Enfranchisement, Intra-Elite Conflict and Bargaining

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Enfranchisement, Intra-Elite Conflict and Bargaining

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Abstract

Does power sharing between competing elites result in franchise extension to non-elites? In this paper, we argue that competing, risk-averse elites will enfranchise non-elites as insurance against future, uncertain imbalances in relative bargaining power. We show that negligibly small changes in the bargaining power of non-elites, conditional on enfranchisment, via coalition formation, constrains the bargaining power of the stronger elite and result in discontinuous changes in equilibrium surplus division. Our results are robust to public good provision following enfranchisement when there is preference heterogeneity over the location of the public good across the different elites. We conclude with a comparative analysis of Indian democracy and show that our model is able to account for some of the distinctive features of Indian democracy.

Keywords: enfranchisemnt, elite, non-elites, conflict, bargaining, risk-sharing, Indian democracy.

JEL Classification: D72, D74, O57.

1 Introduction

Does power sharing between competing elites result in franchise extension to non-elites? Moore (1964) argues that a fundamental precondition for franchise extension is the power balance between landed upper class and urban bourgeoisie; while totalitarian regimes arise whenever one class dominated the others. Bardhan (1984) emphasizes the capacity of the democracy to manage the conflict between elites:

"*In a country where the elements in the dominant coalition are diverse, and each sufficiently strong to exert pressures and pulls in different directions, political democracy may have slightly*

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better chance, than in other developing countries,(...). This is based not so much on the strength of the liberal value system in its political culture as on the procedural usefulness of democracy as an impersonal (at least arbitrary) rule of negotiation, demand articulation and bargaining within coalition, and as a device by which one partner may keep the other partners at the bargaining table within some moderate bounds" (p.77).

And Olson (1993) notes:

"*We can deduce (...) that autocracy is prevented and democracy permitted by the accidents of history that leave a balance of power or stalemate- a dispersion of force or resources that makes it impossible for any leader or group to overpower all of the others*".

Examples illustrating this phenomenon, can be drawn from very different historical and economic conditions. In the UK for example, the political environment left after the glorious revolution was characterized by an harsh competition between different interests.[1] In contrast in countries like Germany, Japan or Italy, "*...a commercial and industrial class which is too weak and dependent to take the power and rule in its own right [...] throws itself into the arms of the landed aristocracy and the royal bureaucracy*". (Moore *(1964), pp. 435-437*). In India, where the level of fragmentation and socio-lingustic heterogeneity result in a lack of a clearly dominant elite, the democratic system is reasonably stable. On the contrary, Pakistan, characterized by a dominant ruling elite, did not enjoy the same period of democratic stability.[2]

In this paper, we argue that competing, risk-averse elites will enfranchise non-elites as insurance against future, uncertain imbalances in relative bargaining power. We show that negligibly small changes in the bargaining power of non-elites, conditional on enfranchisement, via coalition formation, constrains the bargaining power of the stronger elite and result in discontinuous changes in equilibrium surplus division.

In our model, the relative bargaining power of each elite is expressed as the fraction of the available surplus that it is able to appropriate for itself if the bargaining breaks down and surplus destruction occurs. We assume that the relative bargaining power of each elite is uncertain and before uncertainty is resolved, the two elites can unanimously agree to enfranchise a weak but numerically large non-elite. Once the enfranchisement decision has been made, the relative bargaining power of the two elites determined and is revealed each of them although the non-elite only observe a noisy signal. All enfranchised agents, then, propose and vote over surplus sharing

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[1] For example, Olson (1993) writes. "There were no lasting winners in the English civil wars. The different tendencies in Bristish Protestantism and the economic and social forces with wich they were linked were more or less evenly matched".

[2] In the last section we provide a more detalied discussion on Indian democracy and the comparison with Pakistan.

proposals with the outcome determined by majority voting. Once the outcome of majority voting is known, the non-elite learn the true relative bargaining power of the two elites and either the stronger elite or any other coalition of two classes can object to the winning proposal. At this point, ex-post renegotiation and bargaining begins.

In this paper, franchise extension to the non-elite has two distinct consequences: (a) as only enfranchised classes are able to vote, once enfranchised, the non-elite both make, and vote for, surplus sharing proposals, and (b) once enfranchised, the non-elite's bargaining power is higher relative to the weaker elite than with the stronger elite. Under these conditions, we show that at the ex-post bargaining stage, only with enfranchisement do the non-elite form a coalition with the weaker elite in order to counterbalance the power of the stronger elite. Once enfranchised, at the voting stage of the game, only an imperfectly informed non-elite will make a surplus sharing proposal that, constrained by the possibility of ex-post renegotiation, doesn't extract too much the available surplus and as a consequence, both the elites, ex-ante, are unanimously agree to franchise extension. Therefore, in a sense, it is the very weakness of the non-elites, both in terms of relative bargaining power and information, which makes them suitable to become an impartial arbiter between the two competing elites.

Our theory also yields some insight on the issue of direct transfers vs public good provision in a democracy. Specifically, in an extension of our main model, we show that enfranchisement will lead to direct transfers (via surplus sharing) rather than public good provision when the degree of preference heterogeneity across the two elites over the location of the public good is high.

Our results on enfranchisement are linked *only* to the conflict resolution and surplus sharing among the elites and we abstract from any issue related to class complementarity or interest alignment between sections of the elites and non elites, which normally follows the modern capitalistic development (Galor and Moav 2006). Our results suggest that enfranchisement is not a necessary effect of the modern economic development. Recent empirical evidence questions the link between democracy and development, the so-called "modernization theory"[3]. As Acemoglu, Johnson, Robinson, Yared 2005 show, after introducing the country fixed effects, the previously observed (Barro 1999 for example) strong causal effect of income on democracy disappear. Furthermore, there are some important counter examples demonstrating that this link does not imply neither a necessary nor a sufficient causality relationship. O'Donnel (1973) already argued that

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[3]In the political science literature, this theory was fuelled by the a celebrated article of Lipset (1959) and has been subsequently criticised by Luebbert (1991), O' Donnel (1973) among others. In the economics literature, Lizzeri and Persico (2004), LLavador and Oxoby (2005), have developed this argument. In section 2 (see below), we present a more detailed description of the recent economic literature on the argument.

the collapse of democracy in Latin-America in the 1960s and 1970s undermined the confidence in the modernization-promoted democracy. Similarly, as we discuss later in the paper, the Indian experience (at least till the late 1980's) provides an example of a relatively stable democracy in an economy with low per capita incomes and endemic mass poverty.

The paper is organized as follows: In section 2, we discuss the related literature on this enfranchisement and democracy. In section 3, we present the main model. Sections 3-5 are devoted to analyzing the equilibria of this model while section 6 studies the extension to case with public goods. Finally, section 7 is devoted to a comparative analysis of the Indian democracy.

2 The related literature

While to the best of our knowledge, both the model and the results we obtain in this paper are new, in what follows we relate what we do to the existing economic literature.

In Acemoglu and Robinson (1998), franchise extension abstracts away from the issue of intra-elite conflict. Moreover, in their paper, voting outcomes conditional on enfranchisement are irreversible and cannot be renegotiated[4]. As a consequence, in their paper, enfranchisement is a long-term commitment to redistribute from the elites to the non-elites, under threat of revolution. In our paper, in contrast, voting outcomes conditional on enfranchisement are never irreversible and enfranchisement occurs only with weak non-elites.

Lizzeri and Persico (200-) and Llavador and Oxoby (2004) study franchise extension with intra-elite conflict where enfranchisement results due to an alignment of interests between sections of the elite with non-elites. In Lizzeri and Persico (200-), the alignment of interests is due to public good provision, like education and health, for an urban, industrial production, while in Llavador and Oxoby (2004) the alignment of interests is due to the common economic interests between urban workers and capital owners. An implication of these papers is that enfranchisement is inherently linked to western capitalistic development. In contrast, in our paper, no exogenous technological change is needed to generate the coalition among classes leading the full enfranchisement. This allows us to consider the democratization process as independent from the modern capitalistic development[5].

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[4] Acemoglu and Robinson (2001) partially relax this assumption, making that the decision of enfrachisment reversible but costly.

[5] Other models of franchise extension emphasize the idea of enfranchisement as a commitment device and include Conley and Temini (2001), Bertocchi (2003), Fleck and Hanssen (2002). From a different perspective Ticchi and Vidigni (2003) show how elites enfranchise citizen in case of war to increase their incentives to fight.

Moreover, unlike us, Lizzeri and Persico (2004) do not consider the possibility of renegotiating the voting outcome in the regime of restricted franchise. In fact, if renegotiation of the voting outcome is allowed with limited enfranchise, then, in their paper, franchise extension is no longer a necessary condition for public good provision[6]. In our paper, electoral results, with and without franchise extension, can always be renegotiated[7]. Implicitly, in the Lizzeri and Persico paper, some degree of democracy is already accepted, and the elites are already committed to accept the electoral verdict (with and without franchise extension), like the Britain "Age of Reform". In contrast, here, our aim is to provide an explanation where the creation of democratic institutions starts without any such commitment[8].

Our result that public good provision will not occur with enfranchisement when the degree of preference heterogeneity across the two elites over the location of the public good is high, is different from, but complementary to Lizzeri and Persico (2001) where the impact of different voting systems (majority voting vs proportional representation) on public good provision is studied.

3   Transfers and enfranchisement

The model has three time periods, $t = 0, 1, 2$. There are three classes of homogeneous agents: E_1, E_2, W, where E_i, $i = 1, 2$, represents the two elite classes and W represents the non-elite. There is a surplus of Y which has to be shared between the three classes. Individuals in each class consume the surplus at $t = 2$. Preferences over consumption are represented by the utility function $u : \Re_+ \to \Re$ where $u'(.) > 0 > u''(.)$ which implies that individuals are strictly risk averse. The total number of individuals has a mass of 1, with the mass of W larger than $\frac{1}{2}$. For simplicity we assume that the size of E_1 and E_2 are equal.

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[6] In order to illustrate this point we adapt an example already used by Lizzeri and Persico (200-). Let 1 be the social surplus to be allocated to a one-unit population and $G > 4$ the value of a public good that can be produced with the social surplus. A political party can win the election by redistributing when it needs to acquire only $x \leq 0.25$ votes. This implies that the enfranchised, say e, are less than 0.5. On the other hand a party can win by supplying the public good when $e > 0.5$. This result, however, relies on the assumption that the part of the elite who do not receive any transfer, $e - x$, will accept this outcome, without being able to renegotiate. If a form of renegotiation is allowed, the promise of the winning party to redistribute the entire surplus to its voters is not credible. Therefore, the provision of the public good can be a winning strategy even without the franchise extension.

[7] Simillarly, in Llavador and Oxoby (2004), one section of the elite can decide to enfranchise a section of the non-elite even when other sections of the elite have an incentive to prevent further franchise extension.

[8] For example the Indian extension of franchise, decided just after its Indepency in 1946, can be considered more a one-shot decision rather than a gradual process (see last section for more details).

Initially, only classes E_1 and E_2 are enfranchised. Franchise extension to W has two distinct consequences: (a) as only enfranchised classes are able to vote, once enfranchised W is able to both make and vote for surplus sharing proposals, and (b) there is an infinitesimal change in $W's$ bargaining power in a manner that will be made clear the following paragraphs.

Let $\Gamma = \{\{W\}, \{E_1\}, \{E_2\}, \{W, E_1\}, \{W, E_2\}, \{E_1, E_2\}\}$ denote the set of all admissible coalitions. A key feature of our analysis is the bilateral bargaining between different coalitions of classes. The relative bargaining power of a coalition is determined by the share of the available surplus it is able to appropriate for itself if bargaining breaks down. Since some of the available surplus will be lost, we can interpret the breakdown of bargaining as a civil war.

In what follows we will characterize the bargaining power of each class or coalition of class. Let $\theta = \{1, 2\}$, be a random variable that determines the relative bargaining strength of each coalition in a bilateral bargain with some other coalition. We assume that θ is determined by the nature at the beginning of $t = 1$, as follows:

$$\theta = \begin{cases} 1 & \text{prob. } \frac{1}{2} \\ 2 & \text{prob. } \frac{1}{2} \end{cases}.$$

For each $\gamma \in \Gamma$, let $\Gamma(\gamma)$ denote the set of admissible coalitions which excludes any class already contained in γ[9].

The relative bargaining power of a coalition is determined according a disagreement function $d_{\gamma,\gamma'}(\theta)$ (respectively, $\tilde{d}_{\gamma,\gamma'}(\theta)$) that associates a disagreement share to each pair of coalitions γ, γ', $\gamma' \in \Gamma(\gamma)$, with enfranchisement (resp., without enfranchisement). The following assumptions on the disagreement functions $d_{\gamma,\gamma'}(\theta)$, $\tilde{d}_{\gamma,\gamma'}(\theta)$ characterize the relative bargaining power among classes and the nature of the enfranchisement:

1. For each θ, γ and $\gamma' \in \Gamma(\gamma)$, both $\tilde{d}_{\gamma,\gamma'}(\theta) + \tilde{d}_{\gamma',\gamma}(\theta) < 1$ and $d_{\gamma,\gamma'}(\theta) + d_{\gamma',\gamma}(\theta) < 1$;

2. For each θ, γ such that either $E_1 \in \gamma$ or $E_2 \in \gamma$, and $\gamma' \in \Gamma(\gamma)$, $\tilde{d}_{\gamma,\gamma'}(\theta) = d_{\gamma,\gamma'}(\theta)$;

3. For $\theta = i$, $i = 1, 2$ and $j \neq i$, there exists $\varepsilon > 0$ but close to zero such that $d_{\{E_i\},\{E_j\}}(i) > \varepsilon > d_{\{E_j\},\{E_i\}}(i)$;

4. For each θ, $\gamma' \in \Gamma(W)$, $\tilde{d}_{\gamma',\{W\}}(\theta) > \tilde{d}_{\{W\},\gamma'}(\theta) = 0$, while given $\theta = i$, and $i = 1, 2$ and $j \neq i$, $d_{\{W\},\{E_i\}}(i) = d_{\{W\},\{E_1,E_2\}}(i) = 0$ but there exists $\varepsilon > 0$ but close to zero such that $0 < d_{\{W\},\{E_j\}}(i) < \varepsilon$.

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[9]Formally, for any two classes $c, c' \in \gamma$, $\Gamma(\gamma) = \{\gamma' \in \Gamma : c \in \gamma' \text{ or } c' \in \gamma'\}$.

5. For each θ, and $i,j = 1,2$, $j \neq i$, $d_{\{E_j,W\},\{E_i\}}(\theta) > d_{\{E_i\},\{E_j,W\}}(\theta)$; moreover, $\frac{1}{2} > d_{\{E_i\},\{E_j,W\}}(i) > 0$ and $d_{\{E_j\},\{E_i,W\}}(i) \leq d_{\{E_j\},\{E_i\}}(i)$.

Assumption 1 formalizes the idea that in any bilateral bargain, some of the available surplus is lost if bargaining breaks down.[10] Assumption 2 states that the bargaining power of any coalition that contains either E_1 or E_2 doesn't depend on whether or not there is enfranchisement. Assumption 3 states that the bargaining power of E_i, relative to E_j, $j \neq i$, is at its strongest when $\theta = i$: in this case, we say that the state of the world favours E_i and E_j is the weaker elite. However, note that as θ has equal probability of being either 1 or 2, the two elites E_1 and E_2 are ex-ante symmetric. Assumption 4 states that irrespective of the state of nature, W has the weakest bargaining power relative to either E_1 or E_2. However, conditional on enfranchisement, $W's$ bargaining power, relative to the weaker elite, increases marginally while $W's$ bargaining power, relative to the stronger elite, remains unchanged.[11] Finally, Assumption 5 states a coalition of either one of the elites with W has greater bargaining power relative to the excluded elite. Specifically, even when θ favours E_i, the coalition of E_j, $j \neq i$, with W has greater bargaining power relative to E_i; moreover, by assumption 2, this is the case with and without enfranchisement.[12]

The sequence of events is as follows:

- *Ex-ante enfranchisement*: At $t = 0$, the set of voters is determined. We assume that only the classes E_1, E_2 are enfranchised as voters and are represented by their respective political parties. However, by unanimous consent, both classes E_1, E_2 can also decide whether or not to enfranchise W.

- *Interim majority voting*: At the beginning of $t = 1$, nature chooses θ. Both E_1 and E_2 observe θ but W receives a noisy signal σ about θ so that conditional on $\theta = i$,

$$\sigma = \begin{array}{ll} i & \text{with prob. } q \\ j, j \neq i & \text{with prob. } 1 - q \end{array} \tag{1}$$

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[10] Coherently with a situation of civil war.

[11] The numerically larger non elite is weak because is unable to organize and solve a collective action problem. However, enfranchisement can marginally solve this problem since $W's$ ability to act collectively increases as members of W organizes a party for the election. We can think of a small part of W starts to be organized and obtain a small power of pressure. Obviously, this small power of pressure result is higher, in relative terms, with respect of the weakest elite than with the stronger elite. For notational simplicity we then assume that the power of W with respect to the strongest elite is 0, but it could perfectly be positive as far it is smaller than the power against the weakest elite.

[12] We can think that one elite can organize the non elites solving their collective action problem. In this case the coalition, given its numerical overwhelming superiority, become very strong.

such that $\frac{1}{2} \leq q < 1$. Conditional on nature's choice and signal σ, each enfranchised class proposes a sharing rule $\tau = (\tau_{E_1}, \tau_{E_2}, \tau_W)$ of the surplus Y. The set of voters then vote between sharing rules and the sharing rule with highest number of votes wins.[13] If the winning proposal from the voting stage is accepted, the game ends and all classes consume their share of the surplus Y according to victorious sharing rule.

- *Ex-post bargaining*: At $t = 2$, θ is fully revealed to all classes. If after observing the sharing rule chosen in the preceding period, conditional on $\theta = i$, if either E_i or any coalition of two classes objects, the winning proposal from the voting stage is rejected. If E_i alone has objected, E_j, $j \neq i$ and W decide whether or not to form a coalition. If no coalition is formed, with equal probability, either (i) E_i bargains first with E_j and then with W or (ii) E_i bargains first with W and then with E_j. If E_j, form a coalition, first they bargain with E_i and then with each other. If two classes form a coalition to reject the winning proposal, then, first, the two classes, bargain with the excluded class and then, bargain with each other over the surplus appropriated in the preceding round of bargaining. Once all bargaining has concluded, the game ends and each class consumes its share of the surplus Y.[14]

At the ex-post renegotiation stage, at each step, bargaining is sequential and in any bilateral bargain, the class or coalition whose relative bargaining power is higher makes a "take-it-or-leave-it" offer to the weaker class. Further, we assume that a coalition of two classes forms if and only if all its members must strictly gain by deviating from the status quo[15]. This completes the specification of the rules of the game.

We solve for the extensive-form game of enfranchisement and voting by backward induction.

4   Ex-post bargaining

We begin our formal analysis by analyzing the outcomes of the bargaining subgame. At the final step of the bargaining subgame, there is bilateral bargaining between a pair of classes over

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[13]If there is more than one sharing rule with the highest number of votes, then each sharing rule in set of sharing rules with the highest number of votes is selected with equal probability.

[14]It is perhaps useful to notice the coup in this model des not necessarily implies a civil war since there is still room for bargaining. In the real word, this is usually called *bloodless coup*.

[15]One way to justify the "only if" part of the assumption is that each class in a coalition must bear an arbitrarily small but positive cost of coalition formation. The "if" part of the assumption rules out the possibility of coordination failure at the coalition formation stage.

the available surplus. In the penultimate step, either there continues to be bilateral bargaining between a pair of classes over the available surplus or a coalition of classes bargain with an isolated class over the available surplus. Anticipating the outcomes of these two stages, there is a coalition formation stage and once coalition formation (if any) is taken into account, the portion of the social surplus Y that each class can grab for itself is fixed.

No enfranchisement

We begin our analysis of the bargaining subgame when, at $t = 0$, there is no enfranchisement. Fix $\theta = i$. Note that in any bilateral bargain with E_j, $j \neq i$, and W, E_i is always the proposer while E_j is the proposer in the bilateral bargain with W. If s is the available surplus, conditional on $\theta = i$, E_i makes an offer exactly equal to $s \tilde{d}_{\{E_j\},\{E_i\}}(i)$ to E_j, $j \neq i$ (and keeps $s\left(1 - \tilde{d}_{\{E_j\},\{E_i\}}(i)\right)$) while both E_i and E_j offer W nothing and gets to keep the whole of s. When a coalition of two classes bargains with an individual class, $\{E_i, E_j\}$ offers W nothing and gets to keep the whole of s, the coalition $\{E_i, W\}$ offers E_j $s \tilde{d}_{\{E_i,W\},\{E_j\}}(i)$ (and keeps $s\left(1 - \tilde{d}_{\{E_i,W\},\{E_j\}}(i)\right)$) while the coalition $\{E_j, W\}$ offers E_i $s \tilde{d}_{\{E_j,W\},\{E_i\}}(i) < \frac{s}{2}$ (and keeps $s\left(1 - \tilde{d}_{\{E_j,W\},\{E_i\}}(i)\right) > \frac{s}{2}$). If no coalition of two classes form, there are two possible sequences of bilateral bargains between pairs of individual classes, namely, (i) $\{E_i\}, \{E_j\}$ followed by $\{E_i\}, \{W\}$, (ii) $\{E_i\}, \{W\}$ followed by $\{E_i\}, \{E_j\}$. In both these sequences, W always gets nothing while E_i gets $Y\left(1 - \tilde{d}_{\{E_j\},\{E_i\}}(i)\right)$ while E_j, $j \neq i$, gets $Y \tilde{d}_{\{E_j\},\{E_i\}}(i)$. Next, (i) if the coalition $\{E_i, E_j\}$ forms, then E_i gets $Y\left(1 - \tilde{d}_{\{E_j\},\{E_i\}}(i)\right)$ while E_j, $j \neq i$, gets $Y \tilde{d}_{\{E_j\},\{E_i\}}(i)$ while W gets nothing, (ii) if the coalition $\{E_i, W\}$ forms, E_j gets $Y \tilde{d}_{\{E_i,W\},\{E_j\}}(i)$, E_i gets $Y\left(1 - \tilde{d}_{\{E_i,W\},\{E_j\}}(i)\right)$ and W gets nothing, (iii) if the coalition $\{E_j, W\}$ forms, E_i gets $Y \tilde{d}_{\{E_j,W\},\{E_i\}}(i) < \frac{Y}{2}$, E_j gets $Y\left(1 - \tilde{d}_{\{E_j,W\},\{E_i\}}(i)\right) > \frac{Y}{2}$ and W gets nothing.

Therefore, for any value of θ, W never (strictly) gains (relative to bilateral bargaining between pairs of individual classes) by forming a coalition with either E_1 or E_2. Moreover, for any value of θ, neither do E_1 or E_2 (strictly) gain by forming a coalition against W. It follows that, without enfranchisement, no coalitions form in the bargaining subgame.

Enfranchisement

Next, we turn to the analysis of the bargaining subgame when, at $t = 0$, there is enfranchisement. Fix $\theta = i$. As before, note that in any bilateral bargain with E_j, $j \neq i$, and W, E_i is always the proposer while E_j is the proposer in the bilateral bargain with W. If s is the available surplus, E_i makes an offer exactly equal to $sd_{\{E_j\},\{E_i\}}(i)$ to E_j, $j \neq i$ (and keeps $s\left(1 - d_{\{E_j\},\{E_i\}}(i)\right)$) while E_i offers W nothing and gets to keep the whole of s. Now, however, if s is the available surplus, E_j, $j \neq i$, makes an offer $sd_{\{W\},\{E_j\}}(i)$ to W (and keeps $s\left(1 - d_{\{W\},\{E_j\}}(i)\right)$). As before, when a coalition of two classes bargains with

an individual class, $\{E_i, E_j\}$ offers W nothing and gets to keep the whole of s, the coalition $\{E_i, W\}$ offers E_j $sd_{\{E_i,W\},\{E_j\}}(i)$ (and keeps $s\left(1 - d_{\{E_i,W\},\{E_j\}}(i)\right)$) while the coalition coalition $\{E_j, W\}$ offers E_i $sd_{\{E_j,W\},\{E_i\}}(i) < \frac{s}{2}$ (and keeps $s\left(1 - d_{\{E_j,W\},\{E_i\}}(i)\right) > \frac{s}{2}$). If no coalition of two classes form, as before, in both the two possible sequences, W always gets nothing while E_i gets $Y\left(1 - d_{\{E_j\},\{E_i\}}(i)\right)$ while E_j, $j \neq i$, gets $Yd_{\{E_j\},\{E_i\}}(i)$. Next, (i) if the coalition $\{E_i, E_j\}$ forms, as before E_i gets $Y\left(1 - d_{\{E_j\},\{E_i\}}(i)\right)$ while E_j, $j \neq i$, gets $Yd_{\{E_j\},\{E_i\}}(i)$ while W gets nothing, (ii) if the coalition $\{E_i, W\}$ forms, E_j gets $Yd_{\{E_i,W\},\{E_j\}}(i)$, E_i gets $Y\left(1 - d_{\{E_i,W\},\{E_j\}}(i)\right)$ and W gets nothing, (iii) if the coalition $\{E_j, W\}$ forms, E_i gets $Yd_{\{E_j,W\},\{E_i\}}(i) < \frac{Y}{2}$, E_j gets $Y\left(1 - d_{\{E_j,W\},\{E_i\}}(i)\right)\left(1 - d_{\{W\},\{E_j\}}(i)\right) > \frac{Y}{2}$ and W gets $Y\left(1 - d_{\{E_j,W\},\{E_i\}}(i)\right)d_{\{W\},\{E_j\}}(i)$.

Therefore, for any value of θ, W and the weaker elite both (strictly) gain (relative to bilateral bargaining between pairs of individual classes) by forming a coalition with each other and neither have an incentive to form a coalition with the stronger elite. It follows that, with enfranchisement, W and the weaker elite form a coalition in the bargaining subgame and no other coalition forms.

Some more notation is necessary now. For E_i, $i = 1, 2$, and W, let $c(E_i, \theta)$ and $c(W, \theta)$ (respectively, $\tilde{c}(E_i, \theta)$ and $\tilde{c}(W, \theta)$ without enfranchisement) denote the portion of the social surplus that class i obtains by participating in the bargaining subgame. We call the functions $c(., \theta)$ and $\tilde{c}(., \theta)$ grab functions. Let $c_1 = Yd_{\{E_j\},\{E_i\}}(i)$, $c_2 = Y\left(1 - d_{\{E_j,W\},\{E_i\}}(i)\right)\left(1 - d_{\{W\},\{E_j\}}(i)\right)$ and $c_0 = Y\left(1 - d_{\{E_j,W\},\{E_i\}}(i)\right)d_{\{W\},\{E_j\}}(i)$. Under assumptions 3 and 5, there exists $\varepsilon > 0$ but closed to zero such that $d_{\gamma,\gamma'}(\theta) < \varepsilon$ and $\tilde{d}_{\gamma,\gamma'}(\theta) < \varepsilon$. It follows that there exists $\tilde{\varepsilon} > 0$ but close to zero such that $c_1 < \tilde{\varepsilon}$ and $c_0 < \tilde{\varepsilon}$.

The following proposition describes the outcomes of the bargaining subgame:

Lemma 1 *Under assumptions (1)-(5), (i) without enfranchisement, no coalitions form in the bargaining subgame and (a) $\tilde{c}(E_1, 2) = \tilde{c}(E_2, 1) = c_1$, (b) $\tilde{c}(W, \theta) = 0$, $\theta = 1, 2$, and (c) $\tilde{c}(E_1, 1) = \tilde{c}(E_2, 2) = Y - c_1$; (ii) with enfranchisement, W always forms a coalition with the weaker elite against the stronger elite and (a) $Y > c(E_1, 2) = c(E_2, 1) = c_2 - c_0 > \frac{Y}{2}$, (b) $c(W, \theta) = c_0$, $\theta = 1, 2$, and (c) $c(E_1, 1) = c(E_2, 2) = Y - c_2 - c_0$; (iii) $c_2 + c_1 < Y$.*

5 Interim majority voting

The subgame at $t = 1$ without enfranchisement

Without loss of generality, consider the case when $\theta = 1$. We demonstrate that along the equilibrium path of play, the winning proposal is $\tau_{E_1} = Y - c_1$, $\tau_{E_2} = c_1$, $\tau_W = 0$ and no coalition of classes will reject the proposal. Given lemma 1, it is evident that on their own, neither E_1 nor

E_2 can do better by rejecting the winning proposal. Can E_2 do better by building a coalition with W? Note that coalition $\{E_2, W\}$ can grab c_2 and therefore, on the face of it, E_2 has an incentive to build a coalition with W and reject the winning proposal. What about W's incentive to join a deviating coalition with E_2? Whatever be W's signal, as $c(W, \theta) = 0$, for $\theta = 1$, E_2 will appropriate c_2 and leave nothing for W. But, then, W will have no incentive to deviate with E_2. Finally, note that any proposal with $\tau_{E_2} > c_1$ will be rejected by E_1 as E_1 can grab $Y - c_1$ on her own and further, any proposal with $\tau_{E_2} < c_1$ will be rejected by E_2 as E_2 can grab $Y - c_1$ on her own. A symmetric argument establishes that when $\theta = 2$, along any equilibrium path of play, the winning proposal is $\tau_{E_1} = c_1$, $\tau_{E_2} = Y - c_1$, $\tau_W = 0$ and moreover, no coalition of classes will reject the proposal. Therefore we have the following result:

Lemma 2 *Without enfranchisement, if $\theta = 1$, the sharing rule $\tau_{E_1} = Y - c_1$, $\tau_{E_2} = c_1$, $\tau_W = 0$ is the equilibrium outcome; while if $\theta = 2$, the sharing rule $\tau_{E_1} = c_1$, $\tau_{E_2} = Y - c_1$, $\tau_W = 0$ is the equilibrium outcome.*

The subgame at $t = 1$ when W is enfranchised

Again without loss of generality fix $\theta = 1$. W observes a noisy signal s and conditional on observing s, believes that $\theta = 1$ with probability $q > \frac{1}{2}$ and $\theta = 2$ with probability $1 - q < \frac{1}{2}$. There are two cases to consider: (i) in the ex-post renegotiation game, no coalition of classes has an incentive to reject $W's$ winning proposal and (ii) in the ex-post renegotiation game, either E_1 or some other coalition of classes or has an incentive to reject $W's$ winning proposal.

Consider case (i). In this case, we claim that the best-response offer by W is $\tau_{E_1} = \tau_{E_2} = Y - c_2$, $\tau_W = 2c_2 - Y$. The argument proceeds as follows. Under the constraints that no coalition of classes has an incentive to reject W's proposal, W's proposal must satisfy the following (in)equalities:

$$\tau_z = \frac{(Y - \varepsilon_z)}{2} \text{ with } z = E_1, E_2$$
$$\tau_W = \varepsilon_{E_2} + \varepsilon_{E_1}$$

where ε_z, $z = E_1, E_2$ is such that

$$Y - c_1 \geq \frac{Y - \varepsilon_z}{2} \geq Y - c_2$$
$$\varepsilon_{E_2} + \varepsilon_{E_1} \geq c_0,$$

As $c_2 > \frac{Y}{2} > c_1$ and c_0 is close to 0, the above inequalities are mutually consistent. Since $\frac{Y - \varepsilon_{E_1}}{2} \geq Y - c_2$, class E_1 will never deviate alone. Moreover, W will never form a deviating coalition with the elites as following any deviation W will obtain maximum $c_0 < \tau_W$. While

W will accept to form coalition only with the weakest elite, say E_2, if E_1 rejects the proposal, and grab $c_0 > 0$ in the bilateral post-coalition bargain against E_2. On the other hand, W will never accept any counter proposal of forming a coalition with E_1 since W will get 0 in this case. Finally E_2 will never form a deviating coalition with E_1 as following any deviation E_2 will only obtain $c_1 \leq \frac{Y - \varepsilon_{E_2}}{2}$. In equilibrium, ε_z, $z = E_1, E_2$, will satisfy $\frac{Y - \varepsilon_z}{2} = Y - c_2$ or equivalently, $\varepsilon_z = 2c_2 - Y$. Therefore, in equilibrium, $\tau_{E_1} = \tau_{E_2} = Y - c_2$, $\tau_W = 2c_2 - Y$.

Next, consider the situation when W's is rejected with positive probability by some deviating coalition. Note that W will never make an offer that is rejected by both E_2 and E_1 with probability one. Now suppose that, $s = 1$ and that W "bets" on $\theta = 1$ and makes an offer that is not rejected by E_1 on her own. It follows that c_2 is the maximum portion of social surplus that E_1 is willing to give up as otherwise E_1 can reject W's proposal and obtain $Y - c_2$, by bargaining against the coalition W and E_2. Moreover, c_1 is the minimum amount W will offer to E_2 as otherwise, E_2 will have an incentive to form a deviating coalition with E_1. It follows that W's proposal will be $\tau_{E_1} = Y - c_2$, $\tau_{E_2} = c_1$ and $\tau_W = c_2 - c_1$ and moreover, with probability q no coalition of classes will reject this proposal. On the other hand, with probability $1 - q$, $\theta = 2$. In this case, E_2 will reject W's proposal. Note that after W's offer is rejected, E_2 -in coalition with W- anticipates that E_1 will reject any offer less than $c_2 - c_0$. and therefore, propose the outcome $\tau_{E_1} = c_2 - c_0$, $\tau_{E_2} = Y - c_2$, $\tau_W = c_0$.

Call $\tau_{E_1} = \tau_{E_2} = Y - c_2$, $\tau_W = 2c_2 - Y$ "Fair Sharing" and $\tau_{E_1} = Y - c_2$, $\tau_{E_2} = c_1$, $\tau_W = c_2 - c_1$ "bet on the winner". We have the following result:

Lemma 3 *In equilibrium, W prefers "fair sharing" to "bet on the winner" if and only if:*

$$u(2c_2 - Y) > qu\left(c_2 - c_1\right) + (1 - q)u\left(c_0\right). \tag{2}$$

6   Ex-ante enfranchisement

Recall that c_0 is close to 0. As $c_1 < Y - c_2$ and $\frac{Y}{2} < c_2$, it follows that $u(2c_2 - Y) < u\left(c_2 - c_1\right)$. Therefore, whenever $q = 1$, W will prefer to "bet on the winner". However, since

$$\frac{1}{2}u(Y - c_2) + \frac{1}{2}u(c_1) < \frac{1}{2}u(Y - c_1) + \frac{1}{2}u(c_1),$$

when W prefers "bet on the winner", ex-ante the elites will not enfranchise W. Therefore, we have the following result:

Proposition 4 *There exists $\bar{q} < 1$, such that when $q \geqslant \bar{q}$, W is never enfranchised.*

Proof. If follows directly from the discussion in the text and from the condition (2) by setting $\bar{q}$ to be the unique solution to the equation $u(2c_2 - Y) = \bar{q}u(c_2 - c_1) + (1 - \bar{q})u(c_0)$ and noticing that the expression $qu(c_2 - c_1) + (1 - q)u(c_0)$ is increasing (and continuous) in q. $\blacksquare$

When W has precise information about the realization of θ, it is not possible for E_j, $j \neq i$, to insure against the outcome $\theta = i$ because W will always prefer to "bet on the winner" i.e. favor E_i.

In contrast, next, consider a situation where $W's$ signal is imprecise i.e. $q < \bar{q}$. In this case, W prefers "fair sharing" as a now

$$u(2c_2 - Y) > qu(c_2 - c_1) + (1 - q)u(c_0) \tag{3}$$

and therefore, with enfranchisement, both E_1 and E_2 obtain $Y - c_2$ while W obtains $2c_2 - Y$. Recall that $c_2 - c_1 > 2c_2 - Y$ and $2c_2 - Y > c_0$. It follows that (3) is always satisfied for a sufficiently high level of concavity of $u(\cdot)$; hence, as far as individuals are sufficienlty risk averse.

When (3) holds, ex-ante the elites E_1 and E_2 will always extend the franchise if

$$u(Y - c_2) > \frac{1}{2}u(Y - c_1) + \frac{1}{2}u(c_1). \tag{4}$$

Note that given lemma 1, under our assumptions, when $u''(.) = 0$ (with risk-neutral preferences) there will never be enfranchisement as in this case, 4 becomes $(Y - c_2) > \frac{1}{2}Y$, which is never satisfied because $c_2 > \frac{Y}{2}$. However, given lemma 1, under our assumptions, $Y - c_1 > Y - c_2 > c_1$. Accordingly, by continuity, there will be a degree of concavity of $u(.)$ such that 4 is satisfied.

Therefore, both conditions (3) and (4) are satisfied for a sufficiently high level of risk aversion. Indeed, if we consider the CRRA class of utility function, $u(x) = \frac{x^{1-\gamma}}{1-\gamma}$, $\gamma \neq 1$, by computation, it is easily verified that for any $q < \bar{q}$, there exists $\bar{\gamma}$, $0 < \bar{\gamma} < 1$, such that whenever $\gamma > \bar{\gamma}$, $\gamma \neq 1$, there is enfranchisement in equilibrium. The following proposition summarizes the above discussion:

Proposition 5 *If W is sufficienlty uninformed, i.e. $q < \bar{q}$, and when individuals are sufficiently risk averse, E_1 and E_2 will always enfranchise W.*

We conclude this section by examining whether our enfranchisement result is robust to repeated interaction between competing elites. On the face of it, folk theorem type arguments suggest that repeated interaction between competing elites, without franchise extension to non-elites, should lead to efficient risk sharing between elites. However, there are atleast two reasons why a folk theorem type argument may not apply here. First, the discount factor may be bounded away from one because, for instance, the gap between successive rounds of play (in our model,

without enfranchisement, a round of play would have an ex-ante stage and ex-post stage of coalition formation and bargaining) is large. Second, the strategy profiles that support risk-sharing between elites may not be renegotiation-proof. Indeed, in our paper, there is a single efficient risk-sharing allocation between the two elites namely that at each value of θ, each elite appropriates half the social surplus in each round of play and . Notice that for a strategy profile to be renegotiation proof, it would have to result in the efficient allocation after any history of play. However, any strategy profile that supports efficient risk-sharing along the equilibrium path of play must involve some payoff loss for the stronger elite in the continuation game that follows on from the history where the stronger elite reneges on efficient risk-sharing, a contradiction.

7 Public goods, surplus sharing and enfranchisement

In this section, we extend our model to allow for public good provision and examine whether enfranchisement leads to public good provision.

We assume, for simplicity, that the entire surplus Y must be invested in order to obtain the public good or there is no production of the public good. The location of the public good is indexed by points in R_+^2 in figure 1. Each individual class E_1, E_2 and W has an ideal point over the location of the public good so that the ideal point for E_1 is $(0;0)$, the ideal point for E_2 is $(\bar{l};0)$ and the ideal point of W is $(\frac{\bar{l}}{\sqrt{2}};\frac{\bar{l}}{\sqrt{2}})$, with $\bar{l} < G$. Where we assumed for simplicity that the three classes have the same distance E_2 among each other (i.e. the triangle (E_1, E_2, W) is equilateral).[16]

Let $|.|$ denote the Euclidian distance between two points. If the public good is located at a point $l \in R_+^2$, let the preferences of the three classes are described by the utility functions

$$
\begin{aligned}
v_{E_1}(G, l) &= v(G - |l|) \\
v_{E_2}(G, l) &= v(G - |l - (\bar{l}, 0)|) \\
v_W(G, l) &= v\left(G - \left|l - (\frac{\bar{l}}{\sqrt{2}}, \frac{\bar{l}}{\sqrt{2}})\right|\right).
\end{aligned}
$$

where $v'(.) > 0$ and $v''(.) < 0$.

Let $\lambda < \frac{1}{2}$ denote the proportion of each elite in the population. Under the assumption that for the public good to be produced, the entire surplus Y must be invested, at the voting stage, a proposal is either a sharing rule $(\tau_{E_1}, \tau_{E_2}, \tau_W)$ or a location l for the public good. At the ex-post bargaining stage, if either the stronger elite or a coalition of a pair of classes objects, the public

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[16] As far as W is equidistant from both E_1 and E_2 i.e. the triangle is isosceles, the solution will not change qualitatively.

good is never provided and the classes obtain their disagreement utility exactly as in section 4. It follows that using the grab functions $c(\gamma, \theta)$ we can derive a grabbing function over the location the public good, $\delta(\gamma, \theta)$, where $\delta(\gamma, \theta)$ is the maximum distance the public good can be located from the ideal point of class γ consistent with ex-post bargaining, is given by the equation

$$u\left(\frac{c(\gamma, \theta)}{\lambda}\right) = v(G - \delta(\gamma, \theta))$$

Now consider the voting stage and assume for simplicity that the signal σ is not revealing for class W or $q = \frac{1}{2}$. At this stage, W has a choice between proposing a location for the public good or proposing the surplus sharing rule $\tau_{E_1} = \tau_{E_2} = Y - c_2$, $\tau_W = 2c_2 - Y$. Moreover, any location l proposed by W must have the property that both the following inequalities

$$
\begin{aligned}
v\left(G - |l|\right) &\geq u\left(\frac{Y - c_2}{\lambda}\right) \\
v\left(G - |l - (\bar{l}, 0)|\right) &\geq u\left(\frac{Y - c_2}{\lambda}\right)
\end{aligned}
$$

are satisfied as otherwise with probability $\frac{1}{2}$, the stronger elite will renegotiate the voting outcome and in this case, as we saw in the previous section W will not "bet on the winner" and it will be better off by proposing the surplus sharing rule. For any l, that satisfies the equation $v\left(G - |l|\right) = u\left(\frac{Y - c_2}{\lambda}\right)$. Using figure 1, we can notice that $|l - (\bar{l}; 0)|$ is minimized for $\hat{l}$ such that $|\hat{l} - (\bar{l}, 0)| = \bar{l} - |\hat{l}|$. By computation, it follows that

$$
\begin{aligned}
&v\left(G - |\hat{l} - (\bar{l}, 0)|\right) \\
=\ &v\left(2G - \bar{l} - v^{-1}u\left(\frac{Y - c_2}{\lambda}\right)\right)
\end{aligned}
$$

and therefore, whenever

$$\bar{l} > 2\left(G - v^{-1}u\left(\frac{Y - c_2}{\lambda}\right)\right)$$

it must be the case that

$$u\left(\frac{Y - c_2}{\lambda}\right) > v\left(G - |\hat{l} - (\bar{l}, 0)|\right).$$

Note that this continues to be true even when both inequalities $v\left(G - \bar{l}\right) > u\left(\frac{2c_2 - Y}{1 - 2\lambda}\right)$ and $u\left(\frac{Y - c_1}{\lambda}\right) > v\left(G\right)$ hold i.e. when W prefers the public good (at any location) to surplus sharing and in the absence of enfranchisement, no public good is ever supplied.

We summarize the above discussion by the following proposition:

Proposition 6 *If the distance between the ideal points over the location of the public good id sufficiently large, i.e. $\bar{l} > 2\left(G - v^{-1}u\left(\frac{Y - c_2}{\lambda}\right)\right)$ enfranchisement will not result in public good provision.*

8 A comparative analysis of Indian Democracy

In this section, we provide some descriptive and anecdotal evidence showing that our model is able to capture the distinctive features of Indian democracy, and we compare India with other countries, whose institutions did not achieve the same level of stability.

India is the world's biggest and one of its more stable democracies. In the more than 50 years since the first election, there have been 15 general elections and over 300 state contests. Both at state level and at the centre, governments have always been elected by people with a reasonably high level of rotation among political parties[17]. As has been extensively documented, India enjoys a free media, freedom of assembly and association.

The decision to extend the franchise was voted unanimously by the constituent assembly, which also declared India an Independent state. The constituent assembly was elected via a process of indirect elections, chosen by provincial legislatures that had been elected in early 1946, by a pool of 10 percent of the entire population (Sarkar 2001). In this sense, the constituent assembly can be considered to be representative of the elites and franchise extension in India was a one-shot decision rather than a dynamic process.

A non redistributive democracy

The success of Indian democracy came in spite the low income, widespread poverty and illiteracy and immense ethnic diversity. However, consistent with our results, Indian democracy did very little to increase the living standard of the majority. As Weiner notes:

"*The incorporation into the political system of backward caste elites and members of scheduled castes has apparently done little to reduce the enormous social and economic disparities that persist in India's hierarchical and inegalitarian social order. That rise the fundamental question: if there are now so many OBC and scheduled castes bureaucrats and politicians, why is not reflected in state policies to promote the well being of their communities? (...) Why has the increase in political power for members of the lower castes done so little to raise these communities?" (Weiner (2001) p.p. 211)*

Weiner's observations are supported by Figure 2, depicting the index of wealth concentration and relative poverty in India from 1946- the date of the constituent assembly, which allowed for universal suffrage- to the early 1990s.[18] We can observe that income inequality and relative poverty

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[17]Although the Congress has traditionally been the dominating force, in 1977 it is thrown out. In 1980 it was voted back, although in 1989 elections it was voted out again. In 1991, the Congress came back to power again.

[18]Gini index and last income quintile: Deininger and Squire, High quality Dataset. GDP per capita growth: Penn Table.

hardly present any downward tend, in spite of often positive growth rates.[19] No redistribution clearly took place: the Gini Index of wealth concentration, changed from 35 in 1951 to 32 in 1991; [20] altogether, the funds allocated for the three main antipoverty programs constituted only the 4% of the total allocation in the plan where this project took place.[21]

Furthermore, in figure 2 we can observe very little evidence of education provision; there is very low level of education characterizing the Indian population in 1960, 11 years after the first election, and only a marginal decrease until 1990. The share of individuals above 25 years that completed the first level passed from 6.3% in 1960 to only 8.5% in 1990, while the ones without any schooling changed from 75% in 1960 to 60% in the 1990.[22] Moreover there is a widespread consensus that level of health care is persistently neglected in many part of India. Always in this respect, Sen (1995) notes:

"*If we were to look back at what has happened in India in the first four decades of planned development, two general failures appear particularly glaring. First, in contrast with what was promised by the political leadership which took India to independence, very little has been achieved in "the ending of poverty and ignorance and disease and inequality of opportunity" the "tasks ahead" that Jawaharlal Nehru identified in his famous speech on the eve of independence, on August 14th 1947. Four decades of allegedly "interventionist" planning did little to make the country literate, provide a wide-based health service, achieve comprehensive land reforms, or end the rampant social inequalities that blight the material prospects of the underprivileged.*"

We can therefore argue that there is little evidence of public good provision that improved non-elite well being after the enfranchisement.
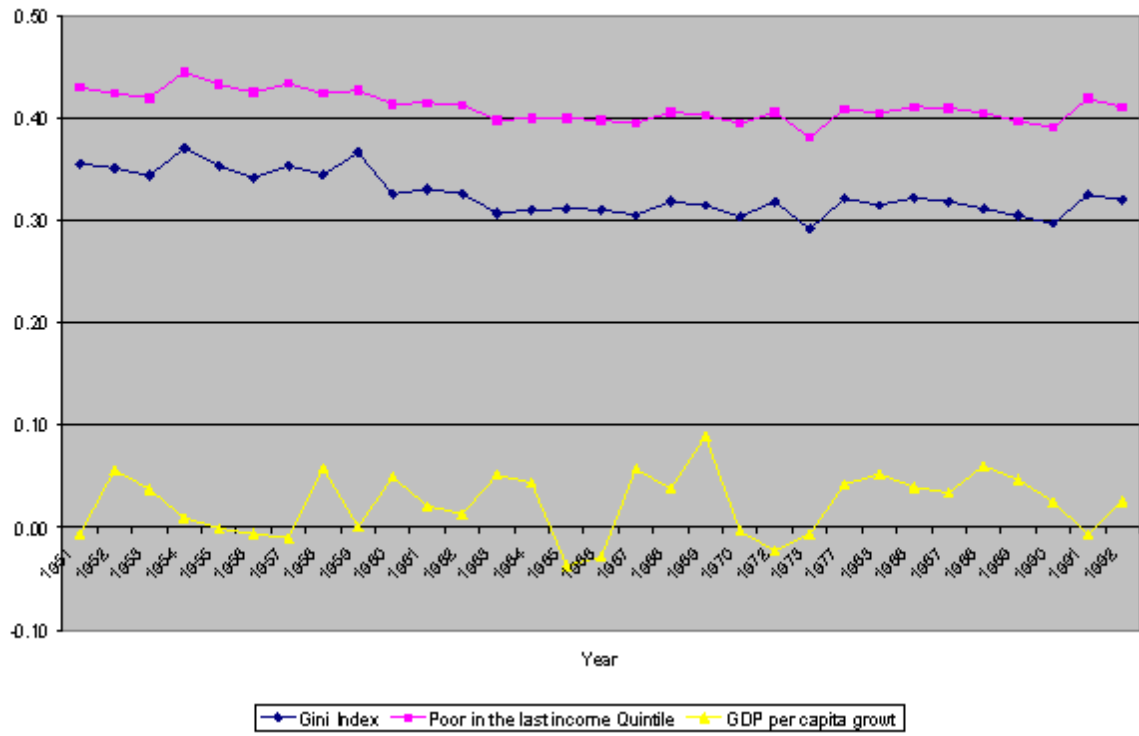
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[19]Recently, in the early 2000s, we started to observe a decline in the poverty rate, but this is due to "trickle down" growth, rather than to wealth redistribution.
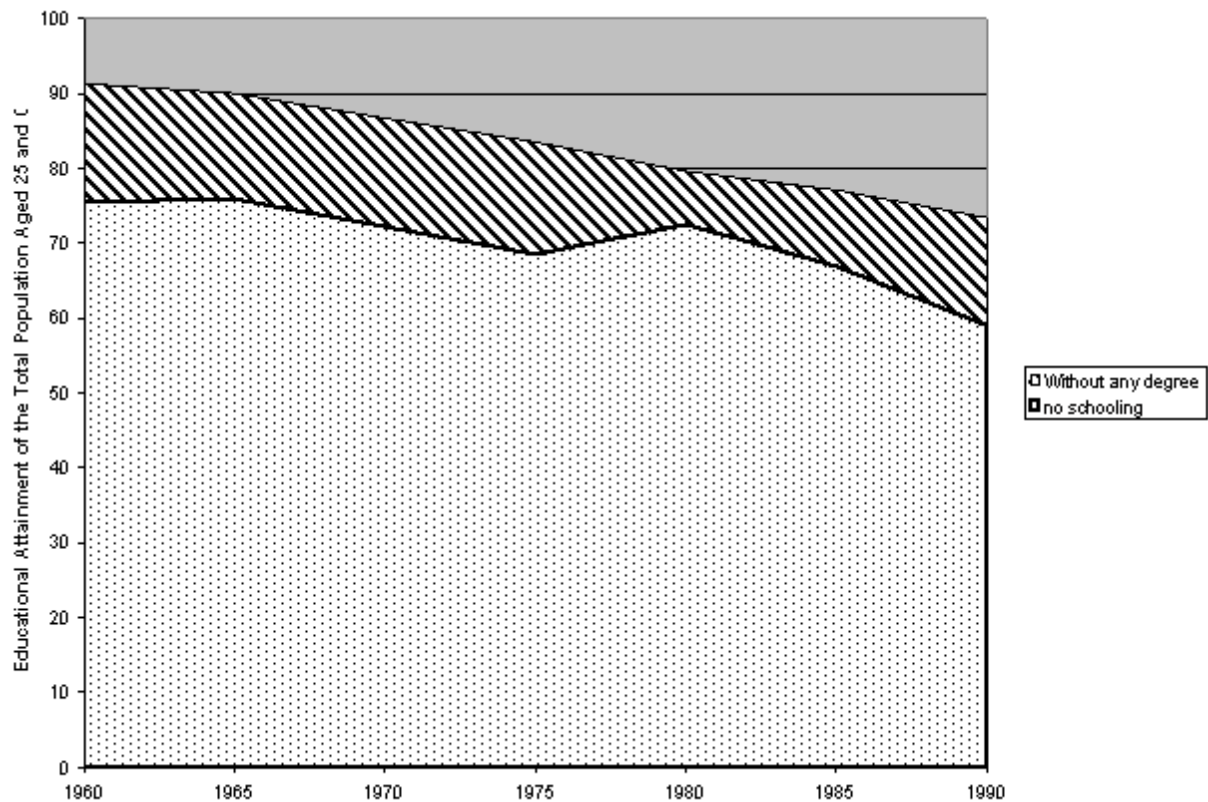
[20]Deininger and Squire, High quality Dataset.

[21]Brass 1990.

[22]Barro and Lee Dataset.

Inequality and poverty in india

Legend: Gini Index — Poor in the last income Quintile — GDP per capita growt

X-axis: Year

Figure with y-axis labeled "Educational Attainment of the Total Population Aged 25 and (" ranging from 0 to 100, and x-axis from 1960 to 1990. Legend: Without any degree; no schooling.

Distribution of power between the elites

At the onset of the constituent assembly, the elites were constituted by large landowners and the industrial urban class often in conflict within each other. The uncertainty on their respective effective power is amplified by social, religious and as well as regional divisions. The caste system was an institutional way to organize this fragmentation, but at the same time, it perpetrated these divisions. These divisions were already present in the Mogul's era but they were further exacerbated by the English rulers, who implemented the policy of "divide and rule", trying to prevent the formation of any coalition that could represent a threat (Moore 1966).

In this respect India differed from both Imperial China and Tzarist Russia, as they were both characterized by a strong central power. Even more remarkable is the comparison between India with Pakistan, due to their geographic proximity and their common past as British colonies. In contrast with India, Pakistan is characterized by an overwhelming Sunni Muslim Punjabi-speaking elite[23]. Although the creation of Pakistani democracy was contemporaneous with Indian

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[23]Until 1971, the presence of a Bengali-muslim population in Pakistan generated a conflict with the west Pakistani majority, but their political power has always been small (Rashiduzzaman 1982). In 1971, the Bengali minority,

democracy, it has never been stable with four major military coups (1958, 1969, 1977, 1999).

Composition of the non elites

The fragmentation of low classes in India mirrors the ones of the elites, and also in this respect Indian society is different from China and Russia, where the lower classes had less marked social and linguistic divisions, and for this reason were more easily organized as a revolutionary power. A proof of this political weakness is represented by the general weakness of the communist parties in India. They have never been strong at a central level, and, when they gained some representativity at local level, like in the West Bengal, they have always supported moderate policies of redistribution rather than dramatic change in the economic system (Moore 1966). Therefore, we can argue that Indian lower classes would never be able to have an high level of bargaining power, (i.e. $d_{\{W\},\gamma'}(\theta) = 0$ and very little information on θ).

In spite of their sociopolitical differences, the degree of ethnic conflict in India has always been less serious than in African countries, and it is conceivable that the non elites can potentially ally together against the elites, irrespectively of their ethnic origin. The fact that the Congress party and the coalition of parties in power at the central government during the different legislatures are not organized on an ethnic basis (Horowitz 1985) supports this claim. This is a fundamental precondition for our model, where we assumed that the non-elites W acts together. If a part of W belonged to the same groups that the stronger elite, say E_i, then it may have an incentive to ally with i because of the ethnic identity, rather than oppose it and ally with the rest of W in both voting and bargaining[24].

The lower level of inter-ethnic conflict in Indian society is perhaps due to the geographic dispersion of Indian ethnic groups. On the contrary, when different ethnic groups are concentrated in the different region of the country, it is much more likely that the non-elites will not ally horizontally within each other, but prefer to ally vertically with the elites of the same group. The ethnical characterization of the Southern African parties provides a support to this argument. In Nigeria, for example, after independence three essentially ethnic parties had emerged: the Northern People's Congress (NPC) drawing its support from the Hausa and Fulani tribes of the North, the Action Group (AG), drawing its support from the Yoruba tribes of Western Nigeria, and the National Council of Nigeria and the Cameroons (NCNC) relying on the support of the Ibo of Eastern Nigeria. In this political panorama it is hard to imagine a unified non-elite that, first, does not bet on the winner after the enfranchisement and, second, turns compact against

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with the help of India, obtained their independence with the formation of Bangladesh.

[24]Or, more materialistically, the power of commitment represented by the social linkages allows the stronger elite to credibly promise some surplus to every member of their same ethnic group, dividing in that way W.

the prevailing elites if this mounts a coup.

In this respect, the two following episodes describing an attempt of coup in India and a successful coup in Nigeria seems to support our results. In India, Indira Gandhi used the promise of alleviating poverty to burst her popularity and concentrate the power in her person. This culminated when Indira Gandhi had the then president Faqr ud dub Ali Ahmed, declare a national emergency, which was clearly unconstitutional since this proclamation was not discussed by council ministers (Rudolph and Rudolph (2001)). After this act Gandhi lost her enormous popular support and in the need of confirm her legitimacy she called and lost elections in 1977.[25] In terms of our model Indira Gandhi sought the alliance of the non elites to disenfranchise the other parties by promising more distribution, but this commitment was not credible and the non elites preferred the alliances with the other party. As already Kohli (2001) notes: "The fact that she was voted out of power following the emergency only confirm the efficacy of Indian democracy"

The first elections held in Nigeria in 1959 saw the victory of the NPC which after one year declared the state of emergency in the western region whose local government, leaded by the AG, was proscribed and its leader arrested. Far from rejecting this outcome and turning compact against the NPC, the lower classes split along the ethnic and geographic lines, which lead the country to a long civil war that lasted until 1970 (Ake 1985).

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Enfranchisement, Intra-Elite Conflict and Bargaining

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