INTRODUCTION: OPENING THE ISSUES

Punjab has been widely recognized as one of the world’s most remarkable examples of agricultural growth in the recent decades. This growth has closely been associated with the success of the technology based capital-intensive agrarian strategy that went by the name of green revolution, which saw the development and adoption of new, high-yielding varieties of wheat, rice and other food crops. The astounding agricultural growth in the present Punjab was witnessed quite early since its inception in 1966. Wheat production in Punjab was exemplified by the significant increase from 1.9 to 5.6 million tonnes in a period of just 7 years beginning 1965. Growth in rice production was equally impressive. Punjab's agricultural growth experience has been attributed to rapid technology diffusion in the state. Punjab is considered a living example of the fact that the economic growth could occur as a result of technological change or an increase in the capital inputs used in the production process.

The impressive performance of Punjab in the agricultural sector catapulted it to occupy an important place in the economy of India so much so that post-1966 reorganized Punjab, a modest-sized state tucked away on the north-western border of India, came to be known as the ‘breadbasket’ of India. Having just 1.5 and 3 per cent of the geographical and agricultural area respectively in post-colonial India, it now accounts for 19 per cent of wheat and 10 per cent of rice production.\(^1\) About 84 per cent of the geographical area of the state is cultivated out of which 95 per cent is irrigated either with the help of canal or tube wells. Punjab State is a major contributor towards the public distribution system supplying 50 to 60 per cent food grains to the federal pool of food grains meant for distribution in deficit region and among the poor.\(^2\) Among the major Indian states, Punjab currently has the highest rice and wheat yields, the


\(^2\) Rice and wheat account for over 60% of the weight in India’s index of agricultural production. In Punjab, rice and wheat are the two main crops grown on about 75% of the total gross cropped area of 8.1 million hectares.
lowest poverty ratio (6% in 1999/2000), and ranks just behind other fast developing states like Maharashtra and Gujarat in per capita income:\(^3\)

The historical review of agricultural development in India reveals that the country faced the chronic food shortages after independence and it became alarming in the second half of the sixties.\(^4\) It was primarily due to the huge grain surpluses produced by the farmers of Punjab since the green revolution that helped the country in a major way in gaining self-sufficiency in terms of food. In this way Punjab has been a significant player in the food security of the country for the last four decades.

The question emerges as to why Punjab was chosen for launch of the green revolution and more importantly why it became such a success story. The international research institutions especially at the institutes located at Mexico and Philippines provided the technological inputs required for the success of green revolution. This technology required a symbiotic action of seeds, irrigation, chemicals and fertilizers and was most suitable in the fertile areas having sufficient surface or ground water for irrigation. Punjab being situated in the catchments areas of Himalayan Rivers had sufficient surface as well as ground water resources and as such emerged as highly suitable region for dissemination and adoption of green revolution technology. Besides it the research and development infrastructure for testing, modification and dissemination of this technology had also taken fairly a good shape by this time.\(^5\) Therefore, to increase the food grains production, to feed the growing population, the seed-chemical-irrigation technology was instantly disseminated

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\(^4\) India imported 7.4, 10.3 and 8.7 million tones of food grains in the years 1965, 1966 and 1967 respectively. This was a period of severe food grains shortages and the five years economic plans were discontinued and annual plans were formulated to cope with the situation.

\(^5\) Punjab Agricultural University, Ludhiana was established in the year 1962 and in a short span of time it emerged as the pioneer agricultural research and extension institution in the green revolution region of Northern India.
in this region. Increasing the area under food grains and enhancing the production of cereals were facilitated through policy and research and development support.

The government of India institutionalised the price fixation system for food grains by establishing Agricultural Prices Commission in 1965 that assured the remunerative minimum support prices (MSP) for wheat and rice. The Food Corporation of India ensured the procurement of wheat and rice at MSP in case the prices fell below it. In fact it was a one way model of contract farming under which the federal government acted as the major contractor and the farmers were asked to grow as much of cereals as they could and the government was there to purchase that produce at pre-determined prices. Since irrigation was the main requirement for adoption of this technology, canal water was supplied at a nominal cost and the canal network was strengthened and maintained at the government expenses. A rural electrification programme was launched to energize the tube wells.\(^6\) Electricity was supplied to the agricultural sector for irrigation purposes at highly subsidized rates.\(^7\)

Punjab was also preferred over many other regional states of India for the massive investment by the centre under the green revolution strategy because it always had held a place of pride for its outstanding achievements in the field of rural development. This was despite the fact that Indian Punjab had suffered a lot due to the partition in terms of the loss of territory and irrigation facilities. As we would discuss in the second chapter in some detail, partition brought huge losses to Punjab and its agriculture was thrown out of gear. Sufficient here is to mention that Indian part of Punjab inherited 44% of the population

\(^6\) Rural electrification programme was launched in Punjab in 1973 and 100 percent villages were linked with the electricity supply system to provide electricity for household and agricultural needs.

\(^7\) In the decade of nineties the average annual electricity subsidy to agricultural sector was Rs. 10470 millions. The electricity supply to agriculture was made free of cost in March 1997. The electricity tariffs, however, were reintroduced in June 2002 but again withdrawn in September 2005. The present SAD-BJP coalition government has continued to provide free electricity and water to the farmers.
and about 36% of the land. The average cultivated area per head worked out to be 0.6 acre in Indian Punjab and 1 acre in Pakistan part of Punjab. All the rich canal colonies namely Lyallpur, Montgomery and Sargodha went to Pakistan. Cropped area in Indian Punjab was 33% as compared to 61% in Pakistan part of Punjab. In all 80% of the canal irrigated land along with the cash rich cotton belt went to Pakistan part of Punjab.

Punjab, however, managed to recover quickly from the setback. Political leadership having rural base took concrete steps to create the basic institutional and economic infrastructure. Under the leadership of Pratap Singh Kairon, the consolidation of land holding took place under the Grow More Food Scheme. Steps were taken to augment canal irrigation and exploit the underground water with the use of tube wells. Attempts were made to benefit from the scientific research for better irrigation. For the purpose the NCAER was commissioned to prepare a techno-economic survey of the state. The leadership also looked for political measures like the land reforms under which the zamindars and intermediaries were abolished. Land ceiling was imposed. Land tenure was also secured. Removal of intermediaries was a major institutional gain. 70% of plan outlay in Punjab was devoted to basic rural infrastructure like irrigation, power, research, roads, education, HYV seeds and the crop diversification. Canal network was also augmented with the construction of the Bhakra Nangal and the Harike Projects. It was due to such effort that Punjab had an agricultural growth rate as high as 4.6% during 1950 to 1965.

Punjab was reorganized to its present form in 1966. A healthy mix of the environmental, institutional and technological factors ensured that the agrarian development picked up pace after the state’s reorganization. The state carried out consolidation of landholdings over its entire space. 59 per cent of the net area sown had been brought under irrigation, virtually all the villages had been

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covered by agricultural credit societies, the Mandi (Market) Township Act had come into force to facilitate the disposal of agricultural produce, and benefits accruing from research and extension activities of the Punjab Agricultural University, Ludhiana, had started making an impact. A stage had been set which put the state on a fast track to agricultural and rural development.

The most striking feature of the Punjab model was the government’s many-sided participation in the development process. Embedded in the scheme of things was the adoption of agriculture as the lead sector, not only in consonance with the physical attributes of the state, but also as a response to the national demand for food. With political power in the state having been consistently rural based and drawn from a farming background, rural development and agriculture always have remained a priority. What is more, a right sequence of policies was followed for the purpose. As discussed above, beginning with the consolidation of landholdings, followed by reclamation of the new agricultural lands and synchronous extension of irrigation through Bhakra canals, and the process being further strengthened by the green revolution strategy of biochemical inputs (high yielding variety seeds, chemical fertilizers and irrigation) and mechanical inputs (tractors, thrashers and harvester-combines), Punjab agriculture continued making rapid strides over the years.  

The agrarian structure characterized by the middle level peasantry, with landholdings of two to four hectares, and predominance of the owner cultivators unlike most of the states in India, was no less important a factor for the success of this process. Other factors also played a role in the modernization of Punjab agriculture. Exposure of the state to external influences through emigration to foreign countries, migration to other parts of India, and a long tradition in the army service, had a two pronged effect: they brought in remittances which were used for augmenting agricultural

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infrastructure at the household level; reduced pressure on agricultural land, thereby preventing fragmentation of landholdings.

High yielding varieties (HYVs) of wheat imported from Mexico in 1966 were first planted in Punjab, sowing the seeds for a transformation of the state’s agriculture in particular, (and Indian agriculture in general) encouraged wheat and rice production, it was followed by a remarkably high growth rates of production followed in the 1970s and 1980s. Punjab soon emerged as the dominant food grains surplus state in the country, contributing significantly to meeting national food security goals.11

Despite, or perhaps because of these achievements serious concerns are now being voiced about the future prospects for the agricultural sector in the state. Agricultural growth slowed down substantially in the 1990s. State domestic product from agriculture grew at a trend rate of 2.6% per annum in the 1990s compared to the all India figure of 3.2% per annum, and relative to a growth rate of 5% per annum in Punjab in the 1980s. But there is growing perception in the sense of uncertainty regarding what the future holds for the state. After a spectacular growth rate during the sixties and the seventies, Punjab’s economy has continued to decelerate since the 1990’s. One wonders whether the younger

11 The agrarian structure of Punjab witnessed interesting changes since the introduction of the green revolution technology. In the first phase covering unto 1980-81, the number of marginal and smallholdings declined sharply, while those in the higher-size categories showed a modest increase. These changes occurred primarily due to three reasons. First, with the onset of the green revolution technology, crop production activities became economically attractive, which created an active land-market for leasing and selling land. Secondly, progress of the agriculture under the green revolution technology created additional employment opportunities in the non-farm sector. These encouraged many marginal farmers either to sell their land or lease it, to earn higher incomes from non-farming jobs. Finally, the new technology turned out to be more attractive to the large farmers, mainly because the mechanical inputs associated with it were indivisible, and thus uneconomic for use in smaller-size farms.

These negative developments in Punjab agriculture appear to have been slightly arrested now. Data from the 1995-96-agriculture census indicated that the average holding size in the state had improved to nearly 3.80 hectare, though it still remained considerably below the level attained in 1980-81. However, except marginal and small farms, all other categories of farms have considerably increased. As a result, the average operating land base for all categories of farms has declined, except for the marginal ones. Apparently, the serious unemployment situation in the state has had a telling effect on its agrarian structure.
generation will grow in the most affluent and developed state in the country as their parents once did. Will the heady days of the green revolution ever return to Punjab in the form of the ‘second’ green revolution as being rhetorically promised by the political class?

Such anxieties are not without reasons: there has been a marked stagnation in the agriculture sector that is the most dominant factor in the state’s economy. As a result Punjab economic growth rate during 2002-2007 was just 4.8 per cent against the national average of 7 per cent.\(^\text{12}\) It is arguably one of the slowest growing Indian states. The agricultural practices in the state are increasingly becoming environmentally unsustainable. The stellar growth of monoculture pattern of wheat and rice has resulted in manifestations of several adverse effects like groundwater exploitation, soil degradation. The stagnation in agriculture has also resulted in the various socio-economic problems like the farmers’ suicides and drug addiction.

The primary reasons for stagnation have been identified as the over dominance of the wheat and rice cropping system, over investment in the agricultural machinery, over dependence on migrant labour besides some attitudinal changes in the behaviour of the farmers. The major agricultural institutions of the state seemed to be lacking in extension services and clear policies about agriculture. The farm size is decreasing, thus making agriculture especially the mechanised one non profitable for small farmers. Farmers are facing problems due to lack of infrastructure facilities in the agricultural set-up. The input costs have been rising under the WTO regime in the form of the significant increase in the prices of the seeds and fertilizers and also due to the reduction in the state subsidies. The output in the form of the agrarian production or the market prices, however, has not been increasing proportionately or rather stagnating.

As a result the hapless farmers are falling into the vicious circle of the debt trap.

The rice-wheat cropping pattern, which served the farmers of Punjab so well economically in the past and helped establish it as the leading agricultural state in the country, has come under serious threat. Productivity of rice appears to have reached the stage of optimum returns and there is growing realization that current cropping patterns are adversely affecting land and water resources of the state. Rice cultivation in particular appears to be causing a number of environmental problems because of its water-intensive nature. While observers have raised these supply-side sustainability concerns in the past, a more immediate threat has emerged from the demand side. Government of India (GOI) procures over 90% of the rice and wheat that is marketed in India at an administratively determined minimum support price (MSP) for subsidized distribution through the Public Distribution System (PDS). Steady increase in terms of the MSP and a widespread infrastructure for government procurement in Punjab meant that the rice-wheat cropping system provided a relatively risk free environment that was more profitable than competing crops. However, during the past few years, national PDS off take has lagged procurement, resulting in a build-up of GOI stocks in food grains. This, in turn, entails a large fiscal cost that is increasingly being questioned. At the national level, pressure is building for the reform of the MSP system and the GOI procurement system, which inevitably will have consequences for rice and wheat production and marketing in Punjab.

Reading the literature

The post-Green Revolution situation in Punjab has no parallel in the world. But as a consequence, there have been political implications as also a sea change in the socio-economic scenario that is peculiar to the state. Punjab is a state where the seeds of the Green Revolution sprouted and transformed the very outlook of
the country by leading it from a food-deficit to a surplus nation. In this backdrop, the seminal study by Frankel namely *India’s Green Revolution, Economic Gains and Political Costs* is an inquiry into the socio-economic and political aspects of the new agricultural development. It represents a preliminary assessment of the impact of modern technology, including the HYVs program on the income distribution pattern among various classes of agriculturists; the stability of traditional patron-client relationship between landowners and the landless; types of political participation among the peasantry. Moreover, the study underlines here the association of social changes with agriculturally modernized and advanced districts that have experienced the longest period of intensive development.

But in the process Punjab has suffered a serious setback in terms of soil health, depletion of sub-soil water and environment. Besides, an element of complacency has also crept in due to the governmental support which has adversely affected the quality of farm produce and failed to make produce competitive. Thus, Punjab agriculture has failed to embrace globalisation resulting in a plethora of problems, including wheat and paddy becoming a drain on government finances, unscientific storage, absence of diversification and agro-processing and growing burden of debt on farmers leading to suicides.13

In an updated edition of the earlier path-breaking study published in 197814, Frankel extends the analysis from 1977 to 2004 in over 250 pages of new text.15 She takes the reader through the turbulent years of the three decades in India’s politics following the emergency. She offers a reappraisal of the Indira Gandhi years, giving more importance to the domestic political polarization

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and external Cold War pressures that determined Indira Gandhi’s strategy of
de-institutionalisation. Subsequently, centralized decision-making
circumscribed the federal structure of the Congress party. Frankel assesses the
effects of the expanding electorate during the 1980’s and 1990’s. Among these
were caste conflict, religious mobilization, party fragmentation and
opportunistc coalitions at the centre and in the states. In addition, Frankel
examines the results of introducing macroeconomic reforms without the
redistributive changes long promised by the Congress party.

On the one side, while significant gains have been made in reducing absolute
poverty and improving the overall quality of life, on the other side,
liberalization with a human face remains a distant goal, unable to address the
educational and employment needs of the majority of the population in the
rural sector. The growing numbers of underemployed and casual workers offer
a steady source for recruitment of young men and women, by those involved in
crime, by extremist religious movements and by Naxalite revolutionary groups.
The new edition ends with an analysis of the emergence of the United
Progressive Alliance (UPA) to power after the 2004 elections, which restored
the diminished Congress party as leader of a secular and left-centre coalition.

Long considered one of the great successes of the developing world, India has
over the years experienced growing challenge to its political order and stability.
Dominant social groups face growing demands of newly organized social
groups, often leading to intense violence, and the once hegemonic Congress
party has forfeited its commanding role, hitherto enjoyed by it in the national
elections. Institutional mechanisms for the resolution of conflict have broken
down, the civil and police services have become highly politicised, and the
state bureaucracy appears incapable of implementing an effective plan for
economic development.
Atul Kohli in *Democracy and Discontent: India's Growing Crisis of Governability* analyses political change in India from the late 1960s to the late 1980s. Based on the empirical research conducted at the local, state and national levels, the author analyses the changing patterns of authority in and between the centre and periphery. He combines rich empirical investigation, extensive interviews and theoretical perspectives in developing a detailed explanation for the growing crisis of governance his research reveals.

Pranab Bardhan in *The Political Economy of Development in India: Expanded Edition with an Epilogue on the Political Economy of Reform in India* has presented a marvellous overview of the planned economic development in India as it unfolded in the first three decades since Independence to be followed by the new political economy of reforms. Over this period the state became a dominant economic power, an ‘overdeveloped’ one, by virtue of the large public sector owned by it, its key role in capital formation, the controls it came to have over the allocation of credit and, above all, the manifold regulatory powers it acquired. Because of such enormous power the state did not become a mere tool in the hands of any of the interest groups. It had a large measure of autonomy which it used to reconcile or constrain inter-class conflicts and thus to shape class realignments. However, the groups constantly strove to take advantage of the policies and programmes of the state and succeeded in large measure. A few examples may be recalled. It is well known how the big business groups were able to utilise even the measures aimed at preventing monopolies to build up their own empires. The rich farmers succeeded in strengthening their position through a variety of state-sponsored efforts to make the country self-sufficient in food. The professionals exercised their influence over the state to shape policies of taxation and subsidies and thus to divert public funds for their benefit. *The Indian public economy has thus become an*

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elaborate network of patronage and subsidies. The heterogeneous proprietary classes fight and bargain for their share in the spoils of the system and often strike compromises in the form of 'log-rolling' in the usual fashion of pressure group. 18

Bardhan focuses primarily on the political and economic constraints, and brings out the role of public investment in the agricultural and industrial infrastructure, and of public management of capital, as key determinants of economic growth. In connection with this role of the public sector, he explores the nature of the Indian state and its relationship with society, and the kind of economic classes that dominate the latter and the types of pressures for patronage and subsidies that they generate. He also tries to trace the impact of these forces on the functioning of the economy, especially its growth process, and on the functioning of the polity, especially its democratic process.

**Locating the agrarian crisis**

An Agenda paper published by Panjab Agriculture University points out that the economic condition of vast majority of farmers (small and marginal) in Punjab has came to such an impasse that it cannot be improved with the existing cropping pattern. 19 The paper also points out that the family income of about 47% of the farmers from crop plus dairy is lower than the income at the lowest pay scale for unskilled worker in the state. The paper further says that about 20% of farming population is below the poverty line ratio. It also discusses the environmental cost of the current cropping pattern. The water table in the central Punjab is declining at the rate of 0.23cm p.a. and in some parts water table rose by 4-5 meters during 1984-94 and led to problem of salinity and water logging. The paper also points out the soil degradation and low level of micronutrient due to excessive use of pesticides and fertilizers. 19

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Further, the burning of crop residue is resulting in serious environment pollution. Thus, the paper questions the sustainability and continuity of existing cropping pattern. To sustain interest in farming, the study calls for a new growth strategy that will be income enhancing (inducing) and also environment friendly thus putting less pressure on precious natural resources of the state.

The analysts in the academia as well as in the print media have raised similar apprehensions. Ramesh Chand, an Indian Council of Agricultural Research (ICAR) National Professor, while analysing the prominent problems of the state’s farming sector, has examined the scope of agricultural diversification, alternatives and its implications on employment, income, natural resources and ecology. While discussing the growth rate in agricultural output and per capita income in the recent period compared of the earlier period, he compares the performance of various crops and analyses prospects of diversification in crop pattern and scope for employment opportunities though diversification. After discussing the degradation of natural recesses due to cultivation of wheat/paddy, the author concludes with an important policy suggestion and strategy to meet the current challenges. Speaking on diversification he observes:

‘Despite lot of interest and discussion on diversification, no serious efforts have been made to identify and encourage area specific activities. General type recommendations are being made for whole of the state. There is a need to identify area specific enterprises taking into account the ground water status, soil health and other micro characteristics of different regions. This way, specialization pockets should be developed rather than emphasizing many things for each area. The advantages of developing specialization pockets are: they are useful in harnessing, advantages of scale economy and it is easy and

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less costly to develop infrastructure to boost one or a few rather many commodities.\textsuperscript{21}

As for the long-term measures, Chand emphasizes on the role of the public investment and research and development in agriculture, which has declined at the rate of 2.65 percent p.a. during the past two decades.

Lakhwinder Singh and Sukhpal Singh in their joint paper have spoken about the phenomenal development growth in the 1960s and its impact on the growth in other sectors.\textsuperscript{22} They attribute this to the model of growth adopted by the government of Punjab and also the recent slump facing the farming sector to the side effects of that strategy. In order to substantiate their claims, they have presented data of different time period to analyse the sectoral role of growth in Punjab. They have also compared the economic performance of Punjab with other Indian states in both pre and post reform era. Punjab economy recorded an accelerated rate of growth in the major sector of the economy in the 1980. The growth rate during the 1980 was higher than the post reform period. The growth rate of agriculture sector dwindled in this period and was only 2.16% per annum during the period 1991-98 compared with 5.15% during the 1980s.

Further, the agriculture sector recorded an astonishingly low growth rate of 0.37 per cent during the post reform period compared with that of 4.87 achieved in the 1980.\textsuperscript{23} A comparative analysis of economic growth across states also shell shocked the people about the performance of the state and the rates of growth reveal on interesting phenomenon. The rate of growth of Indian economy accelerated during this period and was 6.89% per year, much higher than that in the 1980s. However, the rate of economic growth of Punjab decelerated to 4.71%. On the other hand, there is spurt of growth in states like

\textsuperscript{23} Ibid. p. 582.
Gujarat (9.57%), Maharashtra (8.01), West Bengal (6.91), Tamil Nadu (6.22) Madhya Pradesh (6.17%) and Kerala (5.81 percent). They attribute the poor performance of overall economy and the developmental decline of the agriculture sector to the irrational pattern of investment and declining development expenditure in agriculture and growing population pressure on land. The measure required immediately, according to them;

‘...is the reorientation of the government investment planning and strategy, along with implementation of change in the organizational pattern of production. Agro-production is required to be linked with agribusiness activities, which will not only transform the labour force from agriculture to industry but will also, generate the required dynamism for self sustained overall growth of the state economy and will reduce the pressure on land. On the top of it, the need of the hour is to transform agriculture from merely a food grain production to agribusiness.’

In an edited volume titled *Future of Agriculture in Punjab* S.S. Johl and S.K. Ray have stated at length about the state of farming and of its future as indicated by its name. The very opening paragraph of the book makes the picture very much clear about the dismal state of the agriculture sector in Punjab:

‘The agriculture scene in Punjab is changing very fast for the worse and the underlining cross currents are such that policy makers are unable to comprehend fully what is in store for this sector in the near future. The indications are that the very place of Punjab agriculture in the national

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24 Ibid. P. 581
25 Ibid. p. 584.
26 The volume consists of the papers presented in a two day seminar organized by CRRID, to deliberate on these issues, which was attended and participated by experienced professionals, senior policy makers and administrates involved in the development of Punjab Agriculture. The then CM of Punjab P.S. Badal inaugurated and the then finance minister Kanwaljeet Singh presided over the concluding session.
The economy has changed, from an indispensable food bowl to a problem-ridden farm enterprise, with the continuing generation of food surplus resulting in mounting food stocks beyond manageable limits. This situation is not sustainable and there might be no demand for food grain from Punjab after a couple of years, and may be even earlier. If the food grain procurement and distribution system crumbles under its own weight, as is becoming abundantly evident, there will be total chaos in the agricultural sector of the state. This could lead to very serious social and political consequences.

It follows that the emerging economic scenario in the state is at the crossroads and has in fact turned away from the path of sustainable growth. The contributors to the volume have argued that the existing production pattern and marketing system are not sustainable and are out of tune with the immediate and long run supply and demand situation in both national and global markets. To improve the situation, the study recommends that the farmers in the state should be given financial incentives by the state institutions to help them stop cultivating wheat and paddy. While opinions vary regarding the details for remedial measures, the near unanimous view of all the contributors to the volume is, if the Punjab has to maintain its lead role in the agriculture, it must adjust and reorient its existing policies. The issue has acquired much more relevance in the present policy environment in the era of liberalization, privatisation and globalisation.

Pertinently the then state government had constituted a committee that was called the Punjab Chief Minister Committee on Agricultural Policy. S.S. Johl, former Vice-Chancellor of PAU, headed it. Major recommendations of the committee report were as follows: diversification of one million hectares of land from wheat and paddy to alternative crops; centre would assist by giving rupees 1280 crore to operate crop adjustment programme; government to give compensation of 12500 per ha to farmers who agree not to sow wheat and

27 Ibid. p. Vii.
paddy; putting farmers under bond not to grow wheat/paddy in marked area; penalty provision against violation; subsidy in the form of free power to water to be partially withdrawn.

The report has pointed out that the agriculture sector of the state is in a state of serious imbalance in terms of the economic viability and environment sustainability, unless the pattern of agricultural production is changed and the marketing system reoriented to meet the challenges of the fast changing national and international market scene. The policy mindset must, therefore, change to bring dynamism in the economy making it proactive and responsive to the changing demand supply situation.

M.S. Swaminathan, widely hailed as the father of India green revolution, gives us an insight into “sustainable agriculture” for realizing an evergreen revolution for future generations. As per his observation: ‘the term Green revolution has been both widely used and abused. While deriving huge advantages from the green revolution technologies, there arose a confusion concerning the social and ecological value of the green revolution.’

He allays the confusion by distinguishing between Green and Greed revolution. He offers us an interesting explanation while defending green revolution. According do him; ‘The fast expanding “greed Revolution” has unfortunately led to the unsustainable exploitation of natural resources and to the excessive and unscientific use of chemical pesticides and mineral fertilizers.’ Such a Greed revolution is what has been responsible for the social – economic and environmental problems associated with the political economy of rural Punjab for the past two decades. He passionately advocates the urgency of an ‘evergreen revolution’, rooted in the principles of ecology equity, economics,

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employment generation and energy use efficiency, by producing more farm products from less land and water in the decades ahead.

Sucha Singh Gill, a noted agricultural economist, has been in the forefront in spearheading the crusade against the state of the rural Punjab. He has been continuously and vigorously expressing his concerns over the half-hearted manner in which the respective state governments are tackling the situation in the rural Punjab. Over the last two decades. He has written mainly on the changes in the Punjab’s rural economy in the post reform era and declining employment opportunity in the rural economy and unscientific pattern of farming. He is most critical of the way the technological changes have been brought into the farming sector for promoting a wheat and paddy cycle at the cost of other crops. The high level of mechanization in sowing, irrigation and harvesting of both these crops has continually replaced human labour by machine labour. Consequently labour absorption capacity of this sector has been restricted to sowing and harvesting seasons.

Gill blames both the state and the centre government for showing utter disregard for the plight of Punjab’s farmers, who are highly indebted. It has been brought out by the 55th round of the NSSO survey that Punjab farmers are third at the all India level in terms of parentage of farmers under debt (Andhra Pradesh 82.1 per cent, Tamil Nadu 74.5%, Punjab 65.4%). However, in terms of per farmer debt, the state has the distinction of topping the all India list. Average per farmer debt among the indebted farmers stood at Rs. 41,576 in 2003 in Punjab compared to Rs. 33,907 in Kerala second and 12,585 at the all India level. Moreover, per farmer debt of Punjab farmers is much higher compared to that in Andhra Pradesh (Rs. 23,965), Maharashtra (Rs.16, 973), Karnataka (Rs. 18,135) and other states, which have been covered under the

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package announced by the union government. He laments the fact that the centre has been evading post-militancy Punjab notwithstanding the fact that Punjab remains one of the most deserving states for a package to distressed farmers.

Moreover, Gill also takes a dig at the working of the Punjab government and the ruling parties' leadership, who have been using the state budget to discriminate against agriculture during the last two and half decades. During the decade of 1980, between 6 to 10 per cent of the state budget was spent on agriculture and allied activities. In the initial years from 1980-81 to 1984-85, 10 percent or more of the budget was spent on agriculture, which came down to around 6 percent in the second half. During the post reform period (After 1990), it has been falling continuously and at present only 3 percent of the budget is spent on agriculture and allied activities, which contribute 37% to the state domestic product and employ 39 pre cent of the work force. Politicians of all hues and colours have been resorting to rhetoric for rural people and their welfare but have never been serious in their actions. They have crying very loudly about the deteriorating plight of the farmers and have been withdrawing funds from rural and agriculture development for non-development expenditure and recently. Gill expresses his deepest anguish over the human and social cost of the neglect of the ruling politicians and bureaucrats, which has led to the loss of more than 2,200 farmers who have reportedly committed suicides in the state, causing a lot of agony to families which remain deprived of any relief measures.

A paper by Anita Gill and Lakhwinder Singh on the rural transformation and farmers’ suicide points out that the new capitalistic mode of farming have

32 It was reported in the press that a sum of Rs. 77 Lakh was paid from the state exchequers as income tax on the salaries and allowances drawn by Punjab Ministers and Parliamentary Secretaries for 2005-06. Besides, about Rs. 70 lakh unless paid as income tax on the salaries and allowances of MLAs (A Total of 1.47 Crore). The Tribune, June 18,2006.

33 Excerpts from an unpublished paper presented in a seminar on ‘Rural Indebtedness and Suicides’ (2005) at a rural college (Guru Nanak College Budh/ada, Mansa) in collaboration with ICSSR, Chandigarh.
forced the small and marginal farmers in a state where only way out seem to be suicides.\footnote{Gill, Anita and Lakhwinder Singh, 2006, ‘Farmers’ Suicides and Response of Public Policy: Evidence, Diagnosis and Alternatives from Punjab’, Economic and Political Weekly, 26.XLI. pp. 2762-2768} Organization of farm production on the lines of capitalist farming reduces farmers to managers of production and increases continuously unemployment of labour. The state led green revolution in Punjab based on assured market and remunerative prices of agricultural production in the early green revolution period has considerably increased the income of the farmers irrespective of farm size. Stagnation of the green revolution technology, rise in the cost of living, lack of alternative employment opportunities and near freeze in the minimum support prices has generated a crisis of unprecedented scale. Diversification attempts of the farmers for alternative remunerative outcomes have further pushed them in deep crisis because of market failure to provide right kind of prices both of the produce and finance. Increased unemployment, mounting debt burden and lack of success in diversification attempts led the farmers to commit suicides in Punjab. Farmers’ organizations, political movements and state led resistance to the agrarian crisis have not yet met with success. To sum up, Gill and Singh make an attempt to examine the agrarian crisis of Punjab with fresh perspective to search for an alternative strategy for resolving the crisis.

G S Bhalla and G K Chaddha have also dwelt upon the status of agriculture, the nature of rural transformation in India in general and Punjab in particular. New developments in agriculture, rural transformation and income distribution in Punjab agriculture have been the areas of their intent. They acknowledge the fact that the advent of green revolution in Punjab brought overall prosperity to its peasantry, irrespective of their land holdings. However, things have changed very quickly since then due to various reasons. Unfortunately, in spite of putting in very hard labour both in farm and non-farm activities, quite a few among them are not able to save themselves from the clutches of poverty. Bhalla observes that it is indeed a disquieting situation that even in the
heartland of green revolution, about one third of the marginal farmers are living below the poverty line. Over population in agriculture combined with inequality in land distribution are the main reasons according to their analysis.\textsuperscript{35}

For Bhalla, there have been clear signs of some disturbing developments in Punjab Agriculture, like visible deceleration of production process in agriculture due to the stagnation of productivity of major crops, an increase in the cost of production and a decline in profitability of its main crops in the post reform era.\textsuperscript{36} Bhalla argues that a more serious development in the recent years has been that while 'the wheat yields are increasing albeit at a decreasing rate, there is a notable decline in the yield rate of rice and cotton in Punjab and Haryana, the two most advanced state of India. These developments have been ascribed to greatly reduced investment in agricultural research. This, in turn, has resulted in their inability to evolve any new potent varieties (high yielding variety) of rice. The intensive cultivation and wheat rice rotation year after year has tended to impoverish soil nutrients. There is an urgent need to undertake meaningful diversification to other viable crops. These issues require urgent attention.'\textsuperscript{37}

Bhalla has also published a synoptic study containing the summary of the main findings of the Situation Assessment Survey of the farmers undertaken by the National Sample Survey Organisation (NSSO) of the Ministry of Statistics and Plan Implementation, Government of India, during 2003. The synopsis graphically brings out some disturbing facts about the state of affairs in the farming sector. It highlights the dissatisfaction of the farmers with their


profession, their ignorance about matters most important for their future, and the dismal failure of the credit institutions and numerous government agencies in fulfilling their assigned tasks for the farming sector. The survey results also show that most of the farmer households have low living standards and low earnings and nearly two-fifths among them are under debt.\textsuperscript{38}

Of late, a virtual shift has been seen in intelligentsia’s academic concerns regarding recent Punjab. There is much less emphasis on the identity issue and much more on the dismal state of the economy of Punjab. Punjab of late has been witness to various discussions, seminars organized by different colleges, universities and NGOs across the state. Concerns were raised in a two-day ICSSR international seminar on rural development in Punjab, held at Panjab University Chandigarh in 2005. The theme of the seminar revolved around the emerging issues in the wake of rural society’s rapid socio-economic transformation, drives largely by agricultural development, over the last three decades in Punjab.\textsuperscript{39} Majority of the participants agreed that there is a dramatic rise in aspirations of the rural population and the overuse of natural resources has jeopardized the sustainability of the agrarian economy.

At another ICSSR sponsored seminar on the “Rural Indebtedness and Suicides” held in 2006 in Punjab University, paper presenters elaborated up on various causes leading to rural indebtedness resulting in suicides by farmers in the state. Some of the stated causes cited during the course of the discussion were: the ever-increasing size of holdings, increasing costs of inputs, higher standard of living, lavish spending on marriages and other social functions, lack of crop diversification, the crop yields not rising corresponding to the cost of


\textsuperscript{39} Organised by the \textit{Punjab Development Society} in Collaboration with ICSSR. Leading experts from Asia, North America and Europe participated in the discussion. Prof. SS Johl, former vice chairman of Punjab Planning Board, Dr. G.S. Kalkat former Vice Chancellor of PAU, Ludhiana, Professor Emeritus R.S. Basi, Alaska Pacific University, USA, Prof. Shinder Thandi, Coventry University, Dr. Darshan Tatla, University of Birmingham, UK, Dr. Steve Taylor, Teeside University, UK, Dr. G.S. Gill, Vancouver University, Canada and senior administrators of the state government participated in the deliberation.
production and lack of social and government planning in this sectors etc. that have led this sector to this unfortunate situation. There was a suggestion to organize against the government politics which are proving fatal for the farming community and need of starting crop insurance, government loans on low rate of interest to the farming sector. The government was asked to provide compensation to the family of the farmers who committed suicide. Besides setting up boards to settle indebtedness disputes, government should also regulate the private money lending agencies to check the exploitation of innocent and illiterate farmers.

Most recently, we have received lengthy reports on the state of development in Punjab, prepared separately with the help of state, central and international regencies. The Punjab Developed Report (2002) and the Punjab Human Development Report (2004) have been the result of the efforts of the Planning Commission. The state’s first Human Development Report debunks the myth of its prosperity. The state has been on the verge of a crisis with a declining economy, despairing farmers and rising unemployment. The conventional image of Punjab, with its rivers of milk and mountains of golden grains is in stark contrast to the picture painted by the state’s first ever report on human development. The growth rates of primary and secondary sector in the state have declined in comparison to the national growth rate. Emerging trends in the agriculture sector has driven farmers to suicide under the burden of heavy debts. Punjab is going to witness its worst ever ecological crisis with water table plummeting and land becoming infertile due to intensive cultivation of wheat and paddy crops.

The signs of an emerging crisis in Punjab are revealed in the Human Development Report (HDR 2004). It receives attention precisely due to the state’s apparent prosperity. The HDR besides taking up other social and economic issues has also taken stock of the imminent crisis in the agriculture sector. With 84 percent of its total land area under cultivation and limits in the
expansion of this area further. The report says that the state needs extensive research on how to increase the productivity of the major crops (whose productivity has become stagnant). Moreover, the cropping pattern is water intensive and it has taken its toll over the water resources of the state. With the result that water table is depleting at an alarming rate. In order to raise the productivity, the intensive use of chemical fertilizers has degraded the quality of land. Crop yield has increased marginally but the cost of cultivation is rising. Small farms have become unviable because of the declining farm income and capital-intensive farming. The end result is, a third of the farmers in the state are facing ruin and a crisis of existence, as they find death as the ultimate option to liberate them from the debt trap.

The report also recognized that the successive state governments shut their eyes to the emerging problems for the last one and half decade. There should have been a course correction a long ago but nothing has happened so far. The problem is further compounded by the state government’s encouragement of wheat/paddy cropping pattern as the food corporation of India pays it a massive cess in exchange for acquiring 85 percent of the state’s food grain output. The state government made some half-hearted efforts to liberate farmers from the wheat/paddy trap but they proved to be insufficient as those who moved to alternative crops found them unviable and went back to cereals. The report advocates the need of a paradigm shift to transform agriculture, not just tinker with it and the need of market and market intelligence and infrastructure so that the farmers could risk a shift to other crops.

It is not that the state government has not been worried about the developments in Punjab. The present and the former chief ministers have often underlined the challenges and the new developments in the arena of the rural economy.

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40 "The state government diversification plan had received a set back as it had to provide for inputs like power and water due to failure of monsoon. The process was on to place relevant mechanism in place to deal with the challenges of the implementation of WTO proposals" Amrinder Singh quoted in The Hindu, November 17, 2004.
Expressing deep concern over the future of agriculture in the state, they have repeatedly called upon the farmers to adopt a scientific approach and resource-conservation technology to enhance production and incomes. While addressing farmers after inaugurating a two-day *Kisan Mela* at PAU, Ludhiana, Amrinder Singh, the former chief minister of Punjab, spoke about the falling water table at the rate of three feet per year, suicides by farmers in southwestern districts. He also addressed the concern of rural Punjab at the National Development Council meeting. He stated that the total institutional debt of Punjab farmers was estimated to be Rs.13400 crore and total following from commission agents/money lenders were estimated to be Rs. 12000 crore. The total burden on the state’s farmers, thus estimated to be 25,400 crore as on 31 March 2004. He said the burden of the Punjab farmers had increased over the years due to decreased annual remuneration from wheat and Paddy.

Apart from the general consensus on the mentioned factors, Surinder Jodhka in his paper related to Punjab has identified four sets of perspectives in explaining the crisis of agriculture. First, what he calls ‘the thesis of neglect’ that relates to the early 1990s. Jodhka argues that with the growing obsession with information technology, service sector and the consumer products led to the marginalization of the agrarian sector. The second thesis links the agrarian crisis of ecological imbalance and disintegration of the community caused by the new technology to the era of globalisation. Some scholars have attributed the disintegration of community, kinship support system and the rise of some kind of individualistic orientations brought in by the new technology to be the dominant factors in farmer’s suicide. Scholars having the third perspective

41 Text of Speech of Amarinder Singh, the former Chief Minister of the Punjab, Delivered at the 51st meeting of the National Development Council (NDC) on the 27th & June 28, 2005 at New Delhi.


have attributed suicides to the agrarian distress and also to the genetic irrationality of peasantry. They underline the fact that in most cases the small and marginal farmers went into chronic indebtedness primarily because of “unproductive” borrowings.\textsuperscript{44} The peasants instead of investing their returns from agriculture in further expanding their capital base, they tend to spend everything on “consumer goods to seek physical and sensual gratification”.

The fourth theoretical argument, ably articulated by KC Suri in the same issue of Economic and Political Weekly, looks at the present crisis of Indian agriculture as having been entirely a consequence of the new economic policy and globalisation, which according to this position is basically a return to the colonial logic of global economic integration. Liberalization policies added to the woes of agriculture. Though Punjab, Haryana, Andhra Pradesh, Karnataka, Kerala and Maharashtra are the prosperous states with a rich output of food as well as commercial crops, industrially vibrant, technologically and financially advanced with a history of peasant movements, yet are the worst affected states share some common or all of these characteristics. One would expect that the condition of peasants would be better where agriculture is developed; where farmers, through agitations and movements, could bring pressure on the government to make policies favourable to them; and where the political leaders hail from their own communities.

From the above discussion, it is clear that the Green Revolution technology worked very well until the beginning of the 1980s. But subsequently agriculture began to show a sign of fatigue, productivity slowed and stagnation set in. Punjab Agricultural University estimates show that on an average the farmers have achieved 75 percent of the achievable potential yields of rice and wheat with the currently available technology. As the union and the state government’s support to agriculture has declined, the present cropping pattern

has put great pressure on the ecological system, leading to a fall in the level of the ground water table, and soil depletion. Thus, the initial prosperity that the peasantry achieved is at present diminishing at a very rapid rate.

**Perspective on the Development Planning: 1966-2002**

Let us review what has been the development perspective in the successive state plans presented by successive governments of Punjab during 1969-2002. Which were the sectors listed as its priority? Which strategies were deemed most effective for the purpose? Answers to these questions are necessary, as the state government has invariably played a pervasive and ubiquitous role in determining the content, pace and quality of the development process in Punjab. Intentions of the government, as evolving over time, can be discerned from the pages of plan documents.

The years 1966-69 were a phase of Annual Plans, during which the state received special funds for its transformation into a veritable ‘bread basket’ for the country facing a prolonged and massive food-deficit. Two consecutive drought years of 1964-65 and 1965-66 had worsened the situation in India. This gave Punjab an opportunity to prove its mettle. It met the challenge and contributed 61 per cent of wheat and 8 per cent of rice procured for the public distribution system at the national level in 1968-69.

The Fourth Plan (1969-74) document highlighted that the state could take pride in having saved the country from a grave food crisis; and for itself, having successfully stabilised the strides made in the green revolution. Its efforts at diversifying the economy towards industrialization were yet to make an impact. Inadequacy of finance, shortage of raw materials, and gap in power supply, to the extent of less by one-third of demand, were adduced as the factors responsible.
Taking a cue from above, the Fifth Plan (1974-79) aimed at a bold programme of ‘industrialization and development of infrastructure’, so as to accelerate the pace of economic growth. Massive investment in power was deemed essential for the purpose. The assessment was that ultimately it was industry, which could reduce the disparity in the development level of different parts of the state.

The Sixth Plan (1980-85) introduced a new idiom seeking transformation of Punjab into a ‘model state’ during the next ten years. The main components of such a vision included diversification of the economy in favour of industry; generation of jobs for the unemployed and underemployed; reduction in regional, rural-urban and caste-based disparities; and improvement in the overall quality of life. All this was to be achieved through an accelerated rate of economic growth, an efficient and honest administration, and a decentralized pattern of planning and development.

The Seventh Plan (1985-90) promised ‘growth with justice’. A major thrust was envisaged for correction of distortions that may have crept in during the preceding plan periods. These included, for example, reclamation of degraded agricultural land, extension of irrigation in the submontane and other backward tracts, improvement in delivery of educational and health facilities, and promotion of industry, particularly in border districts. Augmentation of power supply and initiation of environmental improvement schemes were listed as priorities. The two annual plans, during 1990-92, carried forward the ongoing development schemes apart from initiating some new ones, as financed by the Central Government.

‘Generation of additional employment’ was adopted as the core concern of the State’s Eighth Plan (1992-97). The three border districts of Gurdaspur, Amritsar and Firozepur, which were the major victims of the statewide militancy during the eighties, were in special focus. Again ‘promotion of
industry’ was identified as an effective route to the realization of this objective. Diversification of agriculture, in general, and of the cropping pattern, in particular; improvement of human resource through education, health and training; and extension and modernization of basic infrastructure were among the other tasks listed. In respect of institutional reforms, decentralized planning at the district level was to receive a further impetus; private investment was to be encouraged in all sectors, and viability of the public sector undertakings was to be ensured.

The Ninth Plan (1997-2002) enumerated the following as the broad characteristics of its strategy: vigorous thrust to agriculture and rural development; a great push to irrigation and power sectors; improvement in quality of life in both villages and towns; creation of additional employment opportunities; and social justice for the disadvantaged. Micro-level planning was to receive special attention, more so in the border districts.

The Tenth Plan (2002-2007) strategy is virtually an iteration of what was contemplated in the Ninth Plan. Diversification of agriculture, as also of the cropping pattern, has been projected as the measure to meet the challenge posed by the stipulations of the WTO. Various development projects, such as Integrated Watershed, Health Care Systems, and Water Supply and Environmental Sanitation, aided by international agencies, are to continue.45

An overview of the plan documents leads us to the conclusion that the perspective and strategies indicated for various plans have remained virtually the same: diversification of the economy towards industry, of agriculture towards non-farm activities, and of the cropping pattern away from the stubborn wheat-rice rotation; irrigation and power as the mother sectors; and unemployment as the main challenge.

Most of the recommendations of the plan documents have remained unobserved and unattended. Only the Sixth Plan had projected a vision of making Punjab a Model State. The instrumentalities indicated were a reformed administration and decentralized planning, with a flavour of good governance. The successive plan proposals, by and large, have echoed the issues highlighted at the national level by the federal government. Specificity of the state level concerns has not been projected in a bold manner. The plan documents have been drafted with a bureaucratic ethos; the input emanating from the research institutions and university academics has been meagre.

Sub-plans for the backward areas, including the submontane tract, flood plains and border districts found special place in the documents. This is as it should have been. It was, however, not clear as to how these sub-plans were integrated with micro-level planning. Expenditure exceeded outlay during most of the plan periods. The state could arrange additional resources from the Planning Commission, or was able to mobilize these at its own level. The Ninth Plan was an exception, when the expenditure incurred was only 77 per cent of the approved outlay. Irrigation and power accounted for about one-half to more than two-thirds of the expenditure under various plans. Ironically, both were losing sectors financially, under the twin effect of subsidies involved and pilferage.

**Schema of the study**

Against the above background, this thesis identifies three key challenges facing the state’s agricultural sector which are: revamping growth that has seriously put a question mark over the sustainability of agriculture sector; promoting sustainable use of natural resources; and formulation of future oriented agricultural policies and rationalizing fiscal outlays on the sector. The study has been divided into the four chapters.
The first chapter basically makes an attempt to contextually place the development experience of Punjab into overall development experience of India. The chapter is divided into two parts. The first part analyses the political economy of development in India since independence by mapping the shift from the development-planning model to the market economy model. The Punjab experience of development is the result of the policies pursued at the central level to solve the problem of food security and to free India from the ‘ship to mouth’ existence it experienced in the 1960’s. The decline and subsequent neglect of the rural sector under the new economic policies has been discussed in the later part of the chapter. The chapter reveals the declining growth of agriculture and subsequent decline of its share in terms of research and expenditure.

The second chapter reviews the agricultural performance in Punjab with a focus on the pre-dominant agricultural production system based on rice-wheat cultivation, with specifically focusing on the ‘green revolution’ technology.

The third chapter analyses the impact of the policies that have over the years resulted in the serious challenge to the future sustainability of the political economy of rural Punjab by focusing on the stagnating growth and its consequences, over-exploitation of the water and land resources and the indebtedness of the small and marginal farmers that have been forcing them to commit suicides. This chapter has underlined three major challenges to the future sustainability of the farming sector in the state; the first major challenge refers to the stagnant yield along with related development that have encouraged a non-viable cropping pattern in the state; second refers to the environmental degradation in the form of over exploitation of land and water resources of the state due to intensive cultivation and has raised some serious questions regarding the future use of these resources; third major challenge refers to the plight of small and marginal farmers that have been the worst
affected due to the current scenario in the rural economy and they are the majority who has committed suicides in the state.

The fourth chapter explores the possible solutions to the agrarian crisis with the aim of identifying the main constraints to more rapid, diversified and sustainable agricultural growth. The response of the political class has also been mentioned. An attempt has been made to show that despite the shift in the political agenda from the identity issues to the issues of development and peace, one can still view a marked dissonance between the political processes and the economic policies.

Relevance of the Study

A study into the reasons, which have led to the deceleration of the growth of the agrarian economy of Punjab, is of significance for not only understanding the problem but also looking for the possible solutions. Pertinently agriculture plays an important role in shaping the economy of Punjab. As discussed above the significance of achieving a second green revolution with the state support has been the running theme in the different policy documents and the research studies. The need to study therefore of the functioning of the agriculture and resource management, with their impact on ecological sustainability and politico-economic opportunities is of immense relevance for both the academics and the policy makers. The study of farmers’ involvement and their role in sustainable resource mobilization is also crucial in determining specific land use practices that carry special implications for vital resources such as those in agriculture. Then much has been written about the dismal state of agriculture in the state in the recent years but there is a dearth of literature exploring the causes. This study is a modest effort to look into the factors as well as the remedies by going through the available literature on the subject. This study hopes to find the crucial linkages between the politics and economy as they have evolved over the years in post-1966 Punjab. A political economy
perspective also enables us to explore the dissonance between the economy and the political processes in Punjab in the recent decades.

In order to fulfill the goal of my study, data on several aspects of agricultural, socio-economic conditions and resource management were collected. Both qualitative and quantitative types of data were collected, from two main sources: secondary and primary. Primary data was solicited from government documents, government and departmental reports whereas published and unpublished books, articles, papers from relevant institutions, departments constituted the main secondary sources of data. The first step in the process was to review literature on the area. This was done in order to become acquainted with the information available, and to collect relevant secondary materials on the topic and the area where available.

Secondary data for the study was collected from various sources for the research study. Initially I have been relying on Internet for general overview; I went through the relevant study material from different agricultural institutions but mainly from Punjab Agricultural University in Ludhiana, Agriculture Department of the state, Punjab government and ongoing projects in this field. I also visited the major libraries at the agricultural university and other university libraries. Data was collected with a high level of detail from secondary sources. The library facilities of Punjab agricultural university and Panjab University as well as other departmental and other institutional sources were used. Emphasis was given to projects and studies which had been conducted in this regard. Various relevant websites were used to collect information about the research which particularly played an important role.
CHAPTER-1

SITUATING PUNJAB IN INDIA’S POLITICAL ECONOMY OF DEVELOPMENT

Before making an academic endeavour to explore as to what ails the political economy of agriculture in recent Punjab, let us have a look at the political economy of development in India as it has evolved over the years. The regional roots of development have largely been influenced by the dynamics of development in postcolonial India under the shadow of development planning\(^1\). So the mapping of the developmental policy of India would enable us to understand and reflect upon the evolution of economic growth in Punjab with special reference to agriculture.

Among the developing countries India receives attention of the political analysts across the world for its twin success story. India has not only remained successful in being a democracy but has also registered a consistent growth rate. From a very poor country in the fifties and a ‘basket case’ in the mid sixties, it has emerged as the fourth largest economy in terms of purchasing power parity in the recent years. India’s economy has been one of the fastest growing economies in the world. Now, it is one of the leading player in the world knowledge economy with vast intellectual capital and ever explosion of the information technology sector.

Much more importantly the success of India becomes much more significant when we reflect upon the fact that very few developing countries have actually been able to remain functioning democracy and at the same time have registered economic growth with an element of equity. The admiration especially those coming from the western world remains laced with a sense of amazement as contemporary India continues to lack in terms of the essential

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prerequisites that are put forward by the liberal democratic theorists. If India is among the top five fastest growing economies then it ironically is also at the bottom twenty among all the countries in terms of UN human development index that reflects upon the physical quality of life of the ordinary peoples. India’s attempt to cohere the notion of development with the democracy thus qualifies it to be ‘an ideal case for testing democratic theories’\(^\text{2}\) for ‘democracy in India is a phenomenon that, by most accounts, should not have existed, flourished or indeed, long endured’.\(^\text{3}\)

**Political Economy of Development Planning**

In the success of democracy in post-colonial India, the model of development planning that gave the state an overarching role to regulate the economy to realise the ‘socialistic pattern of society played a major contributory role. The Nehru era that marked the first years of independence is widely viewed as the crucible of modern India. It was during this era that a stable democracy took roots and a statist model of economic development became dominant. It is important to reiterate that India at the time of independence was facing a great challenge in the form of the socio-economic under-development. It had inherited an impoverished economy that was both extremely poor and stagnating. Against this backdrop, India’s new political leaders declared that the goal of building national economic self-reliance was the government’s foremost priority. It was a quest to redeem over two centuries of colonial humiliation and to build a modern and prosperous nation guided by the principles of secularism, central planning and democratic socialism. The nationalist elites maintained that such objectives could only be attained under the guidance of a strong democratic state that would play the key role in


maintaining political stability and spearheading the nation’s strategy of self-reliant economic development. The colonial past and the nationalist present thus shaped the strategy of economic development. The objectives behind this strategy were many: to maintain national sovereignty by making conscious efforts to limit the degree of openness and integration with world economy; to attain the goal of self-reliance in development; to guide socio-economic development to remove poverty and improve the quality of life. Agriculture though not totally ignored, was given a low priority. Industrialization was preferred because it promised not only increasing returns but also productive employment for surplus labour from the rural sector. Thus the objectives were clear to catch up with the industrialized world and to improve the living conditions of the people and so were the perceived constraints.4 There was this thinking among the political elite that the urbanization and industrialism would contribute to the modernity project.

The national political and economic elites agreed that the quest for self-reliance could best be achieved through a planned strategy of modernization of the economy via rapid industrialization and import substitutions. The state was assigned the central role as owner and controller in the economy. The industrial policy resolution of 1948 recognized a major role for the government in initiating and regulating development in one of the key sectors of the economy.5 The social opinion, thus, visualized a leading role for the state in the development process. This was illustrated by the convergence of this subject between the alternative plans submitted at the time, the Bombay Plan and the

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4 For a discussion on how such constraints have shaped the strategy of development see Chakravarty, Sukhmoy, 1987, Development Planning: The Indian Experience. Clarendon Press, Oxford.

5 Indian influential capitalists (JRD Tata, Kastur Bhai, Lal Bhai, G.D. Birla, P. Thakurdas and AD Shroff) recognized the forthcoming role of state in the economic development. They supported and signed the Bombay plan of 1944 to actively support Nehru’s strategy of planned industrialization. Further, the Industrial Policy Resolution of 1948 outlined a preliminary blueprint for future industrial development. The resolutions gave the central and state governments a virtual monopoly in rails, roads, minerals, the iron and steel industry and specified eighteen key industries of national importance to be developed under the direct control and regulation of the central government.
People’s plan. The policy of laissez faire was avoided for fear of subjugation by the capitalist countries. Assertion of economic nationalism led to the idea of a self-reliant economy based on the strategy of import-substitution and market protectionism.

There were three developmental strategies before the political leadership to choose from. On the one side, there were the proponents of the Bombay Plan, who suggested large scale deficit financing to set up the public sector. It emphasized that the public investment should be directed towards the transport, communications and other overhead sectors which would not tread on the capitalists toes; it also advocated that the public sector units should be sold off to private sector after a time lag; However, the plan was silent over a radical redistribution of resources within the country in favour of the small producers and the poor. The position held by the communist parties was entirely opposite. They visualized the phenomenon of state capitalism as an essential element in the struggle against imperialism. They favoured a broad based development strategy involving a radical redistribution of assets, particularly the land. The Indian left, therefore, pressed for the structural issue of land redistribution and the need to link it with the issue of poverty alleviation. The third position considered as the official position, based on the principle of socialistic pattern of society, visualized the public sector as a permanent phenomenon. It neither completely endorsed the agenda of the big business class nor rejected it. Rather they adopted a statist approach assigning the state crucial role in the economic development of the country in the post independence period. Despite the difference in perceptions, the type of planning India adopted appeared to command a consensus in the beginning.

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6 For a discussion on this aspect see Patnaik, Prabhat, 1998, Some Indian Debates in Planning, in Byres, T.J., ed., The Indian Economy: Major Debates since Independence, pp. 159-192. New Delhi, OUP.


8 This has been drawn attention to by several writers e.g. Desai, Patnaik, et al.
definition of development that encompassed not merely an industrial advancement, ‘but also simultaneously a programme of social transformation and political democratisation’ built around the then prevailing broad consensus. Planning accorded legitimacy to the political class that claimed to pursue a task that was both universal and rational—the well being of the people as a whole. As a result even as the propertied classes felt (quite correctly so) well served by the system, the marginal did not feel completely excluded from the development process.

By keeping in mind the above-stipulated goals, the state elite preferred an economy dominated by fast industrial growth with the help of public sector investment. Open economy was discouraged, due to the experiences of colonial era, where indigenous industries, were put on the back foot. To avoid a peripheral status for India in world capitalist economy. Nehru gave the modernization-cum-industrialization top priority in pursuit of the self-reliant development and keeping in mind the principles and goals of a socialist pattern of society. State was given full control over important industrial infrastructure like public utilities and basic industries and strict restrictions were applied over the import of all commodities in order to exclude those not considered central to industrial expansion. Apart from this, to build national capital, agriculture was relatively neglected along with traditionally small and cottage industries. A compromise sort of formula with private indigenous capitalists, as they were allocated extensive areas such as lucrative consumer goods sector was concluded under the industrial policy revolution of 1948. They were also protected from the foreign competition and assurance was given to provide...

11 This modus operandi of fostering industrialization (a state led capitalism) was no different from state capitalism elsewhere in the world. See Bettleheim, Charles, 1968, India Independent, New York: Monthly Review Press. Thus, large-scale industrialization became synonymous with development. There was a near consensus on both the strategy of economic development and what was attempted to achieve that. It was attributed to the legacy of nationalism and the composite character of the Congress Party.
economic resources for their expansion. Land reforms were introduced to remove rural poverty and with the task of redistribution of land. Community development programmes along with the panchayat system were introduced to create an infrastructure in rural India. Providing reservations in educational institution made affirmative actions.

The nationalist economic strategy helped in stepping up both industrial and agricultural growth rate. The thrust of the policies in the first decade of planning (1951-61) was on the institutional and agrarian reforms. The intermediaries were abolished within a few years after independence and the actual tillers accounting for about 40 per cent of the cultivated area became owners. This provided a more incentive for investment and the growth of agriculture in large part of the country. Land reform legislation, however, was either full of loopholes or simply not implemented effectively in most of the regional states due to the pressure from the regional elite under the pressure from the landed peasantry and also due to the apathy of the lower level bureaucracy. Industrial growth was not only accelerated but also experienced considerable diversification as reflected in the coming up of capital goods sectors and other important industries. However, these major achievements could not hide the harsh realities that the new state did not have the necessary political institutional capacity or the economic resources at its disposal to facilitate an ambitious industrial transformation. Critics have noted that in spite of the political leadership’s vocal commitment to the reformist or socialist dimension of self-reliant economic development, the strategy proved short of the goals of balanced economic development and redistributive justice. The ruling ideology of the Congress party provided a final example of the mismatch between capacity and ambition. The commitment to socialism made it difficult to pursue vigorous economic growth based on market-oriented policies. As

mentioned above, the political class in the first years of independence put high priority on consolidating Indian democracy by maintaining a strong political centre and incorporated the state’s powerful groups on one hand and conceded some powers to the demanding regional elite groups and maintained the hope of poor masses by promising egalitarian development on the other hand.\footnote{14}{Bardhan, Pranab, 1984, The Political Economy of Development of India. Basil Blackwell, Oxford.}

Describing democratic socialism as the vision of independent India, Nehru sought to make democratic social transformation an integral part of India’s economic strategy. Planning introduced in a democratic manner became the instrument for growth and reduction of inequalities while ensuring individual freedom. Development was comprehensively defined to encompass not only an industrial economy, but also simultaneously a programme of social transformation and political democratisation.\footnote{15}{Jayal, Niraja Gopal, 2001, Democracy and the State: Welfare, Secularism and Development in Contemporary India, OUP, New Delhi, p.31.}

The critical alliance between the democratic state and the industrial and business classes was forged to industrialize India. This partnership greatly expanded state’s economic base by creating a public sector that grew in a decade to dominate the commanding heights of the economy. Besides, the state helped in transforming the capitalist classes into a well-organized and powerful social force by insulating the private sector from external market competition and providing improved infrastructure and financial incentives. That resulted in capturing of the major corporate assets in hands of small business houses in the country. Finally, a vague commitment to the poor and the downtrodden permeated much of India’s nationalist political discourse. It found expressions only in the socialist rhetoric and such policy areas as land redistribution and laws governing employment of urban labour. The commitment to the poor, however, was relatively shallow as compared to the nationalism and statism. The lack of commitment clearly reflected the limited political energy that was
devoted to land reforms and such policies as the promotion of widespread access to the primary education and health were severely neglected. Land reforms in India, conceived as a programme of conferment of rights of ownership on tenants and as public distribution of the land of the big owners in favour of the small farmers and the landless has, by the large, been a failure. The only exception to this sad record is the abolition of the intermediaries.  

The statist model that favoured large scale industrialization did help in accelerating economic growth, at the same time it neglected the agriculture development in the country, which ultimately led to under development of this sector and hence a shortfall in food production and ensuring food grains crisis in the country. At the same time, consequences of the development planning surfaced in the form of suspension of planning in 1967. The two successive wars with China and Pakistan exhausted much of its financial resources and two severe draughts during mid sixties made the situation worse for the policy planners. The subsequent imports of food grains from the United States under PL-480 regime and devaluation of the rupee affected the autonomous decision-makings of the government. It came increasingly under the pressure from the donor countries. Thus the harsh economic reality that India came across in the mid-sixties did not conform to the expectations and the promises. The economic growth during the period witnessed a sweeping of the benefits by the rich by bypassing the poor. The much celebrated development planning was suspended due to financial restraint for three years. Public investment declined due to lack of revenue generation and growing public expenditure in such non-development areas as subsidies was widely interpreted as being aimed at securing political support.

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17 The available literature on estimates of party in India suggest a substantial increase in the incidence of poverty during the 1960s, see for example Nayyar, Rohini, 1991, _Rural Poverty in India: An Analysis of Inter State Difference_. Delhi: OUP.
The adverse political implications of the development process also surfaced at about the same time. They were present in the forms of the decline of secular nationalism as an ideology from the memory of the people and the steady erosion of political consensus about the developmental strategy.\(^{18}\) The rise of rich dominant caste peasantry represented a powerful illustration of the economic and political changes set in motion by the process of development. The new central leadership could not satisfy the regional power elites and they deserted the Congress party and created coalition of opposition parties in the north India.\(^{19}\) These political developments led to the defeat of the congress party in as many as 9 states in the Lok Sabha elections of 1967.\(^{20}\)

**Green Revolution**

The economic crisis and political setback led to rethinking of the economics and politics by the Congress Party. In the economic sphere, strong emphasis was given to the development of agriculture. The reduction in the food grain production in the mid '60s and subsequent draught condition compelled India to import food grains from the US under PL–480 even as the proportion of the poor below poverty line increased substantially.\(^{21}\) Hence, a strong need was felt for an agricultural strategy that would lift the low productivity and suffering of the poor. The prevailing economic conditions and setback suffered by the Congress led to a shift in the agriculture policy. The new agricultural strategy witnessed a decisive shift from the institutional reorganization of agricultural


\(^{19}\) This class captured the benefits of land reforms, the community development programmes and the panchayati raj system and the network of co-operatives. Patnaik, Utsa, 1986, *The Agrarian Question and Development of Capitalism in India*. OUP, New Delhi.

\(^{20}\) The general elections of 1967 established that electoral outcomes could not be taken lightly and people’s support could no longer be taken for granted, howsoever big the political party might be. Refer: Kaviraj, Sudipta et al. and Vanaik, Achin, 1990, *The Painful Transition: Bourgeoisie Democracy in India*. Verso, London.


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production through price incentives and technical changes that benefited the rural capitalist farmers. Now the emphasis was on rapid economic growth rather than the reforms. The leadership was now looking for a technological solution to the agrarian question as the attempt to achieve political solutions had failed.

The new agricultural strategy thus was motivated primarily by the desire of increasing the output of agriculture by providing for better seeds and fertilizers to regions with assured irrigation such as the state of Punjab. It was thus essentially "betting on the strong" policy. Popularly known as green revolution, it was put into practice for the first time in 1966. Using the high yielding varieties of seeds, the new strategy also depended upon the usage of chemical fertilizers, pesticides and insecticides, agricultural machinery, extensive irrigation and the use of diesel and electricity power. Moreover, price support, subsidized input and credit facilities were provided which shifted the term of trade in favour the countryside. Those new adopted measures did help in attaining spectacular growth in agriculture production, which was termed as green revolution in India. The second major initiative taken in this period was a number of measures to remove poverty and to create employment for the poor in the countrywide.

**Political Economy of Development Planning**

The end of Nehru era and the Lok Sabha elections in 1967 witnessed the end of ‘Congress polity’. The decline of institution and ideology within the Congress...

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23 This new emphasis was guided partly by the concerns that the nation should discontinue its 'ship to mouth' existence (under US PL-480) and also by the concerns of the poor who went without food in case of shortage of food.

24 The Poverty alleviation programme like the Cash Scheme for Rural employment, the Drought Prone Area Program (DPAP), The Small Farmers Development Agency and employment generation programme like Food for Work Programme and Employment Guarantee scheme in Maharashtra was introduced. The poor were, thus provided with entitlements to overcome their marginalization.
party witnessed adherence to the politics of populism, which had long-term development consequences. During Indira Gandhi regime poverty alleviation became the central political slogan, thus shifting India’s political discourse further to left. The escalating opposition against the Congress Party in several states induced the radical shift in the policies. Through these policies, she made an attempt to reinvent Congress. She did succeed in reversing the party’s decline at least in the electoral sense for some time. In the process, however, the Congress turned into an instrument for winning elections. In fact it was she who was seen as winning the elections and not the party. Moreover, the elections became sort of plebiscites as they were fought on the basis of slogans and promises, which were never backed by the programmatic efforts. The electoral majorities won by Congress were hardly used to deliver on promises made by her, thus weakening the government and in the long run evaporating the party’s massive support. By putting aside her political opponents (whom she labelled as ‘enemies of the poor’), she managed to mobilize the newly emergent and assertive marginal groups including the historically disadvantaged. On a positive note the emphasis on the Garibi Hatao brought the issue of poverty to the forefront of politics. Since then the issues of inflation, price rise of the commodities have become an integral part of the electoral politics. Poverty also has become a political issue.

Due to the factional fight within the party and challenge to her leadership by the group of regional leaders popularly called members of ‘syndicate’, Indira Gandhi’s political energies were focused less on matters economic and more on maintaining power. The earlier statist model was continued without any deeper changes. She attempted to strengthen the popular base of the state by introducing a series of measures which included a major shift in agricultural policy and a variety of left leaning changes like nationalization of Banks and Insurance, abolition of privy purses etc. These radical measures undertaken by

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ruling Congress helped it in holding the support of the poor and the oppressed groups. The reliance on populist measures such as tax concessions to petty traders and waiving of rural loans, however, increased the government expenditures or reduced the government revenue. It follows that some policy developments, having political roots led to an adverse impact on economic growth. Congress held its populist coalition together by channelling public resources to a variety of interest groups, thus reducing public investment and hurting economic growth. Radical political rhetorics, emphasis on nationalistic policies and labour activism alienated both national and foreign private investors.

Due to the green revolution, the post-1966 period witnessed impressive growth in terms of agricultural output leading to food security and reduction of poverty. Anti-poverty programme and employment programmes initiated by Indira Gandhi continued during the subsequent Congress governments. As discussed above, Indira Gandhi may be credited with not only being instrumental in setting off a process of the ideological and institutional decline of the Congress party but also for setting the tone for the politics of populism and patronage in the arena of economy. The turbulence in the democratic governance occurred not only due to the political decay but also due to political awakening that came in the form of the assertion of hitherto politically dormant groups belonging to the lower middle and the lower strata in the villages, petty traders and organized sector workers and the socially marginal. In the sphere of economy, the increasing political competition for having access to the state’s scarce resources exercised a strong influence in public policies. It gave rise to a competitive politics of populism as different political parties wooed the voters with new promises. There was a flurry of subsidies, loan waivers and loan melas. In terms of promises there was something for everybody because

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of the proliferation of subsidies for both farm and non-farm sectors.\textsuperscript{27} Public utility services such as irrigation, electricity and road transport were under priced along with goods produced in the public sector such as steel and coal. The entrepreneurial class was provided with cheap inputs by the public sector and the nationalized banks extended loans. Moreover, loans were waived, only to add to the non-performing assets of the public banks. Moreover, lending easily through loan melas facilitated the rich peasantry. There was a rapid increase in the public consumption expenditure.\textsuperscript{28} There was an increase in the government staff and increase in the public salaries. Huge funds were allocated for poverty alleviation programmes such as Rural Landless Employment Guarantee Programme (RLEGP). However, the provision of basic education, health care and social security were simply inadequate. Economic development did not conform to the expectations and promises and benefits of the economic growth occurred to the rich while the poor were overlooked, despite the popular mandate won by the Congress party through their support in the post-1967 elections till 1989 with the exception of the 1977 elections. These efforts proved inadequate so far as the basic education, health care and social security were concerned.\textsuperscript{29} In political spectrum too, politics of patronage was followed. Political parties of every hue sought to woo the people with different sets of sops to garner their support. Politics was overshadowed by friction around religious, caste and regional identities as the ideology of nationalism disappeared.\textsuperscript{30} This was partly the regionalization of politics that surfaced as a

\textsuperscript{27} Bardhan, Pranab has described this situation in the early 1980’s as ‘a pattern-client regime fostered by a flabby and heterogeneous dominant coalition preoccupied in a spree of anarchical grabbing of public resources.’ Bardhan, Pranab, 1984, \textit{The Political Economy of Development of India}. Basil Blackwell, Oxford, p.70.

\textsuperscript{28} The total expenditure of the central government increased from 16 percent of the GDP in 1980-81 to 20 percent of GDP in 1985-86 stayed above that level through the second half of the 1980s. The share of capital formation in total expenditure dropped from more than 40 percent in 1980-81 to about 33 percent in 1989-90 for more analysis, Refer Bhaduri, Amit and Deepak Nayyar, 1996, \textit{The Intelligent Person’s Guide to Liberalization}, Penguin Books, New Delhi, p.70.


result of it. There was an abandonment of the *Garibi Hatao* slogan and embracing a majoritarian strategy to regain her party’s dwindling support.\(^{31}\)

The most striking impact of the shift in the political economy was witnessed in the border states of Jammu and Kashmir, Punjab and northeastern states. In Punjab Congress resorted to identity politics to weaken the Akali Dal as it did in Jammu region to weaken National Conference. It led to the rise of anti-minority fears in Punjab.\(^{32}\) Congress encouraged the extremist elements within the Akali Dal. These panthic leaders became increasingly outspoken, calling for a sovereign state of Khalistan. The voice of secessionism in Punjab as in other parts of India like in Kashmir valley brought identity politics to the fore which was accentuated by unevenly directed economic development and excessive concentration of power by the centre.

Indian democracy entered a new phase following the Congress return to power in 1980. This was marked by the numerous efforts to find workable alternatives in the aftermath of coalition era. The 90’s were characterized by a fair amount of governmental instability as well as social instability. The arena of conflict shifted from the rich versus the poor to the centre versus state. The growing dissent with the centre culminated in the form of regional militant movements in Punjab.\(^{33}\) Since then, Congress has been unable to retain the traditional vote

\(^{31}\) In the electoral arena, money factor extended its role from economics of market to the politics of democracy. This created a barrier for the poor to enter into politics as electors. Power of money got recognition along with caste, ethnicity and religion to organize votes and buying and selling legislature as and when required. There was a huge difference between the promises and performance. Hence politics of patronage and proliferation of subsidies left the state dwindling under huge debt crisis. This is despite the fact that the ‘Hindu rate of growth’ of 3 to 3.5 per cent, which India had maintained over the first three decades of independence was broken and the economy actually grew at 5.5 per cent during this period and there was a distinct reduction in the poverty. Kohli, Atul, 2006, ‘Politics of Economic Growth in India, 1980-2005; Part I: The 1980s and Part II: The 1990s and Beyond’, *Economic and Political Weekly*, April 1 and 8, p.1252 and 1368-9.


\(^{33}\) The party politics and the electoral contests inspired the identity politics that dominated the 1980s and 1990s. This is apparent from the short-term strategies formulated by the Congress leaders to win the Hindu vote and at the same time, regain favour with Muslims and Scheduled
bank of the party among peasant castes, the *dalits* and *Muslims*. The coming to the power of Janata Dal, a coalition of several social justice parties representing primarily the backward classes marked the shift in the nature of India’s party politics. The 90’s also witnessed one of the most significant political development of the recent India i.e. the emergence of the Bharatiya Janata Party, a right leaning religious nationalist party. BJP’s reformulation of Indian nationalism along cultural and religious lines paid handsome electoral dividends enabling the party to come to power at the centre leading the national democratic alliance (NDA) coalition. Its opposition to mandalisation of politics and commitment to construct Ram Mandir at Ayodhaya drew support. The party also gained by having alliance with the regional parties like Akali Dal in order to spread its influence at national level. Besides the assertion of the dormant identity groups in the politics, of late the rise of the state parties like BSP, Biju Janata Dal, Telugu Desham Party has also indicated the increasing importance of state as an arena of Indian politics. In the field of economy, however, there has been much more consistency, generally towards a more liberal direction than in the past as we would discuss in the following part.

To sum up, the achievements of some five decades of political economy of development planning fell far short of the goals and aspirations. While the state in its role as the modernizer, intervener and mediator acquired an extensive administrative and institutional presence in the countryside; it demonstrated a remarkable weakness in implementing its own proclaimed policy goals, especially reformist and distributive goals. The wealth generated in the agricultural sector through the extension of state subsidies and price support

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34 The rise of BJP (dedicated to the redefinition of Nationalism) filled the political vacuum created by the decline of the congress by providing a Hindu nationalist alternative to the Congress. The Ramjanambhoomi campaign and its opposition to the minority United Front government’s decision to implement the Mandal Commission’s recommendations facilitated the rise of the BJP. Hasan, Zoya, 2000,ed., *Politics and the State in India*, Sage, New Delhi, p.23.
and increased profitability as a result of green revolution technology, have disproportionately benefited the already well off, with little perceptible gain in the income and living standards of the majority of rural households. Although anti-poverty rhetoric continued to remain important to the stability of the state, dominant interest groups garnered the main benefits of welfare programmes.

**Political Economy of Reforms**

However, the year 1991 marked a new era in India’s political economy as India moved from the state-led capitalism to a market driven one. Facing a full scale macro economic crisis marked by high inflation, rising food prices, large current account deficit, huge domestic and foreign debt, a sharp fall in the foreign exchange reserves, a steep decline in India’s credit rating, flight of the capital from the stock market as post-Mandal and Mandir India faced social and political instability, Indian state had to accept a strategy of the liberalization of the economy through structural adjustment programme under the auspices of the World Bank and International Monetary Fund.  

The dramatic change has been attributed partly to the domestic crisis and partly to the broader international developments. The collapse of socialist economy had removed the only real alternative to the capitalist market. Eventually, external pressures saw a noticeable extension into the policy formulation and administration of the state. Both direct and indirect pressures were applied on the government to improve its political and economic governance. These changes were interpreted as compulsion of economic crisis management and changing international environment. The disintegration of USSR left the world with one super power with capitalist orientation. So it was interpreted as a crisis driven and not a strategy driven change in the economic policies. The

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crises were both political and economic. In the political sphere, the unnecessary and mindless populism led the government to borrow both from national and international donors. The subsequent fall in government’s revenue earning created a roadblock for the government to pay back the debt. Hence, the government was caught in an external debt crisis situation. The borrowed money was diverted towards meeting the government expenditure and payments in the form of subsidies. The competitive politics of populism created such a fiscal regime, which continued to borrow to support such expenditure that did not yield any positive returns to the exchequer. Hence, the crisis-ridden economic environment left no option but to introduce economic liberalization. As it was superimposed on the process of economic development and political democracy that had evolved in India over a long period since independence, it was, therefore bound to influence the interaction of economics and politics.

Indian government responded to the crisis situation by setting in motion a process of macro-economic stabilization combined with fiscal adjustment and structural reforms. The central approach underlying these changes involved a greater reliance on market mechanism. It was translated into a range of policies including deregulation and reduction of government controls, a disproportionate encouragement of imports, greater autonomy of private investment, lessening emphasis on the public sector and opening the economy to international trade and convertibility of the rupee being the main features of the new economic policy.36

The elusive pursuit of ‘socialistic pattern of society’ had resulted into the factors like the populist policies, rapid growth of state control and reservation of certain areas for small-scale industries- all causing fiscal deterioration. It was replaced now by the pursuit of a market oriented ‘economic growth’ with economic efficiency. In a new consensus about the reforms among the policy makers, more emphasis was now given to growth than reduction in poverty and

inequality, though it was not totally ignored. The role of the state was considerably reduced in the process of economic development and it became market driven. Private investment was preferred over public investment for the efficient utilization of scarce resources. Along with private investment, foreign capital and foreign technology assigned a new role and it has been multiplied since then. Then, there was an end to the era of closed economy and was replaced by openness of the economy, which has been increasing significantly, since then. This was done keeping in view the international competition and to bring about similarity between domestic and international prices. In sum, India’s statism provided a framework for the emergence of a largely capitalist economy in India. The more the Indian capitalism has matured over the last few decades, the more difficult has it become for India’s leader to maintain anti-capitalist political positions. Many apprehensions were raised when this policy change were being introduced. The talking point was why this sudden change when even decades of prevalent poverty could not do so and there were debates over the decision of a minority government to introduce such a far reaching changes when earlier government with majority were reluctant to bring these kind of changes. However, the fact remains that all the parties had mentioned about the need to have a reappraisal of the economic policies in their manifestos before the elections in 1991 though they did differ in terms of what they actually wanted to do.

The initiation of liberalization policies has led to a re-examination of state intervention in competitive markets and development. There was now a major shift in the redistributive role of the state. From being the prime mover of the economy with the objective to bring about socio-economic equity, state now had to work as a facilitator for the market. The perception that the state institutions were ineffective as provider of public goods and services was implicit in the acceptance of the market as an alternative delivery mechanism. This was probably the main driving force behind the shift in India’s development strategy. The new trend was even visible from the manifesto of
every political party from the 1991 elections that indicated the need for restructuring the economy. The Indian political process had evolved considerably by the mid 90’s, set in motion by the assertion of depressed and backward castes and classes with the widening and deepening of democracy. The democratic process witnessed a transition, which had given a voice to the marginalized. One implication of the upsurge from below has been the growth of new forms of representation. New Parties and organizations have sought to correct the imbalance in representation (hitherto biased in favour of the small elite). They have done it in such a way that it divided and fragmented the political space into castes and sub castes and communities and sub-communities.37

The politicisation of vast number of unprivileged groups like scheduled castes, backward classes has been an important development of this era. Their mobilization by different parties like BSP, SP, Janata Dal opened a new chapter in political development during the last two decades. The political organizations of these groups also gained national political significance by joining coalition governments at the centre. The emergence of coalition politics at the national level has made drastic changes in Indian Democracy. These have been positive as well as negative also. The compulsion of Coalition politics has forced the hardliner BJP to soften its ideological stance to participate in democratic government. The three governments formed by the BJP since 1996 were coalition governments. Unlike the first two, the 1999 BJP led National Democratic Alliance (NDA) government enjoyed a parliamentary majority. The party throughout in its rule found itself cornered between its core Hindutva agenda and to embrace moderation to govern effectively a modern and culturally diverse society. Even the once dominant political party has widened the scope of choice for the electorates. The voter franchise cannot be

37 The most visible outcome of this social change was an increase in lower caste representation in government, especially at the local and regional levels. This is what has been described as nothing short of a quiet social revolution by Frankel, Francine and M. S. A. Rao, eds., 1989, Dominance and State Power in Modern India: The decline of a Social Order, 2 Vol., OUP, New Delhi, p.508.
taken for granted as they have started to judge political parties and their performance. The emergence of anti-incumbency factor is the creation of this political awakening among the voters. Along with these positive developments there are many negative developments also. Parties with different political ideologies have been participating in the government, because of which the task of government has become difficult to arrive at consensus on numerous political and economic issues. The political populism has shifted its base towards state level governance.

In sum, the shifting governments and coalition of the last two decades have not led to acute economic policy instability. Although, there have been fluctuations, but economic policies have generally moved in the direction towards market oriented liberal reforms over the last two decades. Arguably with every change in the government in recent India, the reform process has been further strengthened. Right now one is witnessing the second generation of reforms being introduced like extending reforms to the state; building an infrastructure through public private partnership; reforming the labour market; agriculture and telecom sector; good governance; empowering the marginal; advancement in education sector; and achieving environmental security. Poverty alleviation and redistribution along with agricultural development, however, have taken a back seat. The shrinking capacity of the state means that the distance between economic policy and social policy has been furthered. It is reflected in the gradual withdrawal/rolling back of the state from the social sector.

Given India’s track record it is unlikely that its capacity to foster equitable growth will improve radically. The increasing capture of the political parties by powerful interest groups, the move away from its earlier socialist goals and the softness of the Indian state, are not likely to ensure an egalitarian growth in future. India’s record in achieving just growth has been mediocre and unfortunately, the road ahead does not seem very promising. The arrival of the
new millennium has been heralded by numerous vision documents about the long-term prospects of the Indian economy. There is no doubt that the overall post-reform growth rate has been higher than the average rate achieved during the pre-reform period but it has been largely due to the service sector. However, this growth is not inclusive. The growth is skewed within the economy as there is a great divide separating industry and agriculture. The rural infrastructure is in a dismal state. There is a considerable anxiety about the likely course of the agricultural scenario in the country. While Science and technology hold promises of plenty, doubts are expressed about our capacity to make productive and wise use of the technological opportunities. We are told that there is enough room for food grains production to expand but we cannot be equally sure that the arrangements needed to reach food grains to those in distress would be effectively organized. There is a good evidence to show that agricultural growth benefits even the poorest, but, regrettably, the impact on the poor appears to remain too modest to support a life style meeting the minimum norms of Human Development.38

Situating Punjab

Punjab has always been an important region in the political and cultural imagination of the nation. In the developmental strategy also as we would discuss, Punjab played an important role. Until recently, Punjab was viewed as the most dynamic and progressive state of the country, particularly for its success in the agrarian sector. The Green Revolution was successful in other parts of India as well, but it was Punjab that it primarily came to be identified with. Punjab was credited with being the food basket of India. The achievements of the state have also been very widely recognized. The opening lines of the recent World Bank report on the state, for example, recognize Punjab’s achievements quite well: ‘Punjab is India’s most prosperous and

developed state with the lowest poverty rate. At the end of the 1990s, more than 94 percent of Punjab’s citizens were above the poverty line, 70 percent were literate, 94 percent of the six year olds were enrolled in primary schools, 72 percent of children under twelve months were immunized, 99 percent of households had access to safe drinking water, and the average life expectancy of its citizen was 68 years. The remarkable development record of Punjab can also be inferred from the fact that it has already achieved, or is well on track to achieve, most of the Millennium Development Goals (MDGs). According to India’s National Human Development Report (2001), Punjab was ranked second only to Kerala in terms of the overall level of human development among the major Indian states. Most citizens of Punjab have thus already achieved a level of socio-economic status that the majority of Indian citizens are unlikely to experience in their lifetime. 

As discussed in the preceding chapter with its relatively better infrastructure along with Haryana, Western U.P. in the northern region, Punjab was chosen under the Intensive Agriculture Area Programme (IAAP). Green Revolution brought critical change in the nature of the politico-cultural dynamics of the state. With assured irrigation facilities combined with high yielding variety of seeds and hard working farmers, Punjab witnessed an agricultural growth of 5% that surpassed the national level, which was nearly around 3% of that time. As late as in 1964-66, 12 percent of food grains require was imported. Thus Punjab contributed in a big way in enabling India to achieve domestic self-sufficiency in food production, though food consumption remains low.

As has happened in other parts of the country like in neighbouring Haryana, the success of Green Revolution technology and the repeated democratic practices brought the local dominant castes to centre stage of the regional/state politics. This process was perhaps more intense in Punjab, where the agrarian

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life style came to become the norm. The triumph of agrarianism not only gave the agrarian elite political power at the local and state level but also had important implications for the existing social identities. For example, though the land owning Jats had always been an important element of the Sikh community, it was after the Green Revolution that the Sikh image came to be identified with the Jats. In caste terms, electoral politics in post-green revolution Punjab has for long been dominated by the Jat Sikhs constituting the ‘rich farmers’ who come across as a dominant caste in the sense of the term Srinivas used it. Being 20 per cent of the population they are numerically strong, own the 60 per cent of land and are middle peasant caste having presence in all the three regions of the state like Kammas and Reddis in Andhra Pradesh. In another fall out of the success of green revolution, Punjab came to be popularly known as a land of the prosperous and capitalist farmers despite its urbanization and industrialization also being above national average. As discussed in the preceding chapter Punjab witnessed a huge economic growth due to new agricultural strategy based on the capitalist mode of farming.

The post-liberalization decade of the 1990 can be described as the worst period of the Punjab economy. With investments in the industrial sector going to the neighbouring ‘progressive’ states, agro-centric Punjab economy growth rate during 2002-2007 was just 4.8 per cent against the national average of 7 per cent. State’s debt is at rupees 53000 crore that stood at rupees 32000 crore in 2002. As per the national sample survey organization (2006) estimates Punjab has the third highest extent of rural indebtedness in India (65.4 per cent) after Andhra Pradesh and Tamil Nadu. According to the Comptroller and Auditor report submitted in 2007, 13 PSUs of Punjab have so far incurred a cumulative loss of rupees 3,934 crore. Subsidies and top-heavy bureaucracy bleed the economy. The factors like the fragmentation of landholdings, rapid rise in the


cost of inputs, stagnating returns, declining public sector investments, inadequately marketing and pricing, decline in the research inputs from the institutes like Punjab Agricultural University, Ludhiana, absence of food processing facilities, persistence with two-crop (paddy-wheat) economy, failure of cash crops, extensive use of technology that results in to the degradation of environment, loss of most of its wetlands, all have resulted in to a grave agricultural crisis in the state. \(^4^2\) The growth performance of Punjab has gone down compared to the disturbed decade of 1980. The growth rate of the SDP was 55% during the 1980s, which declined to 4.7% in the 1990s (1990-91 to 1996-97 figures). The growth rate of the Indian economy during this period has been around 6-7% per annum. Thus, Punjab has shown a performance level below the all India average, where certain other states (Maharashtra, Gujarat, West Bengal, Kerala, and Rajasthan) have recorded remarkable growth rate, equal to or more than the all India average. During the 1990’s, the star performers turned out to be Maharashtra, Gujarat, and Rajasthan with their respective per annum growth rates of 9.5%, 8 percent and 7.2 percent between 1991-92 and 1996-97. \(^4^3\) The slowdown in the Punjab Economy is not only observed in the declining growth performance of agriculture but also in the falling growth rates of the state’s secondary and tertiary sector. In fact, it is an all round slowdown compared to the state’s own past decades as well as in comparison to the all India average. Though liberalization and globalisation were important turning points in the recent economic history of India having its impact over Punjab as well, the ‘crisis’ of Punjab agriculture, as mentioned above, was already very much evident by early 1980s, and had become a political issue in the then strife torn state. Acknowledging that all was not well with the state of affairs in Punjab agriculture, the state government in 1985 appointed a committee under the chairmanship of S.S. Johl, an agronomist, to look into the problems of the agrarian sector.


In the report submitted in 1986, the Johl Committee expressed concern about stagnating productivity levels and deteriorating environment due to the cropping pattern dominated by paddy-wheat rotation. The committee recommended that if agriculture in Punjab was to be made sustainable, the farmers will have to be encouraged to diversify cropping pattern, switching over from high-volume and low-value crops to low-volume and high-value crops. Given the overall political atmosphere in the state at that time, however, no concrete steps could be taken to implement the report. Introduction of the policies of liberalization and globalisation during the early 1990s further increased pressure of the agrarian economy. The new economic policy advocated withdrawal of the state from the economic sphere, leaving it to the logic of market forces. While it might be a good thing for the industry to be allowed to freely import the latest technology from abroad or have a competitive atmosphere, leaving the agricultural sector to vagaries of free market could prove disastrous. Small landholders cultivate most of the land in India and they often have to borrow from various sources for investments in the cultivation of cash crops. The cycle of agricultural production is such that virtually the entire farm yield comes to the market simultaneously. In a completely free and open market, the indebted small cultivator would obviously find it hard to bargain with the mighty trader. The support price regime for food grain crops had been a great help to the farmers.

Under the shadow of globalisation, new institutional arrangements are being created for governing agricultural trade in India. There is much concern about Intellectual Property Right, Trade Related Trade Practices (TRIPS) and new World Trade organization (WTO) regulation. There is also a growing concern about the impact of multinational corporations on Indian Agriculture. To quote

44 There have been several reports on the growing indebtedness of the Punjab farmers, particularly those of small and marginal farmers. Their sources for borrowings are invariably informal, generally the arhtias (the commission agent) in the grain market, which obviously makes their bargaining position weak. See Shergill, H. S., 1998, ‘Rural Credit and Indebtedness in Punjab’, Institute for Development and Communication, (monograph series IV), Chandigarh.

58
M S Swaminathan: “Agriculture in developed Countries is a technology-capital and subsidy driven enterprise. It is very low labour absorbing and high technology and subsidy absorbing. The fact is that in the United States, Japan and Europe, 97 to 98 percent of the people (who are employed in other sectors), subsidize the 2 to 3 percent who are agriculturalist. In our case, 25 to 30 percent are subsidizing 70 percent. They can continue giving high subsidies, because they have written the draft text of the WTO and they know the rules of the game. Having done the drafting in almost all-global negotiation, the developed Countries have been playing a pro-active role, while the developing countries are playing reactive role. For example, if one looks at the aggregate measure of support in the WTO, you will find things like research exempted. Billions of dollar, have gone into technology development, which have not been included in any part of the aggregate measure of support to their farmers. In this way, they find ways of giving greater support to their farmers. In Switzerland, a farmer gets between 70-75 percent support from the government. These incentives are offered partly because agriculture is a great foreign exchange earner. In the United States, agriculture is the number two foreign exchange earner, next to the armament industry. And while only two to three percent are involved in agriculture, another 30-35 percent of the American population is involved in the secondary sector (processing, production of fertilizers, pesticides of business activities and so on) and tertiary sector (packaging, forwarding, and shipping), which is partially, important in terms of marketing. Therefore, the WTO is not a level player fixed at all, especially in agriculture.”

Green revolution made Punjab a food-surplus state especially in terms of the wheat production. The state, however, paid dearly for the Green Revolution and over surplus production of food grains. The state’s farming has been facing problem because of wheat paddy cultivation. The centre government has been

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trying to distance itself from procurement of food production through central agencies and support price for food grains. The Indian government adopted a policy of keeping the Minimum Support Price (MSP) low in order to reduce food procurement. The Economic Survey states that in the recent years, the government deliberately restrained increases in the MSPs: “the price policy for *rabi* and *kharif* crops announced modest price increases in the past five years. The government’s policy of restraint in announcing hike in MSP of principal cereals in the last four seasons is likely to address the problems associated with excessive concentration on production of two crops, namely, wheat and rice.”

That is, the government was deliberately getting peasants to shift away from wheat and rice to other crops. This has been the explicit policy of the Government for some time now.

Government has initiated the task of freezing MSPs unofficially since 2001-02. As can be seen from the Table 1, between 2000-01 and 2005-06, the MSP has increased by just 6.6 per cent. In fact, during 2001-02 to 2004-05 the Wholesale Price Index for all commodities rose 4.7 per cent per year, whereas wholesale prices of wheat rose by just 1.1 per cent per year. This virtual freezing of MSPs was intended to dampen wheat production and procurement. Consequently, as can be seen from col. 4, procurement fell sharply between 2000-01 and 2004-05, by 5.84 million tonnes; as a percentage of the crop (col. 5), procurement fell by 9-percentage point.

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60 The Government of India’s official *Economic Survey 2005-06*, claims that large Government procurement hurt private traders and discouraged them from expanding in the field of agricultural marketing: “Reduction of private trade in wheat and rice in the northern states of Punjab and Haryana also possibly led to the ‘crowding out’ of private investment in agricultural marketing channels.” So the Government wants to encourage private investment in agricultural marketing by keeping the MSPs low, and diverting more grain into the hands of private trade.
Table 1: Wheat Minimum Support Price and Procurement

<table>
<thead>
<tr>
<th>Year</th>
<th>Minimum Support Price (Rs/quintal)</th>
<th>% Change over earlier year</th>
<th>Procurement* (million tonnes)</th>
<th>% Change in procurement over earlier year</th>
<th>Procurement as % of crop</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999-00</td>
<td>580</td>
<td>5.5</td>
<td>16.35</td>
<td>15.6</td>
<td>21.4</td>
</tr>
<tr>
<td>2000-01</td>
<td>610</td>
<td>5.2</td>
<td>20.63</td>
<td>26.2</td>
<td>29.6</td>
</tr>
<tr>
<td>2001-02</td>
<td>620</td>
<td>1.6</td>
<td>19.05</td>
<td>-7.7</td>
<td>26.2</td>
</tr>
<tr>
<td>2002-03</td>
<td>630</td>
<td>1.6</td>
<td>15.80</td>
<td>-17.1</td>
<td>24.0</td>
</tr>
<tr>
<td>2003-04</td>
<td>630</td>
<td>0</td>
<td>16.80</td>
<td>6.3</td>
<td>23.3</td>
</tr>
<tr>
<td>2004-05</td>
<td>640</td>
<td>1.6</td>
<td>14.79</td>
<td>-12</td>
<td>20.6</td>
</tr>
<tr>
<td>2005-06</td>
<td>650 (700)</td>
<td>1.6 (9.4)</td>
<td>9.22</td>
<td>-37.7</td>
<td>13.3</td>
</tr>
</tbody>
</table>


Wheat procurement is carried out in the marketing year following the crop year, that is, procurement of the 1998-99 crop is carried out in 1999-2000. Wheat procurement was started in April 2006 at the price of Rs 650. After this met an abysmally poor response given the low procurement price, the Government declared a bonus of Rs 50, bringing the total to Rs 700. However, by that time many peasants, especially those without holding power, had sold their crop, much of it to private traders.47

The near freezing of MSPs in wheat, however, was not enough to depress procurement to the extent the Government wished. In April 2005, therefore, instructions were issued to the FCI not to procure grains in Uttar Pradesh. U.P. might have been chosen because peasants there have been less organized and militant than those in the states of Punjab and Haryana. In the recent years agitating peasants have resorted to rail rokos and other protests by Punjab

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peasants specifically on procurement, forcing the Government to procure.\footnote{None other stated this than the then Union Secretary for Agriculture, Radha Singh. She confirmed that such instructions were issued to the FCI. She stated, \"Procurement [in the 2005-06 marketing season] has declined mainly because government agencies did not make requisite purchases in states like UP.\" \textit{The Hindu}, September 16, 2006.}

Thus the evidence is clear; there was a decision to procure less, and to leave the field open for the multinational corporations and other grain speculators, at the expense of both peasants and consumers. It is worth noting that the amount of shortfall in procurement from U.P. — two million tonnes — is roughly the same as the shortfall in the buffer stocks on April 1, 2006.\footnote{Business Standard, June 17, 2005.}

It has been argued that there seems to be a systematic plan to dismantle the Food Corporation of India (FCI). The representatives of multinational grain companies — those from whom the Government wants to attract private investment in agricultural marketing channels—told the official Committee on Long-Term Grain Policy (CLTGP) that they would not make large investments in grain trading in India unless the potential threat posed by high stock levels is removed.\footnote{Government of India, 2001, \textit{Abhijit Sen Committee on Long-Term Grain Policy}. Ministry of Food and Agriculture, New Delhi, p. 31} The high stock levels referred to here are the procurement and stocks for Public Distribution carried out by the Government; these stocks pose a threat to the super-profits the multinationals wish to make in India. The FCI’s purchases and sales have prevented the peasant’s price from sinking too low or the consumer’s price from rising too high. The multinationals can only make monopoly super-profits if the FCI gets out of the market.\footnote{For example, of the wheat crop, the peasants for their own consumption keep about one-half; one-quarter is ordinarily procured by the FCI; and private traders purchase one quarter. In other words, of the marketed surplus grains, the FCI normally buys about half, and sometimes more; it thus can control the market. However, as seen in col. 6 of Table 1, procurement as a percentage of the wheat crop fell sharply — from 29.6 per cent in 2000-01 (marketing year 2001-02) to 13.3 per cent in 2004-05 (marketing year 2005-06).}

The FCI set a target for procurement of wheat in the 2006-07 marketing season (April-May 2006) of a mere 16.2 million tonnes. This was 0.6 million tonnes less than that achieved in 2004-05, and far less than that achieved in earlier
years (see Table 1, col. 4). Even a procurement of 18-18.75 million tonnes would barely have met the current requirements of the PDS, the welfare schemes, and the food-for-work programmes. Given that the Government claimed to be planning an expansion of the food-for-work programme each year, the requirements would be higher.\textsuperscript{52}

Public procurement was reportedly just 18-20 per cent of the total arrivals in the market. Private buyers were cornering the rest. The Government announced an incentive bonus of Rs 50 per quintal to attract more sellers (thus raising the effective procurement price to Rs 700). By that point it was too late, as many peasants with less holding power had already disposed of their grain to private traders – at prices much lower than Rs 700. During field visits of members of the Commission for Agricultural Costs and Prices (CACP) to Punjab, Haryana, Rajasthan, Madhya Pradesh and Uttar Pradesh, “it was generally reported that private trade was active in the market from the beginning of the season and bought their grain at prices slightly higher than the MSP announced.”\textsuperscript{53} Moreover, it appears much of the grain was bought even before it reached the markets. Despite the fact that official estimates put wheat production slightly higher than the previous year, only 13.7 million tonnes reached the market-2.3 million tonnes less than the previous year, and 4.4 million tonnes less than the year before that. Of the grain that reached the market, the Government procured only 67.5 per cent, as compared to 93 per cent in previous years. Procurement fell by 23 per cent in Punjab and 51 per cent in Haryana, the two largest centres.\textsuperscript{54} Significantly, soon after the deliberately low procurement in April-May months of 2005, the US and Australian multinationals began ‘predicting’ that India would import substantial amounts.\textsuperscript{55}

\textsuperscript{52} Even if cash payments are made instead of payment in grains, a large share of the consumption of the poor is food grain, so the off take from the public distribution system would increase accordingly.

\textsuperscript{53} Commission on Agricultural Cost and Prices, Price Policy for Rabi in the 2006-07 crop season.

\textsuperscript{54} Abhijit Sen Committee on Long-Term Grain Policy. CLTGP, p. 21.

\textsuperscript{55} The US Department of Agriculture stated in July 2005 that India was expected to import one million tonnes of wheat. By November 2005, leading US analysts predicted that India would
If large foreign exchange reserves can be viewed as constituting food security, then indeed India should be food-secure. At the start of April 2006 the foreign exchange reserves were $152 billion; they rose by June 2006 to $163 billion, and continue to rise. Yet the actual exercise of imports has been fraught with risk. Three problems have emerged in the process of the imports: the failure of successive tenders, and the slow pace of actual imports; the dilution of food and plant safety norms under pressure from foreign suppliers; and the price of the imports. Although the size of the gap in required wheat stocks was evident at the outset, the Government announced that it would import 0.5 million tonnes of wheat only in February 2006. The tender was awarded to the Australian Wheat Board (AWB), much to the resentment of US firms, who lobbied furiously for further imports. The scenario of wheat economy in the season 2005-06 has not only exposed the vulnerability of much acclaimed sustainable food security of the country, it had dislocated the price stability of this essential item of mass consumption in the country. It has also demolished the premise articulated by several thinkers that India’s healthy foreign exchange reserves are a guarantee for the nation’s food security. India’s annual consumption of wheat is 70-plus million tonnes a year, and world trade in

import two million tonnes. The Australian Wheat Board (AWB) too was clear that India constitutes an attractive long-term market, and began investing in physical assets such as warehouses. According to the AWB, given the slow growth of India’s farm sector, “there will be a gap between demand and supply of agro-commodities [that is, there will be a shortage]. By doing opportunity-based imports and exports, AWB can become a serious participant.” ‘AWB to be the first MNC to step into farm retail here.’ Economic Times, 9-12-05.

In a key 1991 document, the World Bank claimed that “High levels of buffer and working stocks for wheat and rice (currently 19 million tonnes) are both expensive and unnecessary, especially in the light of changing objectives for market interventions and a new role for FCI. India could be adequately protected with a smaller buffer stock, entering the world market to obtain supplementary supplies in prior production years and keeping foreign exchange to handle purchase in deficit years. World Bank, 1991, India: Country Economic Memorandum, vol. II, Agriculture: Challenges and Opportunities.

In the third week of April, the Government announced its intention to import another three million tonnes. However, only two out of eight bidders for this tender fulfilled the conditions of the tender, and the Government was able only to import 0.8 million tonnes. A fresh tender for 2.2 million tonnes was issued in June; another in July for 0.4 million tonnes (of which it was able to import 0.33 million tonnes); and one more in August for 1.67 million tonnes. The actual arrivals were much slower: by June only 91,000 tonnes of the first tender had arrived; by the third week of September a total of 1.2 million tonnes. Indeed, as world wheat supplies tightened, it became increasingly difficult for the Government to arrange supplies quickly.
wheat is projected to be 110 million tonnes in 2006-07. Clearly, if India were to import a significant share of its requirements of wheat, it would have an impact on world wheat prices. Indeed, international wheat prices began climbing in 2005, when it was evident India would have to make large imports, and continued to climb steeply through 2006. (See Table 2)

Table 2: International Prices of Wheat ($/metric tonne)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Wheat, Canada</td>
<td>191</td>
<td>194.9</td>
<td>203.5</td>
<td>208.9</td>
<td>212.1</td>
<td>215.4</td>
</tr>
<tr>
<td>Wheat, USA</td>
<td>142</td>
<td>151</td>
<td>164.5</td>
<td>173.8</td>
<td>189.6</td>
<td>196.1</td>
</tr>
</tbody>
</table>


Thus the prices at which India imported rose by more than $50 per tonne, or 28 per cent, between the first import tender and the fifth. At any rate, even at $229, the price would be Rs 10,300/tonne, as compared to Rs 6,500-7,000 offered to Indian peasants. The average price for the entire 5.5 million tonnes (again taking price of the last tender as $229) is $206.38/tonne, or Rs 9,287/tonne.

Table 3: Price of Wheat Imports by India in 2006 (cost and freight)

<table>
<thead>
<tr>
<th>Booked in</th>
<th>Quantity (mn tonnes)</th>
<th>Price ($/tonne)</th>
</tr>
</thead>
<tbody>
<tr>
<td>February</td>
<td>0.5</td>
<td>178.75</td>
</tr>
<tr>
<td>May</td>
<td>0.8</td>
<td>193.00</td>
</tr>
<tr>
<td>June</td>
<td>2.2</td>
<td>198.00</td>
</tr>
<tr>
<td>July</td>
<td>0.33</td>
<td>213.00</td>
</tr>
<tr>
<td>August</td>
<td>1.67</td>
<td>229.00</td>
</tr>
</tbody>
</table>

*Source: Business Standard, 13/9/06*
Dedicated to

Late Dharminder Paul and
Late Manoj Kumar Aujla
The Government of India has advanced the strange argument that the landed price of wheat imports in south India is lower than the price of Indian wheat when transport, storage, and taxes are taken into account. The full cost of Indian wheat transported from the north to the south, the Government claims, would amount to Rs 10,308/tonne. However, the Government’s argument seems untenable. Handling, storage, administrative and interest costs would be similar for domestic and imported wheat. Transport costs alone would differ, though even imported wheat would have to be transported to destinations within the south. While wheat is being imported at zero tariffs, state government levies are applied to domestic wheat. The price of Rs 10,308/tonne includes these levies. (The latter were Rs 985 per tonne of wheat in 2001-02.). Moreover, the quality of the imported wheat compares poorly with that of domestic wheat. These confirm what commonsense would tell us, namely, that domestic wheat is much cheaper than imported wheat (this despite the subsidies provided in countries like the US to wheat). But further, even were imported wheat is to be of comparable quality and cheaper than domestic wheat, it should be obvious that purchasing domestic wheat puts purchasing powers in the hands of Indian peasants and benefits the Indian economy, whereas consumption imports are a drain on the economy. Thus the imports were justifiable on neither purely commercial considerations or on wider economic ones. That they were carried out underlines the political grip of the imperialist countries on the Indian state.

58 In fact, Brinda Karat has released details showing that much of the imported wheat has been dispatched to destinations outside south India; in that case transport costs for imported wheat presumably would be identical to those for domestic wheat. B. Karat, “The PDS and eroding food security”, Hindu, 6/6/06

59 A break-up of the FCI’s costs per tonne of wheat (the economic cost) is available until 2001-02 in the Report of the Committee on Long-Term Grain Policy. Of the economic cost of Rs 8,713/tonne, all transport costs accounted for less than Rs 608/tonne. Since this is an average cost for the whole country, we could liberally take it at double, or over Rs 1200/tonne, for south India. Even at these transport costs domestic wheat would be cheaper.

60 The government has also allowed private traders to import wheat at zero duty till February 28, 2007, and at five per cent duty from then till March 31, 2007, on the plea of easing supplies.
As a result of the pressure of mass discontent, and anxieties about the state elections, the Government of India forced to take a few hurried steps to increase production of wheat in 2006-07 (to be marketed in April-May 2007). It increased the procurement price to Rs 750, and announced the price early, to encourage additional sowing of wheat. It is reported that, attracted by higher prices, peasants had sown a much larger area under wheat this year, which resulted in the higher production. However, given the depth of the wheat production crisis, these measures were at most palliatives and at worst are meant to mislead the public. The “action plan” amounted to a mere Rs 2.6 billion a year, for one of the two staple crops of the country. And a larger area sown to wheat means land had been diverted from another crop, which in turn might necessitate imports of that crop. The underlying problem is of the stagnant yields of wheat. Table 4 is a striking illustration of what the current economic policies have done to Indian agriculture.

Table 4: Yield Profile of Wheat

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Punjab</td>
<td>4209</td>
<td>2.07</td>
<td>0.76</td>
<td>13.18</td>
</tr>
<tr>
<td>Haryana</td>
<td>3963</td>
<td>2.70</td>
<td>0.74</td>
<td>8.83</td>
</tr>
<tr>
<td>U.P.</td>
<td>2601</td>
<td>2.41</td>
<td>0.43</td>
<td>36.39</td>
</tr>
<tr>
<td>M.P.</td>
<td>1659</td>
<td>4.04</td>
<td>-0.46</td>
<td>15.23</td>
</tr>
<tr>
<td>Rajasthan</td>
<td>2783</td>
<td>1.49</td>
<td>1.20</td>
<td>7.56</td>
</tr>
<tr>
<td>Bihar</td>
<td>1765</td>
<td>3.07</td>
<td>-2.61</td>
<td>8.23</td>
</tr>
<tr>
<td>All India</td>
<td>2642</td>
<td>2.61</td>
<td>0.56</td>
<td>100.00</td>
</tr>
</tbody>
</table>

*For the three-year period ending 2004-05.

Source: CACP, Profile of Rabi Crops under Price Support of 2006

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67 It has also announced an Rs 8.41 billion action plan over the next three years to boost wheat productivity in a selected 138 districts of nine states. This would include restoring the micronutrients and minerals in the soil, introducing improved techniques, supplying improved seeds, and subsidizing diesel for irrigation.
As can be seen from col. 2 of Table 4, the range of yields is very wide. Yields range from 1,659 and 1,765 kg per hectare in M.P. and Bihar to 3,963 and 4,209 kg per hectare in Haryana and Punjab. Uttar Pradesh, which accounts for more than one-third the all-India area under wheat, has an average yield of just 2,601 kg per hectare. Had all-India yields averaged even 3,000 kg per hectare, production would have been 78 to 81 million tonnes (from 26 to 27 million hectares). The actual production in 2005-06 was 69.5 million tonnes or less.

As can be seen from column 3 and 4, there was a dramatic slowdown in yield growth during the last decade. Yields grew at an annual rate of 2.61 per cent from the mid-1980s to the mid-1990s; then growth slowed sharply, to 0.56 per cent, from the mid-1990s to the present, this being the period of the World Trade Organization (WTO) and agricultural liberalization. The picture is even starker in the case of Madhya Pradesh and Bihar, where yields fell at annual rates of 0.46 and 2.61 per cent respectively. These were the very states, which saw rapid yield growth in the previous decade, at 4.04 and 3.07 per cent a year respectively. The slowdown in U.P. yield growth too was sharp, from 2.41 per cent in the first period to 0.43 per cent in the second. These three states account for almost 60 per cent of the area under wheat all-India. The gap between these states and Punjab-Haryana has widened instead of narrowing. Had yield growth continued in these three states during the “WTO decade” at the same rate as in the previous period, production would have been much higher, and there would have been no excuse for imports. Instead, during this period investment in agriculture continued to fall; state governments, in the grips of a fiscal crisis created by the Centre, wound up their meagre agricultural extension activities; bank credit to agriculture slid to low levels; and agricultural prices fell to non-remunerative levels. Noting that the rate of yield growth of the 1980s was not sustained in the 1990s, the Committee on Long Term Grain Policy (CLTGP) said: “Although reduced public investment and setbacks in technology extension are causes, the behaviour of producer prices is also important.... In this context, it should be emphasized that producer prices in many parts of
Bihar, Orissa, Uttar Pradesh and West Bengal are currently below full costs of production.\textsuperscript{62}

In fact, as can be seen from Table 5 and below, wheat production has actually been falling in absolute terms. After reaching a peak of over 76 million tonnes in 1999-2000, it has never matched that figure in subsequent years.

Table 5: Wheat Production (million tonnes)

<table>
<thead>
<tr>
<th>Year</th>
<th>Production (million tonnes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996-97</td>
<td>69.35</td>
</tr>
<tr>
<td>1997-98</td>
<td>66.35</td>
</tr>
<tr>
<td>1998-99</td>
<td>71.29</td>
</tr>
<tr>
<td>1999-2000</td>
<td>76.37</td>
</tr>
<tr>
<td>2000-01</td>
<td>69.68</td>
</tr>
<tr>
<td>2001-02</td>
<td>72.77</td>
</tr>
<tr>
<td>2002-03</td>
<td>65.76</td>
</tr>
<tr>
<td>2003-04</td>
<td>72.15</td>
</tr>
<tr>
<td>2004-05</td>
<td>68.64</td>
</tr>
<tr>
<td>2005-06</td>
<td>69.48</td>
</tr>
</tbody>
</table>


It is true that, for environmental reasons, it may be advisable to reduce the area under wheat and paddy in Punjab and Haryana, and replace it with other crops. However, if this is done along the lines of neo-liberal policy, it can lead to disaster. First, if the Government attempts to shift Punjab-Haryana to other crops without providing a guarantee of public procurement for those other crops, peasants will not willingly shift to growing them, for they know that they will suffer instability and declining incomes. Second, if the government attempts to bring about this shift of crops in Punjab and Haryana without in

\textsuperscript{62} C’LTGP pp. 17-18.
advance increasing yields in the other wheat-growing areas to much higher levels, national food security will be shattered.\textsuperscript{63}

The government defended wheat imports on the ground of protecting consumers from price rise. But it also defended the fact that private traders bought up the wheat, exacerbating the price rise, on the ground of benefitting farmers: “We are happy that this has helped farmers get better prices for their produce”. However, just as import dependence does not help consumers, the retreat of public procurement and greater freedom for private trade, do not help the peasants. This is because, in the absence of a guarantee of procurement at a minimum support price, peasants get left to the mercy of private trade. As the CACP points out, both peasants and consumers would suffer: “In periods of plentiful supplies, the market may tend to depress resulting into low prices realisation by the farmers. When demand oversteps supplies, the private trade may attempt to control supplies, as witnessed during the 2006-07 marketing season.”\textsuperscript{64}

As the Government retreats gradually from the procurement process, peasants would suffer huge financial losses.\textsuperscript{65} The fact is that it is dishonest to counter pose peasants and consumers. First, peasants are also consumers, and indeed the bulk of the grain is consumed in the rural areas. A reduction in prices brought about by a reduction in the peasant income, in a country where the majority of the population belongs to the peasantry, is retrogressive. Second, as shown by the experience of other third world countries, once large private firms control the grain trade, even if the peasant gets lower prices for his/her

\textsuperscript{63} As the CLTGP points out, overall national food security still depends very largely on FCI moving about 80 per cent of the surplus grain of this region [Punjab and Haryana] to meet 25 per cent of consumption in deficit regions.

\textsuperscript{64} Government of India, 2006-07. Commission on Agriculture Cost and Prices, p. 20.

\textsuperscript{65} The CLTGP estimated in 2002, when minimum support prices were Rs 610 for wheat and Rs 510-540 for paddy, “without price support, farm level prices are unlikely to exceed Rs 350 per quintal for either paddy or wheat, much less than what almost all farmers actually received last year and also less than full production cost (including imputed costs for family labour, land and capital) in most states”. According to the CLTGP, the immediate loss to wheat and rice farmers in 2001 would have been over Rs 300 billion, and as much as Rs 400 billion.
grain, the consumer winds up paying much higher prices than before. In this entire chain of events, the country’s rulers depict each development separately, as it were a series of accidents: the adoption of policies which stifle agricultural investment and growth; the liberalisation of agricultural trade which permits hoarding and price rise; the squandering of the large grain stocks; the under-procurement in 2005, and again in 2006. As these imports enter the market, large numbers of peasants would lose their livelihood. Many faced with bankruptcy were forced to part with their land at low rates. Sections of peasants might seek to hang on to their land by signing long-term contracts for farming under foreign and domestic corporations, which could then dictate terms. Either way, the terms on which the peasantry would labour would worsen. Hence, Indian food security seems to be vulnerable in the changing scenario. It has been in a dilemma of whether to follow the policy of freezing the MSP or increase it due to low procurement or stagnant wheat production over the last few years. The share of agriculture has declined in terms of the net state domestic income. The share of agriculture in NDSI was 48.62% in 1961, which came down to 34.69% in 1991 and further to 24.52% during the 2001. In Punjab, work force engaged in agriculture (cultivators and labourers) was 62.67 per cent in 1971, which declined to 58.02 per cent in 1981, it was 56.07 in 1991, and that is, 56.07 per cent work force was engaged in agriculture. It declined to 39.36 per cent, that is, a dramatic straightway decline of 16.71 percentage points in a single decade as per the Census data of 2001.

It is clear from the above-mentioned fact that during 1960-61 to 2000-01, a major portion of rural population of Punjab has become agricultural labourer. According to the WTO guidelines, member countries are to provide import of 5% of their total consumed agricultural goods. It means Indian market will witness arrival of nearly five percent of agro-product of the total consumed agro commodities. Accordingly; India will be able to export 5% of agro-product to a member country of WTO, provided it meets the quality standard. Today, the total food grains production is presumed at 200mt tonne every year
and 5% of that would be 10 mt tonne. When 10 mt. tonne enter the Indian market, it would reduce the prices of food grains in the domestic market and farmers would be getting lesser income of their produce. Considering the stagnating nature of farming in Punjab and declining demand of food grain from Punjab by other states, it could prove to be fatal for Punjab farmer.

Notwithstanding the shift in economic policies, the agrarian lobby was able to prevail and the support price regime was not withdrawn. However, in the absence of concerted effort on the part of the farmers’ organizations, procurement agencies have become lacklustre and have begun to show lethargy in procuring crops from farmers. With the extension of Green Revolution to other parts of India, the demand for food grains from Punjab has also declined in relative terms. Thus, even when the support price regime continued, the central government no longer raised the support prices much in the subsequent years. This was most visible during the paddy procurement season of the year 2000. There had been a bumper crop of paddy in the state with no natural calamities like untimely rains or floods. But when the crop was brought to the mandis (marketing centres) the farmers were surprised to find that procurement agencies were not willing to buy their grains at the minimum support price declared by the central government. The officials claimed that they could not buy the paddy because it was of inferior quality. The FCI head went to the extent of saying that as much as 80 percent of the Punjab paddy was spoilt – a claim that had no scientific basis. Indeed the FCI officials rarely conducted any tests while rejecting a particular lot of paddy even when they were provided with the kits to carry out such tests.66

It follows from above that Punjab is facing one of the most vital and important challenge of survival for the farming in very near future. Punjab’s high cost

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food grains and imported food grain of other countries has made the situation volatile and vulnerable for the state, which is finding it hard to come out of the vicious circle of wheat/paddy cultivation that has robbed it of its crucial water and land resources. Import of foreign goods will certainly increase poverty and employment in Punjab, considering the dependence of a large part of the rural population on agriculture. The marginal and small farmers (45% of the total farmers) would gradually disappear from the scene hence there has been an increase in the number of labourers and unemployed poor.

Ironically as the state economy was witnessing a huge turnover in terms of growth, its polity was passing through a period of political instability, characterized by the weak coalition governments, factionalism, and politics of agitation. These political happenings in the state could be described as having implication for the changes in political scenario at the national level. The Congress had to pay dearly in the general elections of 1967 and assembly elections especially in the North India. The new look state of Punjab was also witness to change, as it experienced the fall of Congress as the dominant force and emergence of SAD as a major player in the state, who formed the first ever non-congress government in the state with the help of Jan Sangh. The rise of SAD was the result of continuous and vigorous struggle and agitation politics that Master Tara Singh and later Sant Fateh Singh pursued in their pursuit of Punjab Suba demand. They justified their struggle for Punjabi Suba by forming a coalition government in the state.

The gains made by the state on the economic front could not be repeated at the political level. The continuous interference by the centre in encouraging factionalism and encouraging the radical elements among the panthic forces in order to weaken the Akalis created a political instability in the state. The landlords and the rich farmers who benefited from the new agricultural strategy demanded a greater share in the political arena, which was described as the politicisation of agrarian interests. They demanded more autonomy and less
interference of the centre in the state’s political economy. Shiromani Akali Dal (SAD) led by Badal played the politics of agrarian interests and demanded pro-agrarian policy measures. Their demands also included the demand for more autonomy for the states and the reorganization of the centre-state relation. In asserting such demand, the Akali Dal received support from the state parties like the DMK in Tamil Nadu. They aggregated their demands and articulated them through Anandpur Sahib Resolutions. To implement it, they resorted to pressure politics and agitational politics against the centre. The panthic morcha launched by the Akalis was reminiscent of the Punjabi Suba movement that they had successfully launched in the fifties and sixties.

The rise of Jarnail Singh Bhindrawale who led the secessionist movement that was based on the demand for separate Khalistan opened up a new phase of agitation politics in Punjab that ultimately took the form of the secessionist movement. His rise in Punjab politics was due to the mechanization of Congress, which wanted to prop him to counter the growing influence of Akali Dal. In the post-blue star phase the Akalis were stymied by the dilly-dallying of the federal government in fulfilling its promises, which were in the form of the Anandpur Sahib resolutions. The Rajiv-Longowal accord was a pertinent example when the centre backtracked in the face of opposition from Haryana regarding the transfer of Chandigarh to Punjab for which even a specific date had been announced. It eroded the mass base of the moderate Akali leadership and allowed the secessionist forces to take over the political stage. What followed was a continuous situation of strife marked by the violation of human rights. The mainstream political activities came to a stand still in the aftermath of the Operation Bluestar. The failure of politics also had its adverse impact over the urban industrial sector. During the period, the business started fleeing from the state to the neighbouring state of Haryana and also to other progressive states. It was only after the 1992 assembly elections that some sort of political stability came after congress won election (which was boycotted by
the SAD (B). Soon, SAD joined the electoral politics and made its presence felt by winning two bye-elections and the panthic elections in the state.

The Panchayati Raj elections held in Punjab was the real turning point as the people participated in large number despite the threat of the militants. SAD further consolidated its position by winning the 1997 state assembly election and by participating in the BJP led coalition government at the centre right since 1998-1999 to 2004. The Akalis, however, could not consolidate its position due to its age-old characteristic of factionalism. It was further charged with shielding and flourishing political and bureaucratic corruption during its reign. The defeat of SAD led government in 2002 brought Congress back to power in the state on the plea of removing corruption from the state. The political process that followed after the election saw settling of personal scores by Amrinder Singh and Badal family and ignoring the development promises they were making on the eve of elections. The Congress government continued with the wasteful populist policies of the Akali Dal like the scheme to provide free water and electricity. The elections held in 2007 have not witnessed any serious effort to improve the situation in the beleaguered state that reeling under a debt of more than 53000 crore. The ruling SAD-BJP government has once again resorted to undertake populist measures like cheap atta-dal scheme for the below poverty line families that is playing havoc with the economy of the state.

The period from 1992 onwards has witnessed three assembly elections and established political stability after a gap of many years. Since then both political parties (Congress and SAD in alliance with BJP) have alternatively come to power during the period on popular promise of solving economic problem of poverty, unemployment and providing free power and water to the agrarian class. In a way these parties were struggling to establish their political relevance also after the cessation of hostilities. During militancy the political parties had ceased to have any role. The political class had lost the legitimacy.
and confidence of the people. The politics had acquired extra-systemic space. They have been able to become relevant once again in the political arena. In terms of the electoral agenda, the state has witnessed the shift from the panthic/identity agenda to the agenda of peace and communal harmony to now the agenda for development. The state that had once boasted its economic success and was seen as a model state has failed miserably in the last one and half decade primarily due to mindless populist policies that made the state coffers drier. No serious effort was made to revamp the state economy during the period.

Punjab has gradually plunged to its all time low agricultural growth due to the rising cost of the agricultural inputs and low profits under the new economic policy regime. Farmers are under huge burden of debt, which has been compelling them to commit suicides. So the recent period has witnessed the political life coming back to normalcy in the state. The political parties, however, have failed to take measures to arrest the economic decline at a time when the technological solution has failed. The political stability of this period has not been able to assure the all round development of the state. The rural sector has become stagnant during this period. The dissonance between the political economy and the electoral processes in the state has become visible, as the electoral politics veering around crass populism has taken over. In the following chapters, major challenges facing the political economy of rural Punjab would be identified. We would analyse as to how they have made the state’s rural economy vulnerable in the changed political and economic scenario.

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