> Several studies have documented the financial rewards office-holders extract, quantifying the rents afforded those with politi-

<sup>13</sup> Niraj Sheth, 'Corruption Mars Image of Change in India Elections', *Wall Street Journal*, 9 April 2009; Sruthi Gottipati and Rajesh Kumar Singh, 'India Set to Challenge U.S. for Election-Spending Record', *Reuters*, 9 March 2014.

<sup>14</sup> 'Financing Democracy: Funding of Political Parties and Election Campaigns and the Risk of Policy Capture', *OECD Public Governance Reviews*, 2016, <http://dx.doi.org/10.1787/9789264249455-en>.

<sup>15</sup> Timothy Besley, 'Political Selection', *Journal of Economic Perspectives* 19, no. 3 (Summer 2005): 43–59.

<sup>16</sup> Rui J.P. De Figueiredo Jr. and Geoff Edwards, 'Does Private Money Buy Public Policy? Campaign Contributions and Regulatory Outcomes in Telecommunications', *Journal of Economics and Management Strategy* 16, no. 3 (July 2007): 547–76; Atif Mian, Amir Sufi, and Francesco Trebbi, 'The Political Economy of the US Mortgage Default Crisis', *American Economic Review* 100, no. 5 (December 2010): 1967–98.

cal connections.<sup>17</sup> But perhaps most seriously, even the perception of money ‘buying’ elections can severely undermine citizens’ confidence in the democratic process itself.<sup>18</sup> Finally, rising election costs can contribute to growing inequality. Money allows wealthy individuals or interests to influence electoral politics in their favour, thereby entrenching their wealth and creating a reinforcing cycle in which inequality and public policies interlock. The result, some have argued, is a polity that responds most forcefully to the preferences of the rich.<sup>19</sup>

While there are myriad consequences of money in politics, to date, much of the scholarly literature has focused on advanced industrialized democracies, especially the United States. But the implications of the costs of democracy can be significant for all democracies—new or old, rich or poor. Furthermore, the scholarship on the developing world that does exist shows that models of political finance from industrialized democracies have limited purchase on the problems developing democracies face.

Simply put, money often flows in distinct ways in new and developing democracies. In advanced democracies, there are well-established systems of monitoring and accounting for political finance and complementary systems for prosecuting those involved in alleged improprieties. These systems, though imperfect, likely deter the transfer

<sup>17</sup> Andrew C. Eggers and Jens Hainmueller, ‘MPs for Sale? Returns to Office in Postwar British Politics’, *American Political Science Review* 103, no. 4 (November 2009): 513–33; Pablo Querubin and James M. Snyder, ‘The Control of Politicians in Normal Times and Times of Crisis: Wealth Accumulation by U.S. Congressmen, 1850–1880’, *Quarterly Journal of Political Science* 8 (2013): 409–50; Raymond Fisman, Florian Schulz, and Vikrant Vig, ‘The Private Returns to Public Office’, *Journal of Political Economy* 122, no. 4 (August 2014): 806–62.

<sup>18</sup> Mitchell A. Seligson, ‘The Impact of Corruption on Regime Legitimacy: A Comparative Study of Four Latin American Countries’, *The Journal of Politics* 64, no. 2 (May 2002): 408–33; Christopher J. Anderson and Yuliya V. Tverdova, ‘Corruption, Political Allegiances, and Attitudes Toward Government in Contemporary Democracies’, *American Journal of Political Science* 47, no. 1 (January 2003): 91–109.

<sup>19</sup> Larry M. Bartels, *Unequal Democracy: The Political Economy of the New Gilded Age* (Princeton: Princeton University Press, 2008); Martin Gilens, *Affluence and Influence: Economic Inequality and Political Power in America* (Princeton: Princeton University Press, 2012).

of illicit funds to a considerable extent. In less developed countries, poor accountability, weak or partial transparency, and a lack of well-enforced disclosure norms and laws offer a conducive context in which undocumented money can flow. Indeed, numerous accounts from the developing world attest to the fact that illicit campaign finance expenditures often dwarf legal flows by orders of magnitude.<sup>20</sup> Yet because these flows of ‘black money’ are opaque by definition, we know very little about their relative size or mechanics.

This volume seeks to shed light on the methods, sources, and implications of political finance in a major developing country setting: India. Given its size, lengthy track record of representative government, and global significance, it is hard to conjure a more pertinent example than the world’s largest democracy. The following section explains the logic of focusing on India in greater detail before turning to the larger theoretical questions addressed by the chapters in this volume. Next, we briefly review the answers this collection of scholarly research provides, and then conclude with some thoughts about a future research agenda.

## INSIGHTS FROM INDIA

The case of India provides a unique lens into how money and politics interact in a developing democratic setting. On its own terms, India is an important case. India is the most populous democracy in the world; it is home to roughly one out of every six voting-age persons residing on the planet. It is also the most enduring democracy in the developing world, which means that it can offer lessons for other countries embarking on a democratic path but have not yet attained the same stage of democratic consolidation. India’s remarkably competitive elections—more than 8,000 candidates, representing as many as 464 political parties, contested its general election in 2014—leave no doubt that the stakes of electoral contests are high and the outcomes far from ordained. Embedded within this raucous democratic setting is

<sup>20</sup> Daniel W. Gingerich, ‘Brokered Politics in Brazil: An Empirical Analysis’, *Quarterly Journal of Political Science* 9, no. 3 (2014): 269–300; Kevin Casas-Zamora and Daniel Zovatto, *The Cost of Democracy: Essays on Political Finance in Latin America* (Stockholm: International IDEA, 2016).

tremendous subnational variation. Formally, India is a federation comprising 29 states (and seven union territories, which are administered directly by the central government), and this federal framework allows scholars to leverage variation across India's states while holding institutional design constant.

That there is a growing amount of money involved in Indian elections is a widely held sentiment, but the drivers of this increase are worth enumerating. First, since the opening of the economy in 1991, the size of the economy has grown fivefold and the size of the electorate by more than half. These structural changes have likely had independent effects on election spending. Second, the Indian electoral landscape has grown vastly more competitive. As the one-party dominance of the Congress party began to fray, beginning in the late 1960s, India's political landscape fragmented as political parties proliferated to fill in the vacuum. Whereas the average margin of victory in a parliamentary election was 15 per cent in 1952, that number dipped below 10 per cent in 2009.<sup>21</sup> To place this number in comparative perspective, the average margin of victory in a 2016 US congressional race for a seat in the House of Representatives was 37 per cent. Third, the organizational strength of parties has diminished over time. Sturdy party structures are being replaced by charismatic (often dynastic) political leaders who are increasingly reliant on private funds as opposed to party coffers. For instance, 22 per cent of India's Members of Parliament (MPs) elected in 2014 hail from a political family. Fourth, the overall number of elections has massively expanded. The 73rd and 74th amendments to the Indian constitution, which established a new, three-tier structure of local governance in the early 1990s, created nearly three million locally elected positions. With decentralization came greater fiscal devolution,

<sup>21</sup> The margin of victory in India's 2014 general election was more in line with the earlier trend, averaging around 15 per cent. However, the 2014 election was generally recognized to be a 'wave' election in which one political party captured an outright majority of seats in the lower house of Parliament for the first time in three decades. See Milan Vaishnav and Danielle Smogard, 'A New Era in Indian Politics?' Carnegie Endowment for International Peace, 10 June 2014, <http://carnegieendowment.org/2014/06/10/new-era-in-indian-politics-pub-55883>, accessed 17 October 2017.

which increased the stakes of winning local elections and, in turn, the potential profitability of holding local office.

Faced with this influx of money, India's system of regulating political finance has struggled, which explains why the country fares poorly on most global indicators of political finance regulation. One study on the integrity of political finance regulatory and enforcement mechanisms in 54 countries gave India a score of 31 (out of 100), placing it twelfth from bottom.<sup>22</sup> Another effort, which analysed election management in 125 countries, gave India's election commission high marks overall, but found the country's performance on matters of political finance to be middling—placing it 51 out of 125.<sup>23</sup>

## OUR CONTRIBUTION

The contributions in this volume are structured around four central questions: First, what is the institutional and regulatory context governing the flow of money in politics? Second, what are the sources of political finance? Third, what do campaigns spend on and why do they spend such vast sums? Fourth, how does money operate at, and interact with, different levels of government?

As the chapter by Sridharan and Vaishnav points out, India has one of the most well-regarded (and powerful) elections agencies in the world. The Election Commission of India (ECI) is a constitutional body with wide-ranging powers over the conduct of elections. It has deservedly earned global acclaim for ensuring the integrity of elections for more than 850 million voters, and for the equitable participation of the poor and socially marginalized communities. Yet it has struggled mightily to regulate political finance for two key reasons. First, more than a quarter century following India's landmark

<sup>22</sup> The Money, Politics and Transparency Campaign Finance Indicators project relies on the inputs of more than 110 political finance experts around the world. For more information, see <https://data.moneypoliticstransparency.org/>.

<sup>23</sup> Pippa Norris, Ferran Martinez i Coma, Alessandro Nai, and Max Gromping, 'Perceptions of Electoral Integrity, (PEI-4.5)', Harvard Dataverse, 18 August 2010.



economic reforms, the state continues to have a major role in the economy. Whether through a banking system dominated by the public sector that controls the flow of credit or burgeoning public-sector contracts that allow politicians and bureaucrats to exchange regulatory or policy favours in exchange for financial contributions, the state's reach is sprawling.

Second, while there has been a marked improvement in transparency and disclosure laws, poor enforcement has hampered their effectiveness. Legal loopholes, which the ECI cannot address without enhanced statutory authority, have stymied attempts to sanction candidates and parties whose actions contravene the laws on the books. The regulation of political parties has proven to be exceptionally tricky because the very entity being regulated is also the one making the regulations. The Indian Constitution, save for a 1985 constitutional amendment intended to curb party defections, is entirely silent on the issue of political parties. This has set up a high-stakes showdown between civil society, the judiciary, and accountability institutions, on the one hand, and political parties, on the other, over whether the latter are public or private entities under Indian law.

One of the key sources of money for elections is candidates themselves. The chapter by Sircar argues that there are structural and institutional reasons for the outward display of wealth in Indian electoral campaigns that transcend political culture or levels of economic development. This, in turn, has led to the rise of 'self-financing' candidates for at least two reasons: first, parties are cash-strapped and often depend on wealthy candidates to fill their coffers; and second, money makes candidates competitive (the 'winnability' factor, as it is often referred to in India) as the costs of elections has grown exponentially. Sircar marshals granular data on more than 20,000 parliamentary candidates between 2004 and 2014 to investigate the role of personal wealth and self-financing candidates in Indian elections. Through careful empirical analysis, the author finds that a candidate's liquid wealth, measured in terms of moveable assets, has a strong positive impact on his or her electoral fortunes. This correlation is more complex than it might seem at first glance; Sircar's analyses show that competitive parties select candidates that are far wealthier on average. But even accounting for this selection effect, the wealthiest candidate is more likely to emerge victorious on election day.

Of course, candidates are not the only source of material resources. Drawing on the connection between the regulatory intensity of a sector and its rent extraction potential outlined in the chapter by Sridharan and Vaishnav, the analysis in this volume by Kapur and Vaishnav explores the close relationship that has blossomed between builders in the real estate and construction industry and politics. The authors, building on the economics literature on the ‘regulation of entry’, develop a series of hypotheses about the construction sector in India, where the state’s heavy regulatory footprint is well-documented. Specifically, Kapur and Vaishnav argue that the construction sector should exhibit political business cycle fluctuations consistent with the idea that builders contribute heavily to political campaigns in exchange for regulatory forbearance. Because these flows are opaque, the authors devise a novel empirical strategy that leverages a staggered calendar of state elections and longitudinal data on cement consumption, an indispensable ingredient in any construction project. The booming construction sector in India has limited access to official finance (from banks) and relies heavily on unofficial sources of finance—often from politicians, who also control the rules and regulations in the sector. The authors find that the consumption of cement significantly declines during the month of elections as builders channel cash from their activities into political campaigns. The resulting liquidity constraints slow construction activities, and therefore the demand for cement. The assembled qualitative and quantitative evidence suggests that under-the-table campaign contributions help explain why burdensome regulation persists in India’s economy, despite broader negative impacts on the ‘ease of doing business.’

However, not all political actors can rely on financial support, licit or otherwise, from business. The chapter by Collins explores the question of financing elections from a very different viewpoint—that of the Viduthalai Chiruthaigal Katchi (VCK), a small political party founded to advocate on behalf of India’s Dalits, or low-caste citizens, in the southern state of Tamil Nadu. Collins’s intensive fieldwork reveals that the VCK’s strategy relies on chains of association with larger, better-financed regional parties. Over successive elections, either one of the two dominant Tamil parties has essentially ‘adopted’ the VCK, providing monetary support in exchange for a pre-election alliance. Yet the money provided circulates within the larger party’s own organization

and infrastructure, which still leaves the VCK on the hook to finance their own cadres. This *quid pro quo* provides a short-term lifeline to the minor VCK, but also involves ‘broader trade-offs that may affect candidate selection, structure vote canvassing techniques, and even set the terms of democratic participation’.

An insightful chapter by Björkman and Witsoe shifts the focus from raising money to the purposes for which it is spent. The authors examine the role of money in two different locales: urban Mumbai, which is among India’s richest political geographies, and rural Bihar, which falls at the other extreme. Fieldwork in both sites suggests that despite many differences between the two locales, money in politics is playing an important role in shaping—and re-shaping—social relationships. In contrast to traditional models of campaign spending, the authors find that money does not flow unidirectionally from the top to the bottom, but rather multidirectionally. The article also upends a second piece of conventional wisdom: so-called ‘vote buying’ rarely involves the actual buying of anyone’s vote. The extant comparative literature has emphasized the importance of a *quid pro quo* or implicit contract in which voters trade their vote for cash, and these contracts are said to be enforced by party machines that possess extensive local networks. In contrast, Björkman and Witsoe find that money plays a role in ‘gift giving’, rather than ‘vote buying’, in which the election-time distribution of cash is not a one-off transaction, but rather one element of a layered series of relationships among broker networks. Rather than buying votes per se, cash distribution signals a leader’s access to broader, ‘translocal’ networks.

Gift giving is an important object of campaign spending, but the chapter by Chauchard reminds us that it is not the only (or necessarily most important) one in all instances. Drawing on ethnographic fieldwork in Mumbai over several years, Chauchard shines a spotlight on what campaigns actually spend on and to what extent their resources are oriented towards ‘illegal’ tactics that could threaten the fairness of elections. While the author finds that gift giving is quite common, ‘politics as usual’ expenses—such as wage payments to party workers, payments for participating in rallies, or even basic transportation and logistics costs—are important financial priorities for politicians. While the chapter finds that many voters or communities are recipients of costly gifts, campaigns are getting more expensive not due to gift

giving alone but thanks to the fact that campaigns are more ambitious, sophisticated, professional, and competitive. The larger takeaway from this chapter is that the widely perceived increase in the cost of elections does not necessarily have one cause but several. Furthermore, the rise in the costs of campaigns cannot solely be attributed to illegitimate or illegal tactics.

Bussell's chapter expertly ties together many of the threads developed by the other chapters and takes a comprehensive look at where the money for elections comes from and what it is spent on. Most notably, her survey in three north Indian states collects first-hand data on politicians operating across the different tiers of a federal system—from national (MPs) to state elections (members of state legislative assemblies) and local elected bodies. This type of nested and highly granular information on political finance is exceedingly rare. Bussell finds that financial support from political parties to candidates is primarily relevant at the upper echelons; lower-level politicians depend heavily on their own pocketbooks or local fundraising efforts. When asked to discuss their perceptions about the 'most common' sources of funding for politicians, black money is the modal response for national and state-level politicians and remains a popular response for lower-level functionaries as well. Across all tiers of governance, however, politicians report spending a substantial share of campaign funds on 'gift giving,' which accords with the findings of Björkman and Witsoe. When it comes to non-financial assistance, the sources of support vary considerably across levels—suggesting that the identity of influential supporters is not uniform across tiers. For instance, lower-level politicians are more reliant on local associations whereas their counterparts higher up the political hierarchy depend much more on party workers.

The concluding chapter by Kapur, Sridharan, and Vaishnav focuses on the scholarly and policy implications of the analyses found herein. While there has been a flurry of activity in India on issues concerning 'black money' in the economy and in politics, the fundamental landscape remains largely unchanged. Notwithstanding India's dramatic November 2016 demonetization, cash remains the lifeblood of electoral politics. Despite legislative moves intended to increase transparency, we know very little about political contributions and the state of party finances. The authors make the case that reform is not only in the

interests of the public, it is also in the interests of parties and contributors themselves. They outline a detailed reform blueprint that marries strict disclosure rules and enhanced regulatory powers for the ECI to a system of public funding. Unless political actors, especially political parties, are required to adhere to higher standards of transparency, new forms of public financing risk augmenting—rather than replacing—privately raised money.

Yet, the authors acknowledge there is much more work to be done by the research community; basic questions about subnational variation in election spending or the impact of political competition remain under-theorized. The numbers cited by Collins in his examination of politics in Tamil Nadu are far larger than what other scholars in this volume have quoted for other locales in India, some of which are also among India's most prosperous pockets. What accounts for this substantial level of variation in the costs of elections across subnational units? Second, greater electoral competition is generally seen as a sign of a healthy democracy. But, as competition leads to greater amounts of money being spent on elections, is there a point at which it might actually undermine democracy in the long run by restricting the prospective candidate pool to wealthy elites?

Taken together, the chapters in this volume shed light on political finance in novel ways. Although unified by a common case, they employ a diversity of methodological tools and draw from varied geographies to develop and test new micro-foundations of the role money plays in democratic elections. In doing so, they provide often surprising new insights on how money and politics interact. For instance, increasing transparency on money flows in politics, while an admirable objective in its own right, will only have a limited impact on curbing corruption without parallel changes in the regulatory architecture governing the economy. Counter-intuitively, black money can have positive consequences in terms of building social networks, providing economic stimulus, and generating employment. Politics, many of the essays suggest, is a business unto itself. Vote buying, though much discussed, is a misnomer; pre-electoral hand-outs in highly competitive environments have more to do with signalling than forging *quid pro quos* with voters. Furthermore, the flow of money need not travel top-down; it often moves horizontally, across networks.

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At the heart of any successful democracy, where the losers accept their loss to fight another day, is a sense of legitimacy about the process and the existence of a level playing field. Deep distortions in electoral finance can undermine that legitimacy and threaten democracy itself. In our view, there can hardly be a worthier, yet greatly underexplored, line of research for scholars of politics to pursue.