Game Theory: Mid-term Paper

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Analysis of entry of Aam Aadmi Party in Indian politics with focus on the Delhi Legislative Assembly 2013

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**Executive Summary**

Indian politics has been characterised by two primary national parties, the Indian National Congress (“Congress”) and the Bharatiya Janata Party (“BJP”), and several small regional parties. The Indian political campaigns were historically fought on Left vs Right policies and religious ideologues. Irrespective of the political bent, Indian politics was characterised by widespread corruption and criminalisation of politics.

The emergence of the Aam Aadmi Party (“AAP”), born out of an anti-corruption movement in India which started in 2010 after a series of multi-billion dollar scams came to light, added a third dimension to the political dialogue - that of anti-corruption. In late 2012 AAP announced its plans to contest the upcoming Delhi elections. And we want to analyse the series of events that transpired in the Delhi election, especially as they would have a direct impact on the upcoming national elections in May 2014.

**Brief Context – Summary of Political History of India**

Since its independence from the British Raj in 1947, India’s political system is a federal parliamentary democratic republic, a multi-party system with a large number of national and regional parties. Despite the large number of different parties, contemporary Indian politics has been dominated by two major parties, the Indian National Congress (“Congress”) and the Bharatiya Janata Party (“BJP”). Congress is one of the largest and oldest democratically-operating political parties in the world. Founded by freedom fighter activists in 1885, it dominated politics nationally for most of the period from 1947–89. The party’s social liberal platform is largely considered to be on the centre-left of the political spectrum. BJP as the second major party in Indian politics was formed in 1980 as the successor of several other parties that dissolved in this period. BJP could form the government in coalition with other parties between 1996 and 2004. The party represents a nationalist ideology and it is considered to be on the right wing of the political spectrum.
Corruption scandals have always been present in Indian politics. Especially in the late 2000s, several multi-billion dollar scams caught the public attention. Following these scams, an India-wide anti-corruption movement, which is widely known under the name India Against Corruption (“IAC”), emerged in 2011 and mobilized the masses in support for a less corrupt Indian political society. The central claim of the movement was the introduction of an anti-corruption bill, the “Jan Lokpal Bill”, which aims to effectively deter corruption, compensate citizen grievances, and protect whistle-blowers in the political system.

Arvind Kejriwal and Anna Hazare, two social activists, were central in the formation of IAC. However, in 2012, after the lack of response from the Government and dwindling public support, a discussion about the future direction of IAC and whether the movement should get politically involved began to arise between the groups around Kejriwal and Hazare. Kejriwal saw a direct involvement in politics as necessary in order to achieve IAC’s goal to pass the Jan Lokpal bill, whereas Hazare and his supporters wanted to keep the movement politically neutral. These differences caused the split of the IAC movement and, on October 2 2012, Kejriwal announced that he will launch a political party on November 26 2012, the anniversary of India's adoption of its constitution in 1949. The party’s name, Aam Aadmi Party (AAP), reflects the name “Aam Admi” or “common man”, whose interests Kejriwal proposed to represent.

AAP would contest the upcoming Delhi Legislative Assembly elections in Dec 2013. These elections would be AAP’s first electoral test. Delhi can be seen not only as the capital of India, but also as the political center of the country. The elections in Delhi were also seen as indicative for the national elections upcoming only four month later in April/May 2014.

Our mid-semester project will only focus on the game-theoretical analysis of the state-level elections in Delhi; whereas for the final project, we will also include the national elections in April/May 2014 in our analysis.

The Stage - Delhi Legislative Assembly Election

The Delhi Legislative Assembly consists of 70 seats. In order to achieve a majority and form a stable government, one party or a coalition of more parties needs at least 36 seats in the assembly. In the previous electoral term (2008), Congress formed the government with a clear majority of 43 seats, while its political rival, BJP was the opposition party with 23 seats.

For the upcoming elections in 2013, the two incumbent parties, Congress and BJP, did not see a serious risk in the newly launched party AAP and focused their election campaigns on each other. After all, both BJP and Congress held significant financial and organizational resources, whereas AAP fought the elections with an army of volunteers and a meagre budget of INR 2 crores ($300,000). Prior
to the elections, most opinion polls and political experts forecasted BJP to win the majority and AAP to win only 5-6 seats.

Figure 2: Results Delhi Legislative Assembly 2008 and 2013

When the results of the elections were published, AAP surprised everyone. While BJP+\(^1\) was the largest party with 32 seats, Congress unexpectedly was reduced to only 8 seats. Much of Congress’s downfall was attributed to AAP, as the newcomer won 28 seats, marking a spectacular debut for any political party, especially considering it was formed only about a year ago and had fought the elections with very limited human and financial resources.

More interestingly, with these results, none of the parties achieved the necessary 36 seats to obtain a majority. Given that none of the party had a majority; there were only two potential outcomes:

(a) Coalition government, if any two parties decided to join hands and form a government. In this case, the party with the higher number of seats would run the government but would need the support of the other party in passing any major bills

(b) Re-election in case none of the parties agreed to support the other party

While there were theoretical possibilities to form a coalition between two the three large parties given the numbers above, such outcomes were politically unfeasible. After all, Congress and BJP had been political rivals for decades.

Building on its roots in the anti-corruption movement, AAP positioned itself with the major political goal to fight political corruption and pass the Jan Lokpal bill. With this strategy, AAP directly had attacked both incumbent parties in its election campaign. This election result, in particular AAP’s spectacular debut was the public’s response to years of political apathy and misrule, dominated by criminalisation and corruption.

\(^1\) BJP+ = BJP (31 seats) and SAD (1 seat). BJP and SAD had a pre-poll alliance.
From an inward thinking perspective, the most likely outcome of this situation were immediate re-elections for the Delhi Legislative Assembly, to be held most likely along with the upcoming national elections in May 2014.

A closer look at the Political Rivals’ motivations

For the purpose of this paper, we will focus on the decisions taken by the Congress and AAP. Before we go into the game theory analysis of the various moves made by the Congress and AAP following the election verdict, it will be important to understand the motivations of the players in this game.

- AAP: Primary objective was to pass the Anti-corruption bill, for which it needed to form the government by being in majority. This would also establish AAP as a credible political alternative in the larger Indian political landscape.
- Congress: Following this result, Congress knew that it didn’t have a chance to win the election. At best it would want to improve its seat tally. Much more importantly, Congress would be most vulnerable to the Anti-Corruption Bill and would want to ensure that the anti-corruption bill was not passed in the assembly.
- BJP: win the Delhi state election as that would position BJP strongly against the Congress for the upcoming national elections. However, BJP, too, was vulnerable to passing of the Anti-Corruption bill and would want to avoid it.

Thus, AAP and Congress had conflicting goals with the former trying to pass the anti-corruption bill, while the latter trying to ensure that it does not get passed. Intuitively, it seems that AAP and Congress would never come together to form a government.

Congress decides to offer support to AAP to form the Government - outward thinking masterstroke

Much to everyone’s surprise Congress announced a ‘un-conditional’ support to AAP to help them form the government. This was obviously very counter-intuitive and baffled many political pundits. However, let us analyze this decision through the lens of game theory. Below is the look forward, reason back analysis that helps de-mystify the decision that Congress made. Congress had broadly two options:

1) Status-quo - Immediate Re-elections (in-ward thinking option): If re-elections were to be held, there was a high chance that AAP may get majority and win the re-election. This is because there was a huge anti-incumbency sentiment against the Congress. However, many of these votes went in favor of BJP as many voters assumed that AAP, as a new party would not come into the power. However, with AAP’s strong performance of 28 seats (very close to the majority mark of 36 seats),
sensing a real possibility of AAP being in a position to form the government, these fence-sitting voters would now vote for AAP in case of re-elections, resulting in a clear majority for AAP. This would be very bad outcome for Congress as AAP would come into power and pass the Anti-Corruption bill, resulting in pay-offs of -50 for Congress and +50 for AAP.

![Figure 3: Congress’s decision tree](image)

2) **Offer support to AAP:** If Congress extended support to AAP, AAP could decide to either reject the support or to accept the support:

   a. **If AAP rejects the support:** Rejecting the offer was tricky for AAP. This would directly benefit the BJP and BJP would be the likely winner if re-elections were to be held after AAP rejected the support. Having received an opportunity to actually form the government, if AAP did not form the government, there will be a sizable portion of voters who would accuse AAP of shying away from running a government and delivering on the tall promises made in the election campaign. AAP was a brand new party with no track record. Many voters liked the principles of AAP but doubted their ability to run a stable government. Thus in case of re-election after having rejected the opportunity to form the government, AAP could end up losing a sizable portion of its voters. Payoffs: For Congress, this is a better option compared to the status-quo. Its pay-off is -20 (it is still negative because its arch-rival BJP comes into the power, but at least BJP wouldn’t pass the anti-corruption bill). For AAP, its pay-off is reduced to +10 as it would be able to retain its moral credibility but would not be able to come into power to pass the anti-corruption bill or prove itself as a serious political alternative in the country.

   b. **If AAP accepts the support:** This would seriously damage AAP’s credibility as a sizable portion of voters would accuse AAP of being power hungry and colluding with the very same party
that it had called as corrupt. AAP would also have limited power in passing the various bills including the anti-corruption bill, as it would need the support of Congress to pass any major bills. While AAP would get a shot at forming the government and providing better governance but AAP would not be able to pass the anti-corruption bill. If AAP tried passing the anti-corruption bill, Congress would withdraw support and cause re-election. And in this re-election, BJP would almost certainly come into power with absolutely majority. The end result would be that anti-corruption bill is not passed and at the same time, AAP’s credibility is permanently damaged. Payoffs: For Congress, this is a better option. Its pay-off is -20 (it is still negative because its arch-rival BJP comes into the power). For AAP, this is a bad outcome and has a pay-off of -30. If AAP tries to pass the anti-corruption bill, its pay-off improves slightly to -20, but it remains negative because it still continues to be accused of colluding with Congress to gain power.

As we can see from this decision tree, AAP was expected to reject the offer of support, and Congress, knowing that it had no chances of being voted back into power, by merely offering support to AAP, it significantly reduced AAP’s chances of winning the re-elections, thereby ensuring that AAP would not be able to pass the anti-corruption bill. This was a favourable outcome for Congress even at the cost of its arch rival BJP forming the government.

AAP changes the game – goes for a public referendum to decide on what to do with Congress’s support

Now that Congress had offered support, the game was now in AAP’s court. AAP understood the political impact of Congress’s support even if AAP decided not to accept it. However, now that Congress had actually offered support to AAP, was there a way to achieve an outcome that could increase the chances of AAP being voted back into power than if it straightaway refused Congress’s offer of support? AAP decided that instead of it taking the decision, it would conduct a public referendum across multiple constituencies in Delhi, presenting the pros and cons of Congress’s support and seeking the ‘common man’s’ opinion on what AAP should do. At first it seemed absurd
for the observers. A public referendum had never been done before. But if look at AAP’s decision tree after changing the game, it was a politically astute counter-move by the political novice party:

a) AAP could straight away reject Congress’s offer – outcome and payoff would be the same as discussed above.

b) AAP holds a referendum and the public decides what AAP should do – it would be difficult for AAP to pre-guess what the general public would decide, but most importantly, it would help protect AAP’s credibility, irrespective of what the public decided. Public opinion could have either of the following outcomes –

a. No, do not form the government – AAP would be able to blunt the possible negative effect of Congress/BJP launching a campaign accusing AAP of shying away from forming the government and fulfilling its tall promises made during the election campaign. Moreover, by including the common people in the decision making process, AAP would further solidify its political support base and this would significantly improve its chances of coming back with a majority in the case of re-elections. For AAP, it would increase its payoffs to +40, which is still not as high as +50 if Congress had not offered support in the first place, as there would still be a few doubters about AAP’s seriousness in governing, but is definitely higher than a payoff of +10 if AAP had directly rejected Congress’s support without consulting the public. Congress’s payoff in this case would be -50 if AAP came back into power and passed the anti-corruption bill.

b. Yes, go ahead and form the government – most importantly, if the public decided that AAP should form the government, it would protect AAP’s credibility as they would be representing the common people’s wishes. While the alliance would definitely be shaky, it would give AAP the opportunity to showcase a few quick-win improvements in governance and show the public of Delhi of the possibilities. At the same time, AAP would introduce the anti-corruption
bill, fully expecting Congress to withdraw support the moment AAP did so, but by now, having protected their credibility and given the quick-win changes that AAP had implemented, the public would vote them back into power. AAP’s payoff in this situation would be +30, which is lower than the payoff of +50 if Congress had not offered support in the first place, but having protected its credibility through the referendum and quick-win changes, the payoff is definitely higher than -20 in case AAP had decided to take Congress’s support without consulting the public and is higher than +10 if AAP had directly refused Congress’s support without consulting the public.

Figure 4: AAP’s payoff after changing the game

Irrespective of what the public would decide, going to the public was a dominant strategy for AAP (lowest possible payoff of +30) compared to straightaway rejecting Congress’s offer of support (payoff of +10). By changing the game, AAP was successfully able to protect its credibility and significantly improve its chances of being re-elected with majority.

As the political drama unfolded - excerpts from the politically exciting week

1. “Congress offers unconditional support to AAP to form government in Delhi”
   – NDTV, December 13 2013

2. “AAP decides to ask people if it should form govt in Delhi”
   – Mint, December 17 2013

3. “Delhi elections: 679,000 people took part in AAP referendum”
   – DNA India, December 23 2013

4. “Massive response to AAP referendum”
   – the Hindu, December 19 2013

5. “The common man wants AAP to form Govt.”
   – Firstpost, December 21 2013

6. “AAP set to form govt in Delhi”
   – Times of India, December 24 2013
Could Congress have predicted AAP’s actions at the time of its own decision?

In hindsight, one could argue that Congress should have seen this coming. After all, apart from the anti-corruption bill, Arvind Kejriwal had openly propagated the idea of “Swaraj”, transferring decision making power in to the hands of the people if elected to power, during his election campaign. Conducting the referendum was just that.

But, on the other hand, something like a referendum – seeking the public’s opinion – was unheard of in the political circles. In fact, when AAP decided to go for a referendum, both Congress and the BJP and other political pundits dismissed the idea, saying it would be a wasted exercise.

On another occasion, one of the co-Founders of AAP, Prashant Bhushan, in one of the several political debates during the election season had suggested conducting a referendum on the politically sensitive issues of Kashmir. This of course led to a lot of controversy and the fledgling party had to issue an official statement that the Party’s views did not necessarily support Prashant Bhushan’s views.

Given that the very genesis of AAP was based on anti-corruption, and taking Congress’s support would have proven fatal for the fledgling party, Congress was probably a bit too overconfident about AAP rejecting the offer when Congress decided to extend support to AAP.

Conclusion

Founded barely a year before the Delhi elections, emerging from an anti-corruption movement that was fast losing momentum, AAP’s decision to take on the mighty political incumbents despite limited financial and human resources, and actually form the government, was indeed extraordinary. The symbolism associated with forming the government in Delhi – the political capital of India, beating the incumbents in their own game, could have a significant impact in years to come. It has indeed added a third-dimension to the political discourse of India – that of anti-corruption.

True to its name “Aam Aadmi Party” – the common man’s party – AAP has given hope to millions of people. More importantly, it has shown that people’s anger can be channelized in a non-violent, democratic manner to drive political change.

Appendix - Looking forward – sneak peak in to what lies ahead

How long did this coalition government last? Was AAP able to bring about the anti-corruption bill in the assembly? What impact did AAP have on the National Elections? We will analyse these questions as part of our final paper.