Did Indian Federalism Fail Punjab?

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As our first experiment on creating an online book review panel on a landmark piece of research, we invited three experts on the Punjab economy to review a book - with a second Indian reprint in 2019 - from their own vantage points. Reviewers wrote their reports independently from each other, so there was bound to be some duplication. Finally, all the reviews were sent to the author to seek a response.

We would welcome feedback and suggestions for further panels – Eds.


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The question of federalism has been a constant topic of debate since India’s independence. This continuing debate about centre-state relations in India is due to the fact that Indian federalism is unlike the American federal structure, despite being a Union of States (but not federation of states) which have their unique socio-culture, economic and political history and aspirations. In fact, the Indian constitution is popularly described as ‘federal in structure, but unitary in character’. Therefore, the division of powers/subjects between the Centre/Union and the States/Provinces under the Constitution provided for under the three lists: the Union list, the State list and the Concurrent list is always an issue of debate and the question of centralisation v/s decentralisation for development has continued to be debated for a long time now. The governments at the union and state level are constitutionally authorised to make laws on subjects in the Union and the State list respectively. It is only in the Concurrent list that both can make laws but the Union law will prevail over state law in case a conflict arises. However, in practice, there is a plenty of subjects in the State list on which Union Government has been running ministries and departments to carry out development activities, besides regulation, over the decades.
The book in question examines the question of federalism and nationalism and its implications for development in the context of a regional economy which has its own unique characteristics, culturally and economically. The main departure of the book from previous work on federalism as claimed by the author is that this book, unlike other literature which examines implementation issues in federal structure as the cause for centralisation of powers with the union government, focusses on the very structure of the constitution being responsible for centralisation of power with the union government across sectors of agriculture, and industry. The book organized in seven chapters examines in detail the question of federalism in different sectors like finance, agriculture, and industry besides setting the historical context of these questions in terms of geography and political economy and providing an analytical framework. It is recognised that the federation may face stress due to centre-state conflict (vertical) or inter-state conflict (horizontal) or a combination of the two depending on the issue under consideration. The author recognises that more than half of the world population lives under the federal government structure of some type and cites cases of failed federalism where the federated states became independent nation states. Interestingly, India and Sri Lanka within Asia like their counterparts in Africa and the Europe, remain federal despite experiencing high level tensions in their federal arrangements. One of the major reasons for tension in a federal structure can be the differences among regions in their economic status and attribution of the same to the federal structure. The dissatisfied region or province could be more developed one or the least or less developed.

Though there have been some studies earlier on the explanations for poor development experience of Punjab (Gill, 1988; Singh and Singh, 2002; Sidhu, 2002), the main focus of this research is to highlight the implications of Indian federalism for Punjab’s development beginning with the hypothesis that Punjab has suffered exploitation of its natural resources due to the Union focus on national food security. It is this orientation of agricultural development efforts at the national level despite the subject being in State domain that Punjab could not even diversify away from agriculture which created material conditions for conflict between regional aspirations and needs of Indian nationalism as articulated by the Union government. Interestingly, here, the author uses the term ‘Punjabi nationalism’ and not ‘Sikh nationalism’ which is important to underline. In order to understand the nature and dynamics of conflict between regionalism and nationalism, the entire development experience of Punjab under the Indian planned economic development strategy is explored. The author describes Punjab as a rich but not developed state because it is only about agriculture, and therefore, imbalanced economic structure which cannot be sustained. Though Green Revolution is described as a success story which took place in Punjab, the other developments in the state since the mid-seventies including the rise of Sikh militancy indicate serious problems in the model of development pursued in the state. In fact, one can agree with the author that even within the agricultural sector, the Punjab experience is more of an agriculturally grown state rather than agriculturally developed state because most of the
agricultural growth is about wheat, paddy and cotton crops which are all state driven market based and, mostly, land intensive low value crops without much scope for value addition and ago-industrialisation, with the exception of cotton. In fact, paddy does not belong to Punjab and has only created long term problems while addressing some of the short term concern of India.

In fact, the other dimension of this kind of distorted sectoral development is the fact that the surplus generated in the agrarian and rural sector could not be channelized in the industrial or services sector. This did not happen because the state could not have asked for public investment for both the sectors as balanced regional development at the country level was one of the stated objectives of public investments in India. Since 1960s and 1970s decades were those of licence permit Raj, the refusal to grant licences to industry to set up units in public and private sectors also added to this industrial backwardness. It is stated that Punjabi nationalists wanted fundamental restructuring of economic relations between the centre/union and the state or snapping of ties with the federal government altogether so that Punjab could move ahead on the path of self-sustaining diversified economic development. Though the development of state economy in a federal context is the result of both external and internal factors, the book mainly examines external factors and, that too, largely, the centre-state relations for explaining Punjab’s developmental experience. Most of the studies on centre-state relations have focused on financial relations but this book attempts sector specific analysis of this relationship in order to overcome the limitations of only financial relations which are in the form of revenue and expenditure shares and a formal structure of the Finance Commission which determines the basis for allocation of resources every five years, unlike any such thing in the agricultural or the industrial sector.

The author is absolutely correct in pointing out that the analysis of federal relations in agriculture in an explicit manner has been, by and large, ignored. It is only recently that in the context of agricultural marketing reforms which are not progressing at the desired speed despite attempts at this since the early 2000s that a discussion has begun to examine possibilities of altering domains of the centre and the states so far as agricultural markets are concerned (Acharya, 2017) and also the handing over of model Acts by the Union Ministry of Agriculture for reform of agricultural markets for some time now (Singh, 2018). It is a different matter that despite the present government’s stated mantra of ‘co-operative federalism’, this kind of move is only likely to further reinforce centralisation of powers with the Union Government if the subject of agricultural markets is moved to the concurrent list from the state list.

The first chapter also dwells on the quantitative and qualitative aspects on centre-state relations and brings in what the author terms as reconfigured centralisation–decentralisation (RCD) approach. This approach is thought necessary for the reasons that: (1) Punjab may lose financially if a compensatory versus redistributive approach is followed, (2) the state may be unable to shoulder the responsibility for socio-economic development due to the narrow tax base, (3) the extra-constitutional transfers through the erstwhile Planning
Commission (not valid any more as Planning Commission has been replaced by Niti Aayog which has no financial powers) and central ministries, may not be in the state’s interest, and finally, (4) vertical imbalance between the centre and the states which points to centralisation because of the revenue generating sources and the power to amend the constitution being with the Union government needs to be highlighted. Whereas the narrow tax base for states affects every state equally, the loss of autonomy because of centralisation has differential implications for different states due to their levels of development. The author argues that the RCD approach used can incorporate constitutional and issue-oriented approaches both in the agricultural and industrial relations context.

The real expression of state aspirations with specific articulation of the Sikh demand for a federal structure was given in the Anandpur Sahib Resolution by the Shiromani Akali Dal which clearly stated that other than the five subjects of: defence, foreign affairs, currency, railways and communications, all other subjects should be the domain of the state, not the centre. Incidentally, the author misses the mention of railways as one of the five subjects which could be retained by the Centre. The other crucial aspect in the description of the Punjab-Centre conflict is the rise of Naxalism in the state which is not discussed. This was just before the Sikh nationalist movement and the author mentions it only in passing. The author also does not dwell upon the forces behind the rise of Bhindranwale as a militant leader in any explicit way.

The major thrust of the third chapter is the centre-state relations post-independence wherein it’s argued that the use of the word ‘federation’ or ‘union’ in the Indian constitution was not a mere semantic quibble. Rather, it was an issue of a serious ideological conflict between the centralist and decentralist forces and use of the term ‘union of states’ and not ‘federation of states’ was deliberately chosen to emphasize the centralisation bias to create an indestructible Union. This is also reflected in the single citizenship of India and the subordination of state legislations to the executive power of the centre.

Chapter four examines the centre-state financial relations by examining various financial transfers that were statutory and non-statutory with the latter being made outside the framework of the Finance Commission and this included plan transfers and discretionary transfers. The plan-wise details of these transfers provided up to the mid ‘80s shows that statutory transfers were not even 40% of the total. Further, the statutory transfers even up to 1990 were only less than 20% of the total grants made by the centre to the states and the total resource transfer as percentage of the union government aggregate resources were only about one-third throughout the period from 1956 to 1984. This kind of transfer policy led to states’ dependence on the centre for financing their revenue and capital expenditure. As a result, the non-development expenditure of the states accounted for the entire resources with three-quarters going for the revenue account and one-quarter on the capital account. The main reasons for the states to become dependent on the centre were the narrow tax base, low return on investment in public enterprises in the state sector and the implications of economic instruments used by the centre to raise capital which were external assistance, special credit and borrowings from abroad and deficit financing and
market borrowing, besides special deposit schemes like the Public Provident Fund and small savings. It is shown with hard data that Punjab received only 1.6% of the State Domestic Product (SDP) of the state and 1.04% of central plan assistance. The overall assistance for Plan outlay was 6.2% of the SDP during 1980s due to the SDP of the state in per capita terms being the highest in the country and the formula used for allocation by the Finance Commission being more about population density, level of poverty, and the like. Punjab received less than 1% of the investment in non-departmental undertaking as percentage of GDP during the 1970s and first half of 1980 which was the lowest among all the 15 states of India. Even in market borrowing during the 1980s, the share of Punjab as percentage of all the states was only 2%. In fact, the issue of financial relations between centre and states is very much alive today. Although the 14th Finance Commission had increased the share of states in gross tax revenue by the Union government, the issue has come up again for the 15th Finance Commission. The share of states has actually declined over the last few years as compared with the 13th Finance Commission period, whereas the development demands on the state governments have risen. One of the reasons for this is that despite the higher share in gross tax revenues, there are many cesses and surcharges, which are not a part of the divisible pool. In addition, there are many schemes now which are now directly financed by the Union government compared to earlier. On the other hand, states have also lost autonomy to mobile funds due to the implementation of Goods and Services Tax (Kwatra and Bhattacharya, 2019).

The next chapter dwells on implications of centre-state relations for the agricultural sector. It is pointed out that the description of agriculture as a ‘tied sector’ reflects the pro-centre stance of the Planning Commission. Even the Sarkaria Commission justified the primacy of the centre for enacting the Essential Commodities Act, 1955 in the name of national interest. Similarly, an entry in the Concurrent list on price control was also interpreted by another expert as an authorisation for the government to fix minimum and maximum prices. In fact, the Minimum Support Price (MSP) for wheat and paddy and many other farm commodities is done under this entry 34 in the Concurrent list. The Sarkaria Commission also linked this entry to entry 33 of the same list and argued that it had a much wider coverage. There are many other states like Tamil Nadu and West Bengal who also demanded as late as the mid-1980s that these entries be transferred from the Concurrent list to the State list. It reminds one of recent arguments and attempts to bring some of the agricultural subjects in the State list to the Concurrent list to enable speedy agricultural market reforms. The author particularly highlights Article 48 of the Constitution to demonstrate how centralisation can happen without notice. This Article states that ‘the state shall endeavours to organise agriculture and animal husbandry on scientific lines and shall in particular take steps for preserving the breeds and prohibiting slaughter of cows and calves and other milch and draught cattle’ (p.111).

The rest of the chapter is devoted to demonstrating the influence of central government initiatives and policies which led to the distorted development of
the agricultural sector in the state. It is shown that the third and fourth five year plans had significant proportion of total agricultural expenditure in crop production and major and minor irrigation projects. It is argued that because of some favourable cultural and demographic structures like refugee peasants and Sikh farmers as the best farmer in India and due to the dignity of labour as enshrined in the religious philology of Sikhs, also led to targeting Punjab for agricultural strategy of India. The author also highlights the weaknesses of the economic structure of the state economy which is highly agricultural based and therefore, has led to Punjab being relegated to the 11th position in the growth rate of SDP during the 1980s among Indian states compared with 3rd rank during the 1970s and early 1980s. This was true of per capita SDP as well. The chapter ends with explaining the crisis within state agriculture by highlighting briefly issues in economic and natural resource sustainability and attempts to move towards a more diversified agriculture. Surprisingly, the chapter does not go into the agrarian structure in terms of operated land being in the control of medium and large farmers wherein small and marginal farmers have been forced out of farming due to the practice of reverse tenancy and high lease rates of land (Singh, 2011). Agricultural policies pursued in the state which are either blind to smallholder interest or biased in favour of large and medium farmers have further led to a kind of agricultural growth which is not pro-poor. The other ignored dimension which reflects a bias in the analysis is that the role of state government, even in terms of agricultural diversification is not even discussed though the author mentions that the focus of analysis is on external factors. Though the strategy of crop diversification is criticized due to the reasons that it reinforced the agriculture dependent character of the state economy, it is ignored to highlight the potential for agro-industrialisation which can be a stepping stone towards more formal industrialisation process removed from primary agriculture (Singh, 2016).

The 6th chapter deals with analysis of the implications of centre-state relations in the industrial sector wherein, the constitutional provisions regarding the issue are elaborated and the various policies and regulations in the industrial sector are examined. It is pointed out that the state governments of Punjab, Tamil Nadu and Karnataka have been critical of the constitutional provisions of entry 52 in List 1 which limit the power of state government in the field of industry. The Union government has been bringing new industrial sectors within the scope of Industrial Development and Regulation Act 1951 by citing ‘public interest’ as the reason. The Punjab government had even provided a list of 16 industries to which the Union list should be restricted. Tamil Nadu also demanded such restriction of union domain. The Karnataka government petitioned for more clear definitions of ‘public interest’ and ‘national public interest’. Other state governments which wanted this scope of Union role in the industrial sector restricted during the 1980s, included: Tripura, Gujarat, Haryana, Jammu and Kashmir, Maharashtra, Sikkim, and West Bengal. In fact, the Andhra Pradesh government suggested that all industries except those relating to defence or national security should be within the domain of state governments. On the other hand, there were some states, mainly in northern
India, which for various reasons, supported the union control over industries. These included: Bihar, Himachal Pradesh, Madhya Pradesh, Orissa, and Uttar Pradesh. Their differential approach to the same issue was driven by their ethnicity, level of development and the language. There were, therefore, both economic and political-ideological considerations in favouring or criticising union control over industries. The economic interest and the political situation of Punjab necessitated its approach to central-state relations.

In the next part of the chapter, the author examines the structure of industrial sector in the state in terms of nature of industries, their magnitude, and size of units in terms of workers employed and it is found that in 1950, when it was undivided Punjab, the textile and manufacture of machinery accounted for 60% of factories and 63% of employment. An analysis of central public investment over 20 years from early 1960s to early 1980s revealed that the share of Punjab used to be close to 3%, consistently came down to less than 1% by the mid-1970s and only once reached that original level in 1979 before falling to 2% in the 1980s. This is one of the lowest shares among the states and compares only with Haryana, HP, Rajasthan, and, to some extent, Kerala. One of the major explanations for this comes in the form of the central government objective of reducing inter-state disparities in development. This objective was also accepted by the Planning Commission at that time. Another analysis of a set of data on investment in central projects in Punjab showed that it was only 1% in the mid-1980s and never touched 1% after that until the end of decade of 1990s. The critical role of this investment for the industrial development of the state is seen through this public investment playing a key role in setting the pace of industrialisation in early stages when private sector is weak and, therefore, public sector investment is needed to crowd in private investment. The outcome of lack of central public investment in industrial development of the state is reflected in the share of the secondary sector in GDP of the state which hovered around 15% for two decades of the 1960s and 1970s and at 20% during the 1980s compared with the consistent share of more than 20% for the country right through the two decades of the 1970s and the 1980s. It is interesting to find that there is no mention of the often quoted reason of the state being a border area which dissuades investment in industry.

Among the various states, the ranking of Punjab based on the share of the secondary sector in state GDP both in 1980-81 and 1990-91 showed that it was 14th and 17th respectively and much lower than the states of Bihar, Andhra Pradesh, Kerala, Bengal, and Orissa. The other noteworthy aspect of the state industrial sector is its small scale units which predominate. The size analysis showed that most of the factories since the 1960s have been those employing less than 100 workers and accounted for almost 80% of the units and 20% of the employment in the sector. In fact, the first and the only unit employing more than 5000 workers was set up in the early 1980s and remains so even now. In fact, the number of workers employed in small size units was much higher as a percentage (55%) in 1966 which came down to 22% by 1992. The other important dimension of the poor industrial development of the state is that the
surpluses generated in the state, measured in terms of advances/credit to deposit ratio, are not being invested within the state where Punjab had a rank of 14 among the states in 1970 and 1990 with a credit deposit ratio of 35 and 45 respectively. This ranking was the lowest among the major 15 states except Bihar in both 1970 and 1990. As we talk of export of water from the state in the form of paddy rice to other states, the phenomenon of investible surpluses from Punjab generated in the agrarian sector – both production and trade - flowing to other states since the 1970s has also been happening over the decades. Therefore, agricultural dependence of the state has been only reinforced over the years rather than the state moving away from it. Further, many of the local industries were also footloose in that they didn’t have any backward linkages with the rest of the economy and could be located or shifted to any place in the country, except for the fact that their founders happened to be Punjabis. It is surprising to note that the author makes no mention of political disturbances during the decades of 1980s and 1990s which had definitely affected industrial investment and industrial performance.

The last chapter of the book summarises the entire analysis and provides insights into the reasons behind Punjab’s industrial backwardness and agricultural stagnation in terms of political economy of agricultural and industrial policy making involving centre-state relations. It would have been better if there was more detailed analysis of the Anandpur Sahib Resolution of 1973 as that was seen as the ultimate charter of demands for federal India where the states could have maximum autonomy, and the politics of it in terms of the language of the Resolution and the protagonists of the Resolution. It is also a bit disappointing to note that the provincial government has been given a clean chit for its role in the industrial and economic development of the state, at least after the 1990s. Since all other states were also under the same federal framework, it is important to see how they could industrialise or reorient their developmental trajectories which Punjab failed to do (Singh, 2004). The book also gives a miss to the political economy of agricultural sector of the state, including agricultural markets, where the vested interests have held the sector to ransom for a long time now. The poor record and evidence on regulations and development of agricultural markets by the state government shows that it has not even attempted to set its house in order (Singh, 2011; 2017). This could have at least improved lot of the farmers and paved the way for agro-industrialisation of the state. Further, there is the social-cultural (inter-community and inter-religious) dynamic of the economic structure of the state wherein one community which is more pro-union is into trading and industrial activity by tradition and another which is more pro-state is more into farming and agro trading post Green Revolution. This is unlike many other states like Gujarat and Andhra Pradesh/Telangana where farming communities have been able to more successfully move into non-farm and industrial businesses as there is no occupational divide based on religious and caste lines (Singh, 1997; 1999; 2013).

Finally, the book, as also claimed by the author, is one of the unique books on Punjab as it deals with the issue of federalism in a comprehensive manner
with empirical evidence and makes an argument for more decentralised federal structure for more balanced and regionally relevant sustainable development, including that of Punjab.

References


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Punjab has historically been an important and strategic state. Its rich and highly fertile and productive agricultural resources tempted many a foreigner to conquer it. The British finally managed to annex it in 1849. Throughout the Mogul, Sikh and British rule periods Punjab remained one of the most prosperous regions in the Indian sub-continent. The British invested heavily in developing its agriculture and communication infrastructure which both boosted commerce and trade and globalised Punjab and the Punjabi imagination, to the envy of other Indian states. Punjabi imagination was further deepened and widened through overseas migration during the colonial and post-colonial periods which led to the formation of a global, dynamic and vibrant Punjabi diaspora which we witness today. Despite the tragedy of the 1947 Partition and further re-organisation in 1966, in the post-independent period too, Punjab reigned supreme as *uno numero* in terms of per capita income and contributed significantly in ensuring food security in India. Economic development of Punjab trickled down to the poor, directly contributing to an impressive record not only in poverty alleviation but also in improving critical human development indicators.

However, as we entered the twenty-first century the situation began to change and the successful Punjab model, based largely around agriculture, came under considerable strain. Punjab’s relative position among Indian states, using a range of different socio-economic indicators, began to decline. It seems globalisation of the Indian economy, beginning with the externally-imposed economic reform process in the early 1990s, tended to accelerate Punjab’s decline rather than reversing it, in sharp contrast to the case in many other states.

The above provides important historical context in placing Pritam Singh’s *Federalism, Nationalism and Development* as an important contribution towards understanding the external constraints on Punjab’s development trajectory. There are several ways of framing and understanding the Punjab paradox of being ‘rich but not developed’ or exemplar case of ‘lop-sided or unbalanced development’. One can take a Punjab-centric approach and focus on the important *internal* constraints (historical, economic, social and political) which prevented Punjab from undergoing a ‘stylized’ structural transformation from agriculture to industrialization to services. But of course such an approach would...
have severe limitations, not least because Punjab is not a nation-state or an autonomous region but operates within the Indian ‘federal style’ constitutional set-up. Alternatively, one can take external constraint as the overriding variable and frame the debate within types of federalisms, nature of centre-state relations they can/can’t support and the tensions they will inevitably generate between competing sub-nationalist and nationalist aspirations. This approach is especially relevant for India given its multi-religious, multi-ethnic, multi-lingual and multi-regional diversity. This indeed is the approach preferred by Singh, although there is no explicit discussion on why other approaches are rejected. Further, since Singh’s work was conceived and research completed in the era of a relatively ‘closed’ Indian economy following a state-led industrialization model, the external constraint, namely Indian federalism, seemed the most overwhelming and worthy of his specific attention. Hence the national-level ‘macro’ emphasis in the book and its limited focus on internal economic and political obstacles. A more balanced approach may have given greater attention to the dynamic interplay between internal and external constraints. For instance, would it have made any difference to Punjab’s centre-state relations if Punjab had 45 MPs in the Lok Sabha rather than the paltry 13 out of a total of 545?

Before moving to further discussion on the book, it may be in order to rehearse the contemporary narratives on the relative decline of Punjab. This will help us to understand whether there were continuities and/or discontinuities between the period covered in the book (1966-1991) and the post-1992 reform period. After all, Punjab’s relative decline and economic crisis have only worsened over time and the seeds of decline may well have been sown during the first five decades of independence.

Why Punjab’s Relative Decline?

At the expense of simplification and hindsight of nearly 30 years of history after ending of study period of the book under review, major narratives on Punjab’s decline can be categorised under the following four broad sub-headings:

(a) Declining Role of Agriculture with limited expansion in non-agricultural employment;
(b) Punjab as a Border State and Militancy of the 1980s;
(c) Indian Federalism and Centre-State Relations;
(d) Quality of Economic and Political Governance.

Although the four categories are inter-related, and overlap, quite clearly category (c) would provide the most explicit consideration to external factors. So let us consider how Singh’s work contributes to our understanding of Punjab’s decline. Singh forcefully argues that Punjab’s development problems, especially the state’s over-dependence on agriculture and its lack of industrialization, largely stem from the nature of the Indian federal set-up designed to assist the project of Indian nation-building at the time of independence and the specific form of centre-state relations this generated.
These centre-state relations worked against the interests of Punjab and Punjabis in several ways. Firstly, the Indian state or the Centre generally perceived Punjab primarily as an agrarian state, a ‘food bowl’, whose crucial role was to provide national food security which was essential in its over-arching quest for cementing Indian nationalism. Through appropriate use of agricultural pricing and procurement policies, Punjab was expected to provide relatively cheap and plentiful supplies of food-grains to the central pool. Secondly, the Indian State’s project of promoting equitable development through redistributing tax revenues in the form of central government grants and financial assistance meant raising revenues from highly developed richer states such as Punjab to re-distribute to poorly developed ones like Bihar. This ‘resource and financial extraction’ disadvantaged Punjab over the long term in terms of central allocation of financial resources. As Singh has argued and demonstrated through ample data, this would explain why public sector investment in Punjab was negligible compared with other Indian states such as Gujarat and Maharashtra. Thirdly, since Indian federalism works through highly centralized organizations such as the Planning and Finance Commissions, regional aspirations remain suppressed due to limited autonomy and lack of decentralization in decision-making, thwarting the project of Sikh/Punjabi nationalism. This creates political tension as competing nationalisms clash. And finally given the constraints under which Punjab was forced to operate, the nature of its economic development is distorted with continuing dependency on agriculture with only limited industrialization. Punjab’s case is therefore one of ‘internal financial drain’ or a particular form of core-periphery model as popularized by Latin American development theorists. Singh concluded “Punjab’s development pattern cannot be understood unless one situates it in the context of Indian federalism, India’s development path and the troubled history of relations between the Punjabi Sikhs and the Delhi-based central powers in general and the post-1947 Indian nationalist state in particular” (Singh, 2008, p. 166).

There is no doubt Singh’s approach is novel and refreshing in that he contextualized the patterns of Punjab development within the wider federal set-up coupled with the Indian development strategy, rather than the more micro or region-centric approaches used by other scholars. His political economy approach also provides more clarity and understanding than the usual technical literature focused on optimal criteria for awarding fiscal transfers to states. However, the problem with laying all the blame at the door of federalism and its centralizing tendencies in pursuit of building Indian nationalism, is that it provides no agency at all to the state level political establishment and state institutions. We don’t know whether they played a positive or a negative role. Unless of course these are considered subservient to the national project. A more nuanced discussion on centre-state political tensions, forced and frequent changes in state governments and lobbying by state and business representatives and their influence on setting Minimum Support Prices for wheat and rice, would have provided more insights into the politics of centre-state relations. For example, passing of the Anandpur Sahib Resolution had its symbolic importance for Punjabi or Sikh nationalists, but this public posturing does not really tell us
anything about whether the Centre treated it merely as a gimmick for political mobilization, or whether the Centre acknowledged its own shortcomings which brought tangible benefits to Punjab. Of course, we learned later on that the ASR came to be seen as a separatist document.

Overall, whilst Singh’s narrative provides a useful framework for explaining Punjab’s pattern of development between 1966 and 1991, it may be limited in explaining Punjab’s post-1991 relative decline when greater autonomy was offered to states by Liberalisation, Privatisation and Globalisation (LPG). In the post-1991 period Singh’s argument would seem to weaken and given that major perceived constraints were removed in 1991 (when a “historic break” occurred), why did Punjab, instead of experiencing rapid industrialization, actually undergo a decline in its relative position in the economic league table of Indian states? Another important question then seems to be why were other similar, economically developed states, in a better position than Punjab to take advantage of the new environment offered by LPG? Some scholars have strongly suggested that political leadership in Punjab appeared not to have shown the vision, capability, or the political will to respond to opportunities offered by globalisation or to arrest Punjab’s relative decline. So can we still wholly blame the Indian state for Punjab agriculture’s lack of diversification? Or do we see new forms of alliances between Punjab (sub-national) capital and Indian capital?

So how did Federalism change after 1991? Or did everything, structurally at least, remain the same and why? This is a challenge and a relevant question for Singh to answer in perhaps a new edition of the book which would bring Punjab’s story up to date. Thus, as commentary on Punjab’s relative decline, especially the absence of discussion on exploring post-1991 legacies, the contribution has to be seen as period or time-specific – as an early experiment in nation-building and how Indian federalism actually functioned and not as envisioned by the founding fathers. Punjab paid a heavy price then and continues to do so today despite the drastically changed national and global environment.

It would be wrong to see these limitations of the book as criticism when they are actually suggestions for a new kind of project. It is an admirable book, intellectually demanding and well supported by qualitative and quantitative data. It will remain an important contribution to our understanding of how an apparently rich agrarian state can suffer relative deprivation unless there is active resistance against forces that are contributing towards it, be they at sub-national or national level.

(3) Dr. Harpreet Kaur Narang, Associate Professor of Economics, SGTB Khalsa College, University of Delhi

Punjab is a culturally and geopolitically distinctive state in India. It suffers from a curious paradox of high per capita incomes co-existing with unbalanced growth and a stunted industrial economy, which the author rightly describes as “rich but not developed”. Professor Pritam Singh, a visiting scholar in the
University of Oxford, uses a unique methodology to investigate the structure of economic development in this region and therefore comes up with interesting explanation behind the paradox. In doing so, he implicitly suggests solutions to the problems that are peculiar to Punjab.

Being inclined towards the Marxian ideology, the author’s quest ends up with finding solutions to the development failure in Punjab amidst the multiple crisis at the national and international level in the 80s and 90s. This is not just any other case study of centre-state relations but a fresh Marxian interpretation of the dialectical interplay of Indian national and several political-economic aspirations of regional sub-nationalisms. The author’s intellectual interests are devoted to exploring the process of global capital accumulation mediated through a nation state at a regional level within a political economic context. The ultimate goal of the study is to make the reader view each state as a distinctive sub-national community having its own unique socio-cultural identity.

The main idea that percolates from the data is that India is not a homogenous country, but a country with multiple sub-nationalisms. In such a country with a wide regional diversity, federalism, as a system of inter-governmental relations, creates a bundle of contradictions. The author aptly calls these contradictions as “a dialectical mixture of harmony and conflict, satisfaction and dissatisfaction”. By highlighting the role of federalism and nationalization as one of the most important determinants of regional and national economic development, this book provides a unique perspective on the issue of structural growth and development. It is indeed an important contribution to understanding the political economy of Punjab. In fact, after reading the book one realises that the pattern of economic development in Punjab cannot be understood unless it is viewed from the lenses of federalism, nationalist aspirations and the troubled history of relations between Punjabi Sikhs and Delhi based central powers.

According to the author, India is a classic example of a crisis-ridden federal political arrangement characterised by regional inequalities and conflicts of ethnicity and nationalism. This book shows how, in the process of meeting its national goals of food self-sufficiency, regional equities and national integration, Punjab made a huge economic sacrifice of its own resources that led to its own neglect and a lop-sided development. It also shows how the central planners denied Punjab its crucial public sector investment and diversification leading to a paradoxical economic structure that has stagnated.

The period of study, 1966-91, has been very thoughtfully and carefully chosen by the author. The year 1966 marks the historically significant territorial reorganisation of Punjab on linguistic grounds as well as the adoption of the Green Revolution strategy; while 1991 marks beginning of the era of New Economic Policy regime in India dictated by the Bretton-Woods twins. During the intervening period Punjab’s economic development was shaped by nationalist ideologies that were themselves influenced by the national aspirations within a global context. The significance of the period stems from the contradictory events of the period that made Punjab a rich but underdeveloped state with excessive dependence on wheat-rice monoculture
fostered by the green revolution strategy and the small-scale industrialisation promoted by the Licensing Raj.

The existing literature on Punjab is mainly “Journalistic in nature”. In general, there’s a severe shortage of serious academic work on the problems facing the Punjab economy. In such a situation this book has contributed phenomenally. In academic literature, the author points out that there are generally four approaches that are used for analysing centre-state relations. The use of each of these approaches depends upon the relevance of the issue at hand. These are:

a. The Compensatory criterion Vs Distributive criterion
b. The Resource Position Vs Expenditure responsibilities
c. The Constitutional approach
d. Centralisation Vs Decentralisation

With respect to development in agriculture and industry, the commonly used approaches according to the author are:

a. The Constitutional approach
b. The Issue Oriented approach

c. The Compensatory criterion Vs Distributive criterion
d. The Resource Position Vs Expenditure responsibilities
e. The Constitutional approach
f. Centralisation Vs Decentralisation

This book uses a more suitable and modified approach; the “Reconfigured Centralisation-Decentralisation Approach” (RCD) that successfully helps meet the author’s objective of examining macro-trends and their implications for the state of Punjab. By using this approach, the author combines the elements of all the pre-existing approaches to justify the findings.

The book is divided into seven chapters. Starting with introduction in the first chapter, the author devotes two chapters for providing the historical background to the period under study. While chapter two provides the pre-1966 background to Punjab and Sikh history; the third chapter explains the history of centre-state relations. The rise of Punjabi nationalism has been traced back to the 18th century, while the evolution of centre-state relations in India go back to British rule. The novelty of the work lies in the fact that the harmony and conflict between Punjab-based nationalism and the Central powers is examined within the framework of a social and historical context. Hence the first three chapters provide the necessary tools for the reader with which to appreciate and understand the context and importance of the issue at hand. The main body of the work can be found in chapters 4, 5 and 6 in which the RCD approach has been employed to monitor the trends in the three key areas, viz. State Finances, Agriculture and Industry as outcomes of the federal set-up. The last chapter is the concluding chapter.

However, this book is not completely adequate for readers who are looking for a general overview of all the external and internal influences on the regional economic development of the state of Punjab. The focus of the book is mainly confined to the impact of only one of the external factors influencing the Punjab economy, viz. the federal centre-state relations on the state’s finances, agricultural and industrial development. In most of the academic work, the latter
two have been largely neglected. Moreover, the book does not provide any data on the horizontal economic relations of Punjab with other states. Analysis of implications of centre-state relations are mainly qualitative in nature, while the quantitative data is used as a supportive tool to show patterns and trends in the three macro-economic aspects investigated in the study.

In a nutshell, the book highlights the strategic role played by a federal political structure inclined towards increasing centralisation in shaping the pattern of economic development of a region. It is a thoughtfully woven in-depth story of exploitation and sacrifice of a state’s resources in the name of nation-building, and the declining access of its share in the national pie. The author has successfully blended history, culture, politics and economics, to show, in a very convincing manner, how the goal of Indian nationalism pursued by a strong centre led to:

a. A low share of central resource transfers to Punjab
b. A centralised control over Punjab’s agricultural sector, in spite of it being a state subject
c. The shaping up of an industrially backward state based on a very low public sector investment and a preponderance of small-scale industry

In fact, after having read the book, the readers will surely be looking forward to at least two more volumes by the author. Firstly, it will be interesting to read the author’s view on Punjab, within the same context, in the post-reform period. Secondly, the reader’s quest for knowing more about the progress of Punjab economy in comparison with other states still remains. It is suggested that the author devotes another full volume to that.

Reply by Professor Pritam Singh, Visiting Scholar, Wolfson College, Oxford University

It is a matter of immense professional satisfaction for me to receive these critical readings of my book by Sukhpal Singh, Shinder Thandi and Harpreet Kaur Narang who all have made important contributions to the study of Punjab economy. Each one of them, in their own independent ways, have captured that the purpose of my work in this book was to bring about a paradigm shift in mode of understanding the making of Punjab’s economy. The scholars studying Punjab economy have spent several decades dealing with the micro-level or sectoral-level dimensions of Punjab economy but without exploring how those micro-level and sectoral-level developments are being critically shaped by the external domains of the functioning of the global economy and the federal/central governance of Punjab’s economy. My original aim was to focus on the integrated role of these two external domains in the making of Punjab economy. However, keeping in mind the necessity to confine the work to a manageable proportion, I decided to bring the external domain of the global economy into analysis only to the extent that the functioning of the global economy was mediated through the structures and policies of the federal/central
state in India. The structures and policies of the federal/central Indian state, therefore, remained the focus of this study.

Apart from the focus of my study on Punjab, my aim was also to make a break with the dominant paradigm in federal studies in general but South Asia/India in particular that views centre-state relations merely as an arrangement of administrative regulations between two levels of government. By bringing in the political economy of contesting nationalisms in centre-state relations, my aim was to contribute to developing a template to analyse regional imbalances and tensions in national economies with federal structures and competing nationalisms. My hope is that such a template would help new scholars aiming to study the impact of federal arrangements on the formations of other regional/state economies in South Asia/India.

I have benefitted enormously from all the three reviews. Thandi and Narang have highlighted the significance of the book’s analytical framework along with Thandi providing further elaboration of that framework. Singh has summarised a few key findings and has made some valuable observations on some empirical details of the work in this book. They complement each other in providing a fair evaluation of my work in this book. There have been many reviews of the book but there is only one other that I would like to bring to the attention of the readers i.e. by the late Prof Ajit Singh of Cambridge University who wrote: “The book is one of those rare academic publications which have the potential to make history’” (Singh, 2011). Only time will tell whether this assessment about the history making potential would be justified but I interpret this as pointing to the importance of centrality of the political economy of competing nationalisms in studying federal relations in India as a key to the unfolding of Indian political economy especially in relation to Punjab.

I respond below very briefly to some specific points made by Sukhpal Singh, Shinder Thandi and Harpreet Kaur Narang.

To start with, one correction to the interpretation made by Sukhpal Singh that my analysis suggests that ‘Punjab may lose financially if a compensatory versus redistributive approach is followed’ in the formula adopted by the Finance Commissions in allocating shares of different states from the central revenue. My argument was just the opposite to this interpretation: ‘Since Punjab is a state with relatively higher tax effort, a greater emphasis on the compensatory principle will strengthen Punjab’s state finances while emphasizing the redistributive principle will weaken them” (p. 11).

I was rather surprised by Singh’s observation that I mention the Naxalite movement ‘only in passing’ and dwell upon the rise of Sant Bhindranwale not ‘in any explicit way’. Three points are worth making on this observation. First, my book is the first academic work which explores the deeper socio-economic/cultural and not superficial organisational links between the emergence of the Naxalite movement and the militant Sikh resistance where I characterised Sant Bhindranwale as the main articulator of that resistance (p 36-37). Second, my book is also the first work in identifying four distinct stages in the evolution of Sant Bhindranwale as a religious-political leader. I have amplified these four
stages more recently in a public lecture (Singh 2019) and a TV interview (Singh 2020a). Third, I provided reference to my article (Singh 1987) which was the first scholarly exploration of the impact of Green Revolution-led capitalist penetration in Punjab agriculture on the emergence of the Naxalite movement, religious revivalism and Sikh militancy. Green Revolution as the Centre-led strategy to make India self-reliant in food availability connects all these politico-cultural movements to Punjab’s placing in Indian federalism. Three of my later writings have further developed this subject (Singh 2010, Singh and Purewal 2013 and Singh 2020). Even after these contributions, I consider that there is a need for more scholarly work on the politico-economic and cultural significance of the Naxalite movement, Sikh militancy and the rise of Sikh religious revivalism symbolized most prominently by Sant Bhindranwale. Such scholarly work would enrich our understanding about why Punjab has remained a troubled state in Indian federalism especially as we compare this with the relative harmony in Centre-State relations in the neighbouring state of Haryana which is not too dissimilar from Punjab in the structure of its economy.

The argument in my book on the Sikh dimension in the introduction of Green Revolution strategy is different from the way Singh has understood that argument. Singh attributes to me that I have “argued that because of some favourable cultural and demographic structures like refugee peasants and Sikh farmers as the best farmer in India and due to the dignity of labour as enshrined in the religious philology (sic!) of Sikhs, also led to targeting Punjab for agricultural strategy of India”. My argument was just the opposite to this attribution: “I have not come across any written evidence that suggests that Indian policy planners took into consideration the sociological and religious characteristics of the Jat Sikh peasantry in arriving at the decision to introduce the Green Revolution strategy in Punjab” (p. 117). What I suggested was much more nuanced that took into account the perceptions of Punjab-based policy planners and the importance of structural/material conditions over cultural dimensions: “There is some evidence to suggest that some of the policy planners [I had mentioned M. S. Randhawa as one of the key Punjab-based policy planner] were aware of the historical background of the Punjab peasantry, and would have viewed it as another factor in favour of introducing the Green Revolutionary strategy in Punjab, in addition to the objective material conditions prevailing in Punjab agriculture, such as irrigation resources and potentialities” (p. 117). By referring to the absence of written evidence on central policy makers’ decision on economic strategies pursued in Punjab due to the state being a Sikh majority state, I am sticking to the standard social science practice of making judgements on the basis of available evidence. This does not mean that the written evidence is the only admissible evidence and, therefore, it does not remove the possibility that other forms of evidence might emerge which would demand reconsideration of this issue.

Singh’s expertise in agricultural markets comes out well in his observation that the trends in agricultural markets are likely to further accentuate centralisation in agriculture. This is a very valuable observation and a subject
for further exploration, as he has rightly suggested, in strengthening my thesis about the increasing centralisation of agriculture in India.

Regarding Singh’s point about the political disturbances in the 1980s and the 1990s leading to adverse impact on industrial development in Punjab, it is crucial, methodologically, to view these disturbances as the product of conflict - both constitutional as well as extra constitutional - between Punjab and the Centre and not as an autonomous and separate factor in understanding stunted industrialisation in Punjab.

On Singh’s point about the state government in Punjab not stepping up industrialisation (including agro-industrialisation), it is important to highlight that it is partly due to the policy dominance of agrarian classes in Punjab, and this dominance is itself the product of the over-development of agriculture created through central/federal policies in Punjab. This is in sharp contrast with the dominance of industrial/urban classes in other states where such industrial development was facilitated by central/federal policies towards those states. It is an excellent example of how what seems to be an internal factor (the role of a state government) gets shaped by an external factor (federal/central policies). This subject emerges prominently in the development literature dealing with theories of imperialism where imperialism (an external factor) is seen as shaping what appear as internal factors (class structure, political parties, consumption patterns, lifestyles and social attitudes). Shinder Thandi has rightly referred, in his review, to the dependency development literature in highlighting the contribution of my book. I have dealt with this subject in some detail elsewhere (Singh 2012 and 2016).

On Singh’s speculation about Punjab being a border state as a possible factor against industrial investment in Punjab, I am currently co-researching on the central government’s control of foreign policy making to the total exclusion of states as hindering the export potential of Punjab industry to Pakistan (Singh and Mann 2020b).

Thandi has also touched on the question of agency of the state government in Punjab in impacting Punjab’s development pattern although he recognises very clearly that the relative autonomy of a state government is limited. The nature of a state economy in the federal structure creates class alliances which have a bearing on the nature of policies a state government pursues. For example, the already developed industrial states would have lobby interests promoting industrialisation and conversely, the industrially backward and agriculturally developed states such as Punjab would be hampered by the dominance of agrarian classes less interested in industrialisation.

Additionally, the role of bureaucracy which plays critical role in policy making at the state level is important and this bureaucracy is highly centrally controlled. West Bengal during Jyoti Basu’s chief ministership had asked for abolition of IAS which is a hangover of the colonial civil service ICS. The best career postings in this civil service are sought at the Centre and through a survey of some civil servants in this cadre, I had pointed out: ‘The commonly accepted view among IAS officers is that the best connected among them get posted to
the Centre. A critical factor in procuring a central posting is that the aspiring officer does not have a provincial outlook and is therefore considered to have a nationalist (read centralist) orientation” (p.75). If the central government is interested mainly in retaining a food-producing status of Punjab economy, it will be rare for a Punjab-posted IAS officer to put forward a strong case for its industrialisation and push its state government in that direction. This ‘steel frame’ of India’s centralised administration acts as a very powerful institutional weight to lower the autonomy of state governments.

Thandi’s point about Punjab having a very few MPs in India’s parliament further underlines the weak bargaining power of Punjab at the Centre in policy making.

Both Singh and Thandi have referred to the Anandpur Sahib Resolution which I have discussed extensively (see pp 35,37,40,42,45,47,55,168) and the words of the Resolution are: ‘Foreign Relations, Defence, Currency and General Communications which will remain subjects within the jurisdiction of the Federal Indian Government’ which I took into account in my discussion (p.35). The subject of ‘railways’ which Singh mentions as missing from my account is not specifically mentioned in the Resolution.

Narang has rightly captured that my research on Punjab-Centre relations is crucially influenced by my Marxist theoretical orientation and I would like to add that my Marxist theoretical orientation is further influenced by an ecological world view, so the most appropriate characterisation of my theoretical approach would be ecological Marxism/ ecological socialism. The insights from the eco-socialist approach are reflected in my comments on the environmental degradation in Punjab caused by agricultural extractive strategy pursued by the Indian central state in Punjab (p.171 and p.193). Undoubtedly, the exploration of this subject in my book was merely indicative of the greater potential of research in this area.

Narang has very perceptively identified the horizontal economic relations of Punjab with other Indian states as another external influence on the making of Punjab economy. I discussed this subject in some detail in the chapters on state finances, agriculture and industry through an examination of the comparative status of Punjab vis-à-vis the other states on SDP, growth rates, central public sector investment but most specifically in the section on credit-deposit ratios of different states (Tables 6.12 and 6.13, pp. 158-161) and highlighted that the savings/deposits generated by agricultural development in Punjab are being used through the central banking system by industrially more advanced states. To highlight the gravity of these internal transfers through horizontal integration, I computed that ‘Just in one year (1990), it led to a drain of 4,725 crore Rupees (deposits 8,668 crore Rupees minus credit 3,943 crore Rupees) from Punjab. In the year 1990, nearly 50 per cent of the bank deposits mobilized in Punjab were invested in the other states of India’ (p.158).

Methodologically, the aspect of horizontal economic relations between Indian states is linked with the Indian national state’s objective of reducing regional inequalities which is eventually linked with the aim of developing one unified Indian nationhood. Not that the Indian/central state pursues this
objective in the most enlightened way and without being compromised by sectional regional and private interests that come to influence policy making at the Centre but those compromises revolve around the central fulcrum of Indian nation building. Without keeping in mind this central fulcrum, understanding the federal economic policies would be groping in the dark.

One point emerging from all the three scholar’s critical reading of the book is the need for extension of this analysis to the more recent period and, in fact, Narang suggests two follow up volumes: one on extending to the recent period (also suggested by Thandi) and the other on comparing with other states. On extension to the recent period, I would like to state that the forces of centralisation have not become weak in what is called the liberalisation phase from 1991 onwards. Although most academic and journalist observers would recognise highly strengthened political centralisation especially since the rise of Hindutva BJP to power at the Centre, I have tried to emphasise what is less recognized that, it is important to understand that due to the structural change of financialisation of the global capitalist economy and consequently of the Indian economy, the central government’s control of monetary and banking institutions has massively increased the economic power of the central government in shaping the destiny of the states’ development process (Singh 2007)). The development of GST is a glaring example of this increasing centralisation (Singh 2016a, 2017). The post-1991 economic liberalization regime decreased somewhat the regulatory role of central government in industrial development, and this opened the logic of the external economies of scale to operate in attracting multinational and domestic corporate capital to already industrially developed states (Maharashtra, Gujarat, Tamil Nadu and Karnataka) in comparison with less industrially advanced states such as Punjab. This somewhat diminished regulatory role of the Centre in industrial investment was over-compensated by the massive increase in the centralisation of economic power in India brought about by Centre’s strategic control and dominance in financial structures in Indian capitalism’s growing financialisation.

The argument for greater economic, political and cultural autonomy to the states remains as salient now as before liberalisation. Coupled with increased economic liberalization, the project of strong unified Indian nationhood - whether in the semi-secular garb of the Congress or the Hindutva garb of the BJP - throws a challenge to alternative visions of plural and sustainable India. Punjab’s future lies in aligning with forces of regional decentralization, political pluralism and sustainable development to weaken the existing structures of centralisation which externally constrain and stunt its development - economic, political, social, culture and, above all, ecological. This realignment requires multiple forms of mobilisation within Punjab to create a political platform that strongly supports and sustains such realignment. That is the way to resolve the paradox of ‘rich but not developed Punjab’ that this book has brought to light.

To conclude: the project initiated by this book - the methodology it crafted and the findings it brought to the scholarly literature on the subject - should be viewed as a continuing project. It shall hopefully inspire new scholarly enquiries
and political awakenings on the tangled subjects of Indian federalism and Punjab’s economic and political regeneration. This innovative panel discussion is an important step in highlighting the necessity and significance of continuing this project, and I thank Sukhpal Singh, Shinder Thandi and Harpreet Kaur Narang for their excellent reviews in enabling this innovation to support this project.

References


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