

Small States and Large States: Lessons for Punjab

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This paper examines the relationship between growth and size of a state, with particular reference to Punjab's performance. The analysis in this paper shows that a higher growth rate is associated with a break-up of a large state; however, with severe data constraints, it is difficult to ascertain causal evidence. Exogenous shocks (whether positive e.g. the Green Revolution, or negative e.g. militancy) can be expected to have a differential impact on smaller states than larger ones. While there can be no prescribed 'correct' size of a state, there are two *countervailing* forces that determine the trajectory of a state over the long term: a) smaller states may benefit from a more responsive administration in tune with local needs and greater homogeneity, b) smaller states can be susceptible towards poorer institutions and 'take-over' by non-desirable forces. One unambiguous recommendation is to focus on building democratic and civil society institutions that can enforce discipline on the process of governance. The lessons for Punjab are self-evident.

Section I: Introduction

India, a federal nation, has seen considerable change in the number of states since independence. This paper builds on earlier work by the authors (Kale and Bhandari, 2010), where the impact of state reorganization was studied, with respect to economic growth. The rationale for forming new states has generally included area, population, economy, heterogeneity, etc. but in reality, the only effective criterion that has been followed is political imperative. This has impacted Punjab as well, which first expanded in size as various principalities were combined and later became smaller as Haryana, Chandigarh and parts of Himachal were hived off. In this paper, we look at other cases of reorganization of states and their experiences, but the focus remains on Punjab.

Looking at the history of state formation in India, the initial two decades after independence saw significant reorganization. After merging more than 500 princely states into the Indian union, India had 28 states in its first decade of existence. Thereafter, the 1956 States Reorganization Act was the first attempt at creating a new framework on linguistic lines. Reorganization with language as a basis did not go uncontested though, as Dr. B. R. Ambedkar's note 'Thoughts on Linguistic States' pointed out:

“The Commission evidently thinks that the size of a state is a matter of no consequence and that the equality in the size of the status constituting a federation is a matter of no moment.

This is the first and the most terrible error cost which the commission has committed. If not rectified in time, it will indeed be a great deal.’ (Ambedkar, 1955)

While Ambedkar was focused on the imbalance of political power in the country, the solution he proposed linked the size of the state to administrative effectiveness, using the rule that ‘a population of approximately two crores which should be regarded as the standard size of population for a State to administer effectively’ (Ambedkar, 1955). He clarified that “One Language One State” should be the rule,

Into how many States a people speaking one language should be cut up, should depend upon (1) the requirements of efficient administration, (2) the needs of the different areas, (3) the sentiments of the different areas, and (4) the proportion between the majority and minority (Ambedkar, 1955).

The key rationales for a smaller state, therefore, were administrative efficiency and social cohesion – all ultimately aimed at better growth performance for the states and the nation as a whole.

However, as history shows, the demands for smaller states were not always met easily. In fact, the long-standing appeal for a Punjabi state was granted only in 1966, a decade after the State Reorganization Act. Following the 1956 reorganization, there are four instances of main changes: 1966- Punjab, 1970- Assam, in 2000 - Uttar Pradesh, Madhya Pradesh and Bihar were broken up into smaller states, and in 2014 – Andhra Pradesh. Our earlier work (Kale and Bhandari, 2010), focused on economic growth as the parameter to evaluate the impact of reorganization in a state’s performance. The results showed that creating smaller states from larger entities did lead to higher economic growth in the decade immediately following the reorganization. Moreover, states that have been a small part or on the periphery of a larger entity gained much more, than states that were significant parts of the larger states.

In the case of reorganization of Punjab, we argued that exogenous shocks (whether positive – like the Green Revolution, or negative – such as militancy) had a differential impact on smaller states relative to larger ones. Specifically, smaller states were not only more able to focus on a single agenda better, but they were also more impacted by large shocks. However, as we explain in section 3, our study is constrained by paucity of data. Thus, our arguments and conclusions in this paper ought to be interpreted as correlations and not causal evidence. In addition, the data points are not sufficient to establish statistical significance. Nevertheless, we believe the analysis is useful because it makes systematic comparisons.

It may not have been possible to implement the Green Revolution so rapidly, in a larger and more diverse Punjab. Rather a smaller, more homogeneous Punjab, could work better with the central government in ensuring the success of the Green Revolution – something that a state like Uttar Pradesh could not manage. In other words, the smaller state of Punjab was better able to focus its efforts towards a single objective of ensuring rapid increase in agriculture productivity. However, the resources required for fighting militancy would have had a serious negative consequence on the small state of Punjab; these losses would arguably have been less so in a larger Punjab.

We revisit the issue of growth and size of the state in this paper, with a view to setting out certain potential lessons for the state of Punjab.

Section II: Rationale behind reorganization of states

States in India have been reorganized many times since Independence. In 1947, there were more than 500 states, most of which were extremely small, unviable to function as independent economic entities. The process of consolidating smaller states into 28 larger one was concluded by the year 1950. For instance, in 1948, 30 princely states occupying a combined territory of 27,000 sq. km. came together to form Himachal Pradesh. PEPSU or the Patiala and East Punjab States Union was formed in 1950 out of eight princely states with a combined area of 26,208 sq. km. In the process of consolidation, there were strong demands for creating states on linguistic lines, and the State Reorganization Commission set up in 1953 accepted the rationale of language as a basis of state composition. This reorganization effected by the Commission, however, was not without some peculiar contradictions. On one hand, even under this formulation, the demand for a separate Punjabi-speaking state was not granted. In fact, in 1956 most of PEPSU was merged with Punjab, which had sizeable Punjabi, Hindi and Pahari population groups, with the remainder going to Himachal Pradesh. On the other hand, when it came to Andhra Pradesh, the Commission justified combining the regions of Telangana and Andhra using criteria of size and resources, rather than language.

Even at that point in time, the issue of size and viability of a state was forcefully put forth by Dr. Ambedkar, whose note 'Thoughts on Linguistic States' begins by pointing out the size of the states proposed by the States Reorganization Commission:

Taking population as the measuring rod the result may be presented as follows:

There are 8 states with a population between 1 and 2 crores each.

There are 4 states with a population between 2 and 4 crores each.

There is one state above 4 crores.

There is one state above 6 crores.

The result, to say the least, is fantastic. The Commission evidently thinks that the size of a state is a matter of no consequence and that the equality in the size of the status constituting a federation is a matter of no moment.

This is the first and the most terrible error cost which the commission has committed. If not rectified in time, it will indeed be a great deal.
(Ambedkar, 1955).

Ambedkar's opposition to the Commission's recommendations stemmed from the imbalance of political power in the country - the large states in the north and balkanization of the south would pit the two regions of the country against each other. He therefore used the population of the state and the need for administrative effectiveness as an argument for dividing the three large states of the north – Uttar Pradesh, Bihar and Madhya Pradesh – and Maharashtra. The rule that he proposed was, 'a population of approximately two crores which should be regarded as the standard size of population for a State to administer effectively' (Ambedkar, 1955).

As Ambedkar clarified, 'one language one state' should be the rule, but people with the same language can divide themselves into many states – this promotes more uniform balance of power within the country, satisfies social needs and most importantly, creates units that can be administered with ease, *leading to better growth performance for the nation*. His focus was on administrative efficiency and economic growth.

Ambedkar's recommendations with respect to Uttar Pradesh, Madhya Pradesh and Bihar came through partly in 2000, with the creation of Jharkhand, Chhattisgarh and Uttarakhand. The demands to break Uttar Pradesh further and to create Vidarbha from Maharashtra continue to be strong. Mayawati's support for the dismemberment of Uttar Pradesh into Poorvanchal (Eastern Uttar Pradesh), Harit Pradesh or Paschimanchal (Western Uttar Pradesh), and Bundelkhand (Southern Uttar Pradesh) can be traced to Ambedkar's strong views on the matter. Though the present government in Maharashtra came to power in 2014 promising the separation of Vidarbha from the rest of Maharashtra, this is yet to play out politically.

Leaving the political and social demands aside, the question that can be examined empirically is whether smaller states do indeed lead to better economic performance. In effect, the rationale of administrative efficiency in a smaller state can be tested. This paper attempts to answer this question, with the available data.

Section III: Economic Growth and State Reorganization

In order to empirically answer the question whether states perform better after reorganization, the following conditions need to be met: (a) a sufficiently long enough time should have elapsed after the reorganization, (b) a number of instance of such reorganization should have occurred, (c) measures across a range of economic, socio-economic and governance parameters should be available, and (d) such measures need to be available *both before and after* the reorganization at the sub-state level. As we found, none of these conditions are fully met in the case of India. However, given that all of these conditions are

met partially, some indicative analysis has been possible and is presented in this section.

The study looks into the major cases of state reorganization in India. Ideally, all instances of major reorganization should be examined. The 1960 Bombay Reorganization Act that created the states of Maharashtra and Gujarat has not been included in our analysis due to paucity of data from the pre-reorganization period. Our analysis therefore begins from the mid-sixties. Since the mid-sixties, three cases of major state reorganizations have occurred.

1966:	Haryana was carved out of Punjab and some districts were incorporated into Himachal Pradesh
1971:	Arunachal Pradesh, Meghalaya and Mizoram were separated from the state of Assam
2000:	Uttaranchal (re-named Uttarakhand in 2007) was created from Uttar Pradesh, Jharkhand from Bihar and Chhattisgarh from Madhya Pradesh.

The reorganization of Andhra Pradesh and Telangana in 2014 is, of course, too recent to analyze.

Thus, we have, at best, three years or five cases of reorganizations that partially meet the criterion highlighted above.

The time periods chosen before and after the reorganization were constrained by the availability of data. While ten years of data were available to some extent prior to the 1966 reorganization of Punjab, for the breakup of Uttar Pradesh, Madhya Pradesh and Bihar, the Central Statistical Organisation (CSO) had released state income data for the prior seven years, going back to 1993-94. It is true that the full benefits and costs of state-level reorganizations are likely to take many years to play out. Economic policies, administrative systems etc., take many years to re-orient and another few years to have a significant impact. Having said, that seven to ten years is not entirely an insignificant time period, and some insights can be obtained about the performance of these states.

Available relevant measures at the sub-state level for the period before and after the respective reorganizations provide a partial answer to our question of interest. The various surveys of the National Sample Survey Office have identifiers that enable estimation of a range of socio-economic conditions over time. For the Punjab and Assam samples, this may be difficult, as the older years' data do not have large enough sample sizes. But data from after the 1980s are of decent enough depth and quality to enable measuring socio-economic performance of various regions or sub-states.

Overall, therefore, we have some evidence that can better help understand the performance of these states, pre- and post-reorganization. In our study, we focused on only one parameter, economic growth as measured by the NSDP or net state domestic product.

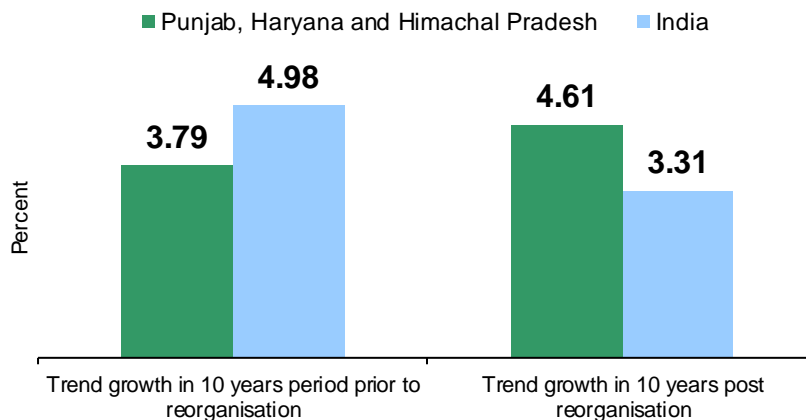
Severe data limitations constrain the study. State income series published by the Central Statistical Organisation begin only from 1960-61 and have missing values for new states in early years. For instance, the Meghalaya and Mizoram

series begin in 1980-81, while constant prices are not available for Mizoram till 1999-00. Available evidence for Assam seemed to indicate that though reorganization may not have boosted economic growth, it did not harm it either on a long-term basis (Kale and Bhandari, 2010). As Assam suffered inordinately due to various law and order problems throughout the seventies, eighties and even later, growth would have been significantly affected in the post-reorganization years. It would be difficult to correct for the impact of these elements.

Researchers have to make do with the data that is available. Thus, as separate estimates of the constituent states are not available for the period prior to reorganization, the available state incomes of Himachal, Haryana and Punjab (before and after its reorganization) were combined to create a single entity named Greater Punjab that could be comparable across time. For Punjab, Haryana and Himachal Pradesh, data is available to some extent from the Punjab and Himachal Pradesh Statistical Abstracts from 1950-51. However, there are missing values in the series, which were interpolated using other sources; e.g., the Himachal Pradesh series for the 1960s was created using the 3% growth rate for the period 1961-1974 given by the Planning Department, Government of Himachal Pradesh.

Analysis is therefore conducted on a case-by-case basis with the most appropriate data points available, and there are important qualifiers in each of these. In this paper, the results from our earlier paper have been updated for Punjab-Haryana-Himachal Pradesh, Uttar Pradesh-Uttarakhand, Madhya Pradesh-Chhattisgarh and Bihar-Jharkhand using revised growth estimates by CSO. The results are shown in Figure 1 and Table 1.

Figure 1 Greater Punjab: Growth Performance



Source: Author estimates using data from Central Statistical Organisation. Reproduced from Kale and Bhandari (2010).

Table 1: Growth Performance of States Reorganized in 2000

STATE	1993-94 to 2000-01	2001-02 to 2008-09	Difference between pre- and post- reorganization periods (in percentage points)
Bihar	4.81%	6.65%	1.85
Chhattisgarh	1.62%	8.66%	7.05
Jharkhand	4.52%	6.22%	1.70
Madhya Pradesh	5.10%	5.97%	0.87
Uttar Pradesh	3.88%	5.99%	2.11
Uttarakhand	3.14%	12.46%	9.32
India	6.43%	8.00%	1.57
Greater Uttar Pradesh	3.83%	6.57%	2.74
Greater Madhya Pradesh	4.12%	6.74%	2.61
Greater Bihar	4.74%	6.49%	1.75

Source: Author estimates using data from Central Statistical Organisation.

While the estimates are slightly different from the earlier study (Kale and Bhandari, 2010) due to revised estimates released by the Central Statistical Organisation, the broad results remain the same:

- The Greater Punjab region saw much more rapid growth after the reorganization than before.
- Of the smaller states in the reorganization effected in 2000, Uttarakhand and Chhattisgarh showed an increase in growth rates by a range of 7-9 percentage points post reorganization, far higher than the 1.57 percentage point rise for India as a whole. The increase in Jharkhand's growth rate by 1.7 percentage point was also higher than the all-India growth rate.
- Uttar Pradesh and Bihar have also had significant increases in growth rates (2.11 and 1.85 percentage points respectively) in the years after reorganization.
- Madhya Pradesh stands out as the only larger state with an increase less than the national average, at 0.87 percentage point.

Since the reorganization also broadly coincided with the Green Revolution in the states of Punjab and Haryana, it could be argued that the single example of the success of Punjab should be ascribed to the Green Revolution and not to the reorganization into smaller states. However, that would not be the correct argument. In fact, it could be quite convincingly argued that the smaller, more

homogenous Punjab created through the reorganization managed to work with the Central Government in ensuring the success of the Green Revolution – something that a state like Uttar Pradesh could not manage. Recall that the Green Revolution in Uttar Pradesh was, and has since remained, restricted to the western districts of that state. And this exceptionally large state has not been able to exploit the potential of the Green Revolution to generate higher growth rates for the state as a whole. Availability of district incomes of the state for these years would have thrown much more light on this analysis. Yet, what stands out is that the smaller state of Punjab was better able to focus its efforts towards a single objective of ensuring rapid increase in agricultural productivity.¹

There is a counter-argument also i.e. a Greater Punjab may have been better able to spread the benefits of the Green Revolution. That is, the time taken for the Green Revolution to spread through Haryana could have been lower had it remained a part of the Greater Punjab. Yet, it would generally be very difficult to obtain unambiguous empirical evidence supporting or opposing the creation of smaller states because of such counterfactuals. Further, Punjab's story of a success at managing this positive shock is not the only example of a smaller state being more efficient.

Take a look at Bihar's growth. Unlike in the other two cases of Madhya Pradesh and Uttar Pradesh, Jharkhand was a very large part of the original state of Bihar, and its separation would have had a significant impact not only on itself, but also on the new smaller Bihar. However, Bihar has seen a significant increase in growth, marginally higher than what Jharkhand has achieved. Can Bihar's reorganization be given some credit to this? We would argue that it should. It is well documented that Bihar's improved performance in recent years can be ascribed to the better governance levels of the new administration. It is quite clear that with many institutions and the administration not functioning as desired, a smaller state, with a narrower ambit, would have made it easier for the new administration. In other words, Bihar is a good case for the argument that smaller states are easier to govern well.

The increase in growth rates of Uttarakhand, Jharkhand and Chhattisgarh can all be, to some extent due to the fact that the new administrations in these states could better focus on the issues of relevance for them. All three states came through with a performance better than the national trend for the two time periods under consideration.

Moreover, in the case of both Uttarakhand and Chhattisgarh, the region under consideration accounted for a very small proportion of the larger states of Uttar Pradesh and MP – in terms of population, land area, as well as economy. In the case of Jharkhand this was less so, as it was always a significant part of the larger Bihar. Hence post reorganization, greater focus on the issues at hand would enable much greater improvements in these states of Chhattisgarh and Uttarakhand, than would be expected in Jharkhand. The data reflect the same. In the case of Uttarakhand and Chhattisgarh, the annualized growth rates increased by more than 7 percentage points *in both these states* in the post

reorganization years. In Jharkhand, as well, there was an improvement, though not as large as the other cases.

The next question that naturally arises is whether the larger state gains. In the case of Madhya Pradesh and Uttar Pradesh, as mentioned earlier, the broken off states were a small part of the state before reorganization. The benefits would therefore be limited. Not surprisingly, Uttar Pradesh's increase in growth was by a magnitude of 2.11 percentage points – higher than the growth rise observed nationally of 1.87.

In the case of Madhya Pradesh, the increase in growth is not as spectacular, and lower than what was observed nationally. In order to understand what was happening in Madhya Pradesh, our previous study used district level income data, as estimated by Indicus, using a method similar to that recommended by the CSO.² We consider adjacent districts on either side of the newly created border (Table 2). Preliminary evidence from per-capita income support our hypothesis in Chhattisgarh- Madhya Pradesh. When comparing bordering districts that began with similar levels of per capita income, per-capita income of the districts in Chhattisgarh soared way ahead of those across the border in Madhya Pradesh over time.

Table 2 Border District Analysis for Madhya Pradesh and Chhattisgarh

	2001-02	2007-08	
	Per capita DDP constant prices	Per capita DDP constant prices	Annualised growth in per capita DDP over the period
Madhya Pradesh Border Districts: Balaghat Dindori Shahdol Sidhi	10,322	10,721	0.6%
Chhattisgarh Border Districts: Bilaspur Kawardha Koriya Rajnandgaon	10,541	17,145	8.4%

Source: District Domestic Product of India, 2007-08. Figures are provisional as they are based on CSO estimates as of 2009. Reproduced from Kale and Bhandari (2010).

Our method of using adjacent states on similar growth trajectories is an effort to overcome the constraint posed by the lack of counterfactual for what could have happened had these states not been reorganized. We cannot predict the growth trajectories of new states that are formed as a result of reorganization if they had remained undivided. However, by comparing districts on the border that are broadly comparable, we are able to provide stronger evidence for the correlation between state-size post reorganization and growth rates.³

Recall that in its post creation years Chhattisgarh immediately undertook significant reforms including privatization of poorly-functional Public Sector Enterprises, closing down of non-functional entities within the government, an emphasis on public-private partnerships, and perhaps the most important, significant road building activity to raise connectivity. This contributed to an initial surge of investments and resultant economic growth. Madhya Pradesh did little dramatically different to change the course for its districts. It can be argued, then, that, the problem of Madhya Pradesh is a larger problem of governance and not so much of reorganization.

From the limited data that is available, therefore we can postulate that when states break up, the smaller regions have the capability to work on their strengths and correct their weaknesses in a more efficient and cohesive manner towards higher growth. At the same time, smaller states may also be more susceptible to other forces that can cause systemic disruptions.

Section IV: The Performance of Punjab

In the above sections, we argued that smaller states help the state governments to focus better on growth, and this helps in benefiting from opportunities. And therefore, most states of India have shown increased growth compared to the national trend, post their break-up. This section adopts a longer-term view regarding Punjab. We not only look at economic growth, but also at overall performance of the state that accounts for other parameters. We find that though there may have been an immediate gain for Punjab in terms of economic growth post-reorganization, over time the advantage appears to have worn off. This could be due to many different factors, which are discussed in the concluding section.

Economic Growth: Examining the growth trajectory of the three states – Punjab, Haryana and Himachal Pradesh – we find that each of these states had different experiences (Table 3).

Punjab saw a surge in growth rate immediately post-reorganization; the state that was lagging behind the national growth rate before the break-up, showed higher growth by 1.1 percentage point in the decade immediately post-reorganization. This difference petered out over time and the state fell behind the national growth rate again from the mid-eighties.

Himachal Pradesh took off only in the mid-eighties, while post-reorganization Haryana has consistently turned in better performance than the national growth. The states have charted out their own specific trajectories over time, with Punjab losing its steam compared to the others.

Table 3 Growth of States

STATE	1956-57 to 1965-66	1966-67 to 1975-76	1976-77 to 1985-86	1986-87 to 1995-96	1996-97 to 2005-06	2006-07 to 2014-15
Haryana	2.48%	5.01%	5.06%	5.43%	7.26%	7.88%
Himachal Pradesh	3.59%	3.52%	2.35%	5.47%	7.11%	6.74%
Punjab	3.21%	4.41%	4.76%	4.51%	3.84%	6.02%
India	3.85%	3.30%	4.02%	5.37%	5.96%	7.08%

Source: Author estimates using data from Central Statistical Organisation

Overall State Performance: When it comes to overall performance, we refer to the results of work conducted by Indicus for the annual State of the States study that ranked overall performance of all the states of India (State of the States, India Today, various years). The annual study compared all states of India using more than 40 quantitative indicators under eight categories – Macroeconomy, Governance, Health, Education, Infrastructure, Investment, Consumer Markets and Agriculture⁴; data from government sources were used to measure performance of each state and UT between 1991 and 2013 (the series has changed since). Punjab consistently held the first rank overall amongst the large states from 1991, dropping to fourth position by 2013.

No doubt, Punjab is still amongst better states in terms of overall quality of life. And as far as various development parameters go, there has also been some improvement over the last few decades. However, Punjab's relative position has been falling steadily. Its overall index has come closer to the national mean over the years. In other words, other states have been able to perform better in many different domains over the last few decades.

Why has Punjab's relative position dropped from being a state at the forefront of India's progress to one closer to an average state? There are many arguments that have been made, and the list below is not an exhaustive one:

- Continuing impact of economic and human loss due to partition
- The impact on the economy and social conditions due to militancy
- Stability was difficult to achieve due to perpetually disturbed border
- Insufficient attention or step-motherly treatment by the Central Government
- Removal of the Freight Equalization Policy
- Lack of mineral resources that can bring additional growth
- Constraints of trade, being a landlocked state
- The negative fallout of the Green Revolution over the long term

As noted in the Punjab Development Report, there are many historical reasons for laggard industrial and infrastructural growth in Punjab:

The state cannot take equal pride in industrial development as in agriculture. It inherited a weak industrial base at the time of partition in 1947, as the majority of the industrial establishments and the areas supplying raw materials remained in West Punjab (Pakistan). Fear and panic prevented entrepreneurs from investing in industries in a state with a long sensitive international border with a hostile neighbour. The state had to pay for the wars of 1962, 1965 and 1971. These resulted in further flight of capital from Punjab. Moreover, in 1966, with the reorganization of the state, whatever mineral and forest resources it had went to Himachal Pradesh. Industrial complexes, which were around Delhi, went to Haryana. (Punjab Development Report, 2002, pp 31)

However, arguably though each of these factors may have affected Punjab adversely, they cannot be the key reasons, which lies somewhere else. While no one can deny the unimaginable losses during Partition, more than six decades have since passed. A lot could have been achieved with what Punjab did have in the years since. Militancy also obviously impacted its economy adversely, but again two decades have passed since then, during which time India has made great economic progress. Similarly, it has been four and a half decades since a war was fought on the Punjab border. As for Delhi's role, the Central government is not one single monolith. While political considerations play some role in fund allocation to the states, funds also are allocated through the Finance Commissions, which have compensated Punjab at least to some extent. Removal of Freight Equalization would have impacted Punjab, as it did many other states including the neighboring state of Haryana.

Note that Punjab's manufacturing climate did not take off despite reforms, improved labor conditions, despite greater access to resources that the reforms brought across India, and a large local and regional market that it benefitted from. States such as Haryana and Rajasthan benefitted from their location, despite also being landlocked states, so that could not be the defining reason. Moreover, similar arguments can be made about lack of mineral resources in many states, of which Gujarat and even Tamil Nadu are shining examples.

Another argument that is made more often these days is that the Green Revolution unleashed political economic forces that took Punjab away from a path of balanced growth. Within this larger argument are many strands ranging from how it adversely motivated political forces towards a tendency of *value grab* rather than *value create*, to the unsustainability of growth through overdependence on grains.

The Green Revolution threw up many benefits for Punjab, and would have brought up many adverse impacts as well. This is true for any change. However, democracies are frequently able to take actions that reduce or remove the negative by-products of change.

Section V: A Concluding Discussion

Historically, Punjab has been among India's most affluent and productive states. That position continues, though it is no longer among India's most dynamic states. It is quite apparent that this relative decline needs to be arrested and reversed. Punjab's critical failure has been the inability of its democratic institutions to throw up corrective actions. Militancy did not occur overnight and contributory forces were simmering and growing beneath the surface for more than a decade before they eventually developed into full-blown militancy. Further Punjab's manufacturing sector was unable to exploit the opportunities thrown up post 1991 unlike that in Haryana. In agriculture, as well, for more than a decade now, it is evident that the Green Revolution is not only unsustainable, it may also create conditions of negative growth, but there is little by way of corrective action coming out of the state.

Why has Punjab been unable to do what other states have been able to? There are many examples across India where state governments have grappled with adverse conditions and turned adversity into success. Political forces enabled Bihar to start a process of revival. Madhya Pradesh was able to use a system of incentives to grow its agriculture at a pace not seen anywhere before the 2000s. Haryana, despite being as landlocked as Punjab, was able to build a manufacturing base to service global markets, not just the local ones around Delhi or the northern belt. Gujarat was able to negotiate a great water agreement with Madhya Pradesh (Narmada) and followed that up a few decades later with a series of check-dams that contributed to a rise in its subsurface water levels. Himachal Pradesh was able to partly compensate for its hilly terrain by building the country's most highly penetrated telecom network. Indeed, there are many such examples across India.

Arguably one extremely important contributory factor behind Punjab's inertia has been lack of a strong enough civil society that could discipline the political forces. Political forces will typically tend to focus towards actions where immediate gains are expected. That is how Indian democracy has been designed. However, civil society has the ability to impose some discipline over these short-term inclinations and force society and the politician-bureaucratic decision-makers to look further ahead.

The 1966 division of Punjab took away some parts to Himachal Pradesh, all of Haryana and all of Chandigarh. This was barely a decade and a half after Partition when untold damage was done to both Punjab's intellectual traditions and its civil society. The lack of a strong enough non-political force allowed the immediate to over-ride long term concerns. Interest in immediate political gains enabled politicians to take decisions with simply short-term gains in mind. Decisions that ranged from limited investment in irrigation to large expenses on electricity subsidies; from a failure to diversify into new crops to over-dependence on India's subsidy-led agricultural regime; from the lethargy that allowed militancy to grow to the current apathy that allows intoxicant abuse to spread.

This view is also reflected in the Punjab Development Report of 2001,

“Virtually any problem it faces, or any situation which constrains its development, can largely be attributed to a management failure. People believe that Punjab can be a model state simply if its political and administrative train is on the right track. Thereby, ‘good governance’ is underlined as the most critical aspect of its development scene. It is deemed basic to the actualization of all other development perspectives” (Punjab Development Report, 2002, pp. 583).

[Acknowledgement: This paper draws on and extends Kale and Bhandari (2010). We are grateful to two anonymous referees for detailed comments which led us to several clarifications, and regret that data limitations prevented us from addressing all of their concerns and suggestions. We are very grateful to the anonymous referees for their incisive comments. We are also indebted to Nirvikar Singh for his comments, help and support. All errors are ours.]

Notes

¹ A referee has cautioned that we are not able to rule out other concomitant factors (e.g., irrigation infrastructure) that may have had persistent effects and swamped any effects of reorganization. We acknowledge that this is a possibility that bears further investigation.

² See www.indicus.net for details on the methodology.

³ The authors thank an anonymous referee for encouraging discussion of this constraint that we face in our analysis. The referee also emphasized that the change in performance of Bihar might have been the result of a change in the quality of governance that was not driven by the splitting of the state. The problem is once again that we do not have a plausible counterfactual.

⁴ The methodology for the study ensured that the data in each of the variables were normalized and standardized keeping in mind that they need to be comparable across time and geography. Weights derived from principal components analysis were used to aggregate the variables under each category. This yielded a category specific index for each state and the final composite index created using the equally weighted average of each of the categories. Year on year changes in each of the category and final composite index values enabled ranking the states on the basis of performance improvement over time.

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