How do political dynasties affect economic development?
Evidence from India

Siddharth Eapen George (Harvard) & Dominic Ponattu (Mannheim)

ABCDE, 26 June 2018
Motivation

- Political dynasties are present in at least 144 countries
Motivation

- Political dynasties are present in at least 144 countries
  - *Clintons, Bushes, Trudeaus, Kennedys, Kenyattas, Kirschners, Gandhis, Bhuttos, Yudhyonos, Aquinos, Abes, Parks, Lees*

- Yet we have limited understanding of the economic impacts of dynastic rule
Politics is an unusually dynastic occupation

- “If doctors’ children become doctors, why shouldn’t politicians’ children take up politics?” (Sheila Dixit, former Delhi Chief Minister)

- Politics is an unusual occupation
  - entry is different, affects incentives in other occupations
  - seems unusually dynastic

<table>
<thead>
<tr>
<th>Occupation</th>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
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</thead>
<tbody>
<tr>
<td>Federal public administration</td>
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<td>1.74</td>
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<tr>
<td>Carpenter</td>
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<td>Electrician</td>
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<tr>
<td>Doctor</td>
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<tr>
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<td>Legislator</td>
<td>3.55</td>
<td>0.01</td>
<td>354.06</td>
</tr>
</tbody>
</table>

source: Dal Bo et al (REStud, 2009)
Dynasties and development: a sniff test

![Graph showing the relationship between GDP per capita and dynastic MP percentages. The graph displays a downward trend, indicating a negative correlation.](image)
1. **what** are the economic impacts of dynastic rule?

2. **how** do these effects arise?

3. **why** are dynasties so over-represented in politics?
Outline of talk

1. Why might political dynasties affect development?
2. Context & Data
3. Empirical strategy
4. Result #1: negative effects of dynastic descendants
5. Result #2: moral hazard as mechanism
6. Result #3: bequest concerns motivate founders
Outline of talk

1. Why might political dynasties affect development?
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How are dynasts different?

- Dynasts **inherit** and **bequest** political capital across generations

- **Political bequests**
  - make *dynastic founders* more forward-looking
    - stationary bandits, family firms, OLG agents

- **Political inheritances**
  - give *dynastic descendants* electoral advantages that worsen *selection* and *incentives*
## Countervailing effects of bequest and inheritance

<table>
<thead>
<tr>
<th>Mechanism</th>
<th>Pro</th>
<th>Con</th>
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<tr>
<td>Bequest</td>
<td>make long-term investments that pay off beyond electoral cycle</td>
<td>electoral advantages worsen selection and incentives</td>
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<tr>
<td>Inheritance</td>
<td></td>
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</table>
Outline of talk

1. Why might political dynasties affect economic development?

2. **Context & Data**

3. Empirical strategy

4. Result #1: negative effects of dynastic descendants

5. Result #2: moral hazard as mechanism

6. Result #3: bequest motives encourage better performance
Political dynasties are salient

- >36% of major party leaders & chief ministers are from political families
- every PM who served > 1 year has a descendant in politics
  - except (economics professor) Manmohan Singh
Dynasties are ubiquitous in India

<table>
<thead>
<tr>
<th>Dynasty</th>
<th>State</th>
<th>Party</th>
<th># Gen</th>
<th># Mem</th>
<th>Positions</th>
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<tr>
<td>Nehru-Gandhi</td>
<td>pan-India</td>
<td>Congress</td>
<td>5</td>
<td>14</td>
<td>3 PMs, Min, MP</td>
</tr>
<tr>
<td>Bose</td>
<td>West Bengal</td>
<td>AITC</td>
<td>3</td>
<td>7</td>
<td>state Min, party leader, MP</td>
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<tr>
<td>Sinha</td>
<td>Jharkhand</td>
<td>BJP</td>
<td>2</td>
<td>2</td>
<td>Min</td>
</tr>
<tr>
<td>Yadav</td>
<td>Uttar Pradesh</td>
<td>SP</td>
<td>3</td>
<td>13</td>
<td>Chief Min, MP, MLA</td>
</tr>
<tr>
<td>Abdullah</td>
<td>J &amp; K</td>
<td>JKN</td>
<td>3</td>
<td>5</td>
<td>2 Chief Min, MP</td>
</tr>
<tr>
<td>Pilot</td>
<td>Rajasthan</td>
<td>Congress</td>
<td>2</td>
<td>2</td>
<td>Min</td>
</tr>
<tr>
<td>Badal</td>
<td>Punjab</td>
<td>SAD</td>
<td>3</td>
<td>6</td>
<td>Chief Min, Min, MP</td>
</tr>
<tr>
<td>Scindia</td>
<td>MP, Rajasthan</td>
<td>INC, BJP</td>
<td>3</td>
<td>6</td>
<td>Chief Min, MP</td>
</tr>
<tr>
<td>Karunanidhi</td>
<td>Tamil Nadu</td>
<td>DMK</td>
<td>3</td>
<td>6</td>
<td>Chief Min, Min, MP</td>
</tr>
</tbody>
</table>
Divergent views on dynasties

- **Sukhbir Singh Badal, President, Shiromani Akali Dal**
  
  “This family system runs because of credibility... Why do people want to buy a Mercedes car? Or a BMW car? Because they know the credibility of that car. You come out with a new car that nobody knows, nobody will buy it.”

- **Venkaiah Naidu, opponent of Mahatma Gandhi’s grandson, in recent Vice-Presidential elections**
  
  “Democracy means the people’s will. Dynasty and democracy cannot go together. Dynasty in democracy is nasty but it is tasty to some people. That is a weakness of our system.”

- **Rahul Gandhi, scion of Gandhi dynasty**
  
  “don’t get after me because that’s how the entire country is running..most parties in India have that problem. So, don’t give us the stick... Even Abhishek Bachchan is a dynast.. By the way, last I recall, Ambani’s kids were running their business... That is what happens in India.”
Who?

- All candidates for national & state parliament since 2002
- Represent a particular constituency
  - Average size of parliamentary constituency is 6000 km², approx. size of Connecticut

What do they do?

- legislate in parliament
- constituency development
  - discretionary local area development funds ($1m/year)
  - preside over local development committees
  - have clout, access
FORM 26
(SEE RULE 4A)

Affidavit to be furnished by the candidate before the returning officer for election to
the House of People [LOK SABHA] (name of the House) from 37-Amethi
Parliamentary Constituency (name of the constituency).

1. Rahul Gandhi, son of Late Shri Rajiv Gandhi aged approx. 38 years as on
01.01.2009, Resident of 12, Tughlak Lane, New Delhi candidate at the above
constituency, do hereby solemnly affirm / state on oath as under:

1. I am not accused of any offence(s) punishable with imprisonment for two
years or more in a pending case(s) in which a charge(s) has/have been
framed by the court(s) of competent jurisdiction.

2. I have not been convicted of an offence(s) [other than any offences] referred
to in sub-section (1) or sub-section (2) of covered in sub-Section (3), of
Section 8 of the Representation of the People Act, 1951 [43 of 1951] and
sentenced to imprisonment for one year or more.

VERIFICATION:

I, the above named deponent, do hereby verify and declare that the contents
of this affidavit are true and correct to the best of my knowledge and belief, no part
of it is false and nothing material has been concealed therein.

Verified at New Delhi on the 3rd day of April, 2009.

[Signature]

[Name]
DEPONENT

ATTested

[Signature]

[Name]
DEPONENT
FORM 26
(SEE RULE 4A)

Affidavit to be furnished by the candidate before the returning officer for election to the
House of People [LOK SABHA] (name of the House) from Rae Bareilly  Constituency
(name of the constituency)

I, Sonia Gandhi, wife of Late Shri Rajiv Gandhi aged approx. 56 years as on 1.1.2003,
resident of 10, Janpath, New Delhi candidate at the above election, do hereby solemnly
affirm/state on oath as under:-

1. I am not accused of any offence(s) punishable with imprisonment for two years or more
   in a pending case(s) in which a charge(s) has/have been framed by the court(s) of
   competent jurisdiction.

2. I have not been convicted of an offence(s) [other than any offence(s)] referred to in sub-
   section(1) or sub-section(2) of section 6 of the Representation of the People Act, 1951 [43 of 1951] and sentenced to imprisonment
   for one year or more.

Place: New Delhi
Date: 03.04.2004

VERIFICATION

I, the above named deponent, do hereby verify and declare that the contents of this
affidavit are true and correct to the best of my knowledge and belief, no part of it is false
and nothing material has been concealed therein.

Verified at New Delhi this the 3rd day of April, 2004.
Dynasties are prevalent in Indian politics

<table>
<thead>
<tr>
<th>Sample</th>
<th>% Dynast</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>All candidates</td>
<td>4.2</td>
<td>101343</td>
</tr>
<tr>
<td>Major party candidates</td>
<td>7.8</td>
<td>40535</td>
</tr>
<tr>
<td>Winners, all</td>
<td>10.0</td>
<td>10881</td>
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<tr>
<td>Winners, Assembly</td>
<td>9.8</td>
<td>9328</td>
</tr>
<tr>
<td>Winners, Lok Sabha</td>
<td>11.1</td>
<td>1553</td>
</tr>
</tbody>
</table>

(a) Prevalence of political dynasties
Though there is significant variation across states...

Fraction of dynastic winners across states:

- Jammu & Kashmir: 0.2
- Jharkhand: 0.15
- Uttar Pradesh: 0.15
- Rajasthan: 0.15
- Bihar: 0.14
- Madhya Pradesh: 0.14
- Andhra Pradesh: 0.094
- Karnataka: 0.047
- West Bengal: 0.047
- Kerala: 0.042
- Maharashtra: 0.041
- Tamil Nadu: 0.024

Fraction dynast
...and parties

Fraction of dynastic candidates across parties

- SAD: 0.44
- JKN: 0.22
- Congress: 0.15
- RJD: 0.095
- BJP: 0.083
- DMK: 0.075
- JD(U): 0.057
- Communists: 0.037
- AITC: 0.03
- AAP: 0.023

Fraction of dynastic candidates
Outline of talk

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3. Empirical strategy
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5. Result #2: moral hazard as mechanism
6. Result #3: bequest motives encourage better performance
Empirical strategy

- **Ideal experiment:**
  - Randomly assign dynasts to certain constituencies
  - Come back years later

- **Our identification strategy:**
  - restrict attention to close races *between dynasts and non-dynasts*
  - compare development outcomes and governance quality in
    - constituencies where *dynast narrowly wins* vs. constituencies where *dynast narrowly loses*
Identifying assumptions

1. Close elections are randomly determined

2. Implication is that
   1. winners and losers should appear similar in close races
   2. places where dynasts win and lose should look similar
RD balance: candidates (2/3)
### Results roadmap

<table>
<thead>
<tr>
<th>Outcome</th>
<th>Pro</th>
<th>Con</th>
</tr>
</thead>
<tbody>
<tr>
<td>Night time lights</td>
<td>Proxy for growth, spatially fine</td>
<td>Unclear how MPs would affect it</td>
</tr>
<tr>
<td>Public goods provision</td>
<td>Objective, MPs have clear role</td>
<td>Voters may not value each public good equally</td>
</tr>
<tr>
<td>Voter assessments of MP performance</td>
<td>Capture voter preferences</td>
<td>Subjective</td>
</tr>
</tbody>
</table>
Data – Economic outcomes

**Figure:** India at night – 1996
Figure: India at night – 2013
Baseline RD: Effect of dynastic rule on night lights growth
Effect of dynastic rule on growth of border villages
## RD baseline results: village-level night lights

<table>
<thead>
<tr>
<th>Depvar: village-level night lights growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>RD estimate</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Bandwidth</td>
</tr>
<tr>
<td>District FE</td>
</tr>
<tr>
<td>Subdistrict FE</td>
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<tr>
<td>Observations</td>
</tr>
</tbody>
</table>

Standard errors, clustered at the constituency level, are in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$
Public goods provision

- Night lights are a useful summary measure of local economic activity
  - But unclear how MPs would directly affect this
- Use detailed village-level data on public good provision from Indian Census
  - create 9 indices of public good provision by category
    - education, healthcare, public health, communications, transport, financial inclusion, welfare, entertainment, electricity
- For eg: public health index consists of
  - access to treated tap water, closed drainage, total sanitation programme, garbage collection system
## Index of public goods

<table>
<thead>
<tr>
<th></th>
<th>Education</th>
<th>Healthcare</th>
<th>Pub health</th>
<th>Comms</th>
<th>Transport</th>
<th>Financial inclusion</th>
<th>Welfare</th>
<th>Entertainment</th>
<th>Electricity</th>
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</thead>
<tbody>
<tr>
<td>RD estimate</td>
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<td>0.0121**</td>
<td>-0.00713</td>
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<td></td>
<td>(0.0120)</td>
<td>(0.00612)</td>
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<td>(0.0172)</td>
<td>(0.0183)</td>
<td>(0.0212)</td>
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</tbody>
</table>

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

(b) RD balance – public good provision in pre-period
Census RD results

<table>
<thead>
<tr>
<th>Index of public goods</th>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
<th>(4)</th>
<th>(5)</th>
<th>(6)</th>
<th>(7)</th>
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</thead>
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<tr>
<td></td>
<td>Education</td>
<td>Healthcare</td>
<td>Pub health</td>
<td>Comms</td>
<td>Transport</td>
<td>Financial inclusion</td>
<td>Welfare</td>
<td>Entertainment</td>
<td>Electricity</td>
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<tr>
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<td>-0.0784***</td>
<td>-0.0283**</td>
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<td>-0.117***</td>
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<td>-0.157*</td>
<td>-0.108***</td>
<td>-0.0465</td>
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<td>(0.0330)</td>
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<td>(0.0138)</td>
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<td>(0.0398)</td>
<td>(0.0231)</td>
<td>(0.0952)</td>
<td>(0.0351)</td>
<td>(0.0307)</td>
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<tr>
<td>Eff. size in SD terms</td>
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<td>0.06</td>
<td>N/A</td>
<td>0.17</td>
<td>0.14</td>
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<td>0.16</td>
<td>N/A</td>
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<tr>
<td>Observations</td>
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</tbody>
</table>

Standard errors, clustered at constituency level, are in parentheses. All regressions include party and district fixed effects.

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

(c) Impact of dynastic victory on public good provision
Subjective assessment by voters

- “Not everything that counts can be counted, and not everything that can be counted counts”
  - Possible that dynasts outperform on things we don’t measure

- Survey of voter preferences done by Indian NGO in 2014
  - 500 voters in every constituency
  - for each of 30 categories of “performance”, asked voters
    - how important is this to you?
    - how did your MP perform?
  - scale of 1-3

- Examples
  - how accessible is your MP?
  - how important are subsidies for seed and fertiliser?
## Impact of dynastic victory on voter assessment

Depvar: voter assessment of politician performance

<table>
<thead>
<tr>
<th>Sample</th>
<th>All voters</th>
<th>Different caste/religion</th>
<th>Same caste/religion</th>
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<tbody>
<tr>
<td>Dynast</td>
<td>-0.0959 *</td>
<td>-0.164**</td>
<td>-0.0841</td>
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<tr>
<td></td>
<td>(0.0522)</td>
<td>(0.0863)</td>
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<td>Observations</td>
<td>228025</td>
<td>116622</td>
<td>80846</td>
</tr>
</tbody>
</table>

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$
External validity of RD: are marginal dynasts *lemons*?

- RD captures the effect of being ruled by a dynast who *narrowly wins*
  - maybe only really, really bad dynasts win marginally
- Now consider performance of dynasts in all races
  - warning: just OLS!
Dynasts underperform across the distribution

Fraction of dynasts by performance decile

Performance decile

Fraction dynast
Non-dynasts FOSD dynasts

Stochastically dominated dynasts

- kdensity perf
- kdensity perf
Outline of talk

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Candidate mechanism: dynasts have weaker incentives to perform well

- Dynasts appear to inherit votes from their predecessors
- A loyal vote base — for whatever underlying reason — could mute performance incentives
Do dynasts have weaker incentives to perform well?
How persistent are dynasties?

Intergenerational mobility in politics -- All candidates

- The graph shows a positive correlation between a descendant's vote share and their father's vote share.
- The data points are scattered along a trend line, indicating that as the father's vote share increases, the descendant's vote share also tends to increase.
The electoral returns to dynastic politicians

<table>
<thead>
<tr>
<th></th>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
<th>(4)</th>
<th>(5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vote share</td>
<td>2.438***</td>
<td>0.842***</td>
<td>0.815***</td>
<td>0.694***</td>
<td>0.331***</td>
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<tr>
<td></td>
<td>(0.521)</td>
<td>(0.0163)</td>
<td>(0.0195)</td>
<td>(0.0269)</td>
<td>(0.0464)</td>
</tr>
<tr>
<td>Dynast</td>
<td></td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>Father’s vote share</td>
<td>0.331***</td>
<td>0.694***</td>
<td>0.815***</td>
<td>0.842***</td>
<td>2.438***</td>
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<tr>
<td></td>
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<td>(0.0269)</td>
<td>(0.0195)</td>
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<td>Yes</td>
<td>No</td>
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</tr>
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<td>Yes</td>
<td>No</td>
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</tbody>
</table>

Standard errors, clustered by constituency, in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

(e) Intergenerational mobility in Indian politics
Close family are the worst-performing dynasts

<table>
<thead>
<tr>
<th></th>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>All dynasts</td>
<td>Son/Daughter/Wife</td>
<td>Other dynasts</td>
</tr>
<tr>
<td>Wins close election</td>
<td>-0.0959*</td>
<td>-0.146**</td>
<td>0.00388</td>
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<tr>
<td></td>
<td>(0.0522)</td>
<td>(0.0625)</td>
<td>(0.0664)</td>
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<td>$N$</td>
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</table>

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

(f) How do immediate family compare to other dynasts?
No amazing evidence that dynasts are more clientelistic

<table>
<thead>
<tr>
<th></th>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
<th>(4)</th>
<th>(5)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Vote-buying</td>
<td>Vote-buying</td>
<td>Vote-buying</td>
<td>Spent generously</td>
<td>Same group</td>
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<tr>
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Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

(g) Dynasts and vote-buying
Outline of talk

1. Why might political dynasties affect development?
2. Context & Data
3. Empirical strategy
4. Result #1: negative effects of dynastic descendants
5. Result #2: moral hazard as mechanism
6. Result #3: bequest concerns motivate founders
So far we have discussed how dynastic descendants underperform

- This doesn’t give dynasts a fair shake
  - strongest argument for dynasties is that they are far-sighted, long-lived agents

Now we explore founders’ incentives

- need quasi-random shock to politicians’ time horizon

Compare politicians with sons vs politicians without sons

- given barriers to women entering politics in India: if you don’t have a son, you may have an heir
### Bequest motives: FE regression

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Standard errors in parentheses

* \( p < 0.10 \), ** \( p < 0.05 \), *** \( p < 0.01 \)

(h) Founder incentives
Recap

- Finding #1: dynasts are vastly over-represented in Indian politics and have significant electoral advantages.
- Finding #2: dynastic descendants underperform.
  - Suggestive evidence that channel is muted incentives.
- Finding #3: bequest motives encourage would-be founders to perform better.
A theory of dynastic politics (1/2)

- Simple political agency model
  - extended to include bequest and inheritance of political capital across generations

- Politicians
  - good ($G$) or bad ($B$), live for 2 periods
  - some politicians have offspring; parents and offspring are same type
  - $G$ types always provide public good
  - $B$ types get offer of private rent each period
    - may strategically behave well in period 1 to get elected, but always steal in period 2

- Voters
  - swing or partisan
  - partisan voters follow their parents
  - swing voters are Bayesian: observe performance, infer type, then vote
A theory of dynastic politics (2/2)

- Politicians receive warm-glow utility if their offspring hold office
  - this does not affect behaviour of $G$ types
  - but disciplines period 2 behaviour of $B$ types

- Descendants have electoral advantage
  - they inherit partisan votes
  - swing voters think they are more likely good than a random draw
    \[ \Pr(\text{good type} | \text{parent performed well}) > \Pr(\text{good type}) \]

- When fraction of partisan voters is large enough, or there is noise in performance, electoral advantages create moral hazard
  - dynast will get re-elected even if she performs poorly
    - partisans are loyal
    - Bayesian swing voters under-update given strong good type signal from parent
Politics is an unusually dynastic occupation which has very low intergenerational mobility.

Dynastic rule appears to have negative consequences for local economic development in the short run.

- inherited electoral advantages might dampen performance incentives

BUT in the long-run, incentives to establish a dynasty may have mitigating positive effects.
Name matching algorithm

1. Exact match within old states
   - accounts for new state creation

2. Drop most common names

3. Fuzzy match on full name
   - but require exact matches on initials

4. Require father and child to match on either party or constituency

5. Drop independents