



The state in the era of India's sub-national regions: Liberalization and land in Gujarat



Nikita Sud*

University of Oxford, United Kingdom
Wolfson College, United Kingdom

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ABSTRACT

Sub-national regions are at the center of the global, neo-liberal economy. In India, the broadening of democracy has shifted the onus from centralized, national parties, to regional and identity-based ones, with implications for governance. Further, sub-national states have become drivers of development, and compete within and outside national boundaries to attract investment. In the era of regions, the state is varyingly understood as undergoing 'rescaling', 'reinvention' and 'restructuring'. This entity is key to understanding the regionalization of the new economy. Taking land as the infrastructural base of liberalising India, this paper explores the evolution of the ideas, policies and politics of the sub-national state in Gujarat, in the field of land. Gujarat is one of India's foremost liberalizers. Dominant classes that shaped partial land reform, and subsequent land liberalization, and a bureaucracy and political machinery that has worked closely with international, national and regional capital, are critical to Gujarat's land economy. These conditions have not been replicated across India. The era of the regions has deep roots in history, institutions and politics, and it is generating winners and losers. Meta-narratives of change in the nature of the state are attractive theoretically, but they need to be tested against empirical contexts.

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1. Introduction

India really is a sub-continent, and a very diverse one at that. India's regions¹ are large enough to be countries, but are rather understudied.² This is because in the first four decades after independence, Delhi was seen to call the political, financial, and developmental shots. Here was a centralized system, with one national political party virtually monopolising power, and distributing largesse through beholden *satraps* in the regions (Kothari, 1964). In the age of development planning, regional states vied for the best deal from each 5 year plan, lobbying Delhi to locate a dam or steel factory in their territories (Sinha, 2004). The central state was expected to consider these demands based on lofty ideals such as unity in diversity,

regional equality and developmental balance, and of course upcoming elections and the requirements of patronage (Frankel, 2005).

The political economy and geography of federalism, centered on the national state, is a thing of the past. Economic reforms and the emphasis on decentralized 'good governance' have put the onus of development and economic growth on the regions. Moreover, the broadening of India's democracy has introduced many regional parties into the political mix, as also ethnic identity-based parties that often originate from, and are dominant in, a region (e.g. the Samajwadi Party and Bahujan Samaj Party in Uttar Pradesh, and the Dravida Munnetra Kazhagam in Tamil Nadu). The attendant decline of the Congress has inaugurated an era of coalitions, with regional interests gaining a newfound, powerful voice in national politics. Bargaining for resources has ensued, buttressed by the real threat of the national government falling if regional players' demands are not met. In short, politics, economics and geography are all pointing region-ward in contemporary India.

New Delhi continues to make policy, for instance, regarding foreign direct investment, opening up the wholesale and retail sector to international players, or the encouragement of export-led growth through the policy tool of Special Economic Zones. However today, much more than in the past, the regions are able to build on, or refract, from these impulses, depending on locally contingent factors. This paper argues that the nuance that is derived by disaggregating development, economics and politics from the

* Address: Oxford Department of International Development, QEH, 3 Mansfield Road, Oxford OX1 3 TB, United Kingdom.

E-mail address: nikita.sud@qeh.ox.ac.uk

¹ 'Region' connotes the federal units of the Indian union. The term suggests geographical scale, and formal political boundaries. Officially, India's 28 federal units are called States. However, in this paper, the word region is being used to avoid confusion with the (administrative) 'state', which specifically refers to the bureaucratic governmental apparatus, with its attendant norms and politics. Scholars who similarly use the word 'region' include Sinha (2005) and Kohli (2012).

² Notable exceptions include Schomer et al. (1994) on Rajasthan; Kulke and Schnepel (2001) on Orissa; Corbridge et al. (2004) on Jharkhand; Yagnik and Sheth (2005) on Gujarat; and Pai (2007) on Uttar Pradesh.

center to the regions, must not be lost by aggregation at the regional level. It makes a case for the study of the unique contemporary development trajectories of India's regions, particularly by tracing the opening up of specific sectors and resources.

The paper is structured as follows: in the second section, I review some of the literature on regions and economic reform in India. Then, I discuss inter- and multi-disciplinary conceptualizations of the neo-liberal transition of the state, arguing that this actor offers valuable insights on the nature of, and variations in, regional development today. In the third section, I introduce a regional state apparatus, that of Gujarat, which has been economically dynamic in the period of reform. I also place this dynamism in the comparative setting of other Indian regions. Section 4 pinpoints the systematic liberalization of land as the base on which Gujarat's economic vitality is built. To interrogate the smooth roll-out of land liberalization, Section 5 explores the historical, institutional and political context of land policy. The state is at the center of this analysis.

The paper concludes that land deregulation is an apt example of Gujarat's mix of market-friendly liberalization, onto which practices, both legal and extra-legal, that are friendly to specific businesses are layered on a case-by-case basis. This combination of market- and business-friendliness,³ has not been attained by many Indian regions, as evidenced by constrictions being faced in land markets across India. The experience of land liberalization in Gujarat corroborates existing literature, and furthers our understanding of the unevenness of regional development. Moreover, by highlighting the deregulation of land as a policy, empirically, the paper adds value to the on-going debate on land in India, moving this away from the focus on land acquisition by the state.

2. Regions, reform, and the state

In the literature, the relationship of India's regions with economic reform is addressed via macro analysis, as well as geographically-specific studies. One of the better-known works comes from Jenkins (1999), who points to the importance of India's federal structure for the reform process. He indicates that potentially politically explosive reform has been carried through with a passing of the buck between the center and regions. Processes of bargaining between the center and regions, as also between regions is typical of the reform process. Sinha (2005) suggests that institutional continuity marks the reception and implementation of economic reforms in the regions. India's regions have had diverse developmental trajectories, even in the era of centralized economic planning. This points to differences in historical and economic contexts, which have subsequently been built upon in the open market era. Moreover, while competition between the regions played out 'vertically' through New Delhi in the past, today it has shifted to a 'horizontal' plane, with opportunities for economic development being contested at the sub-national level.

Vijayabaskar (2010) too makes the point about the relevance of historical trajectories. He emphasizes structural changes in the economy, and evolution in the polity, that has made an economic frontrunner like Tamil Nadu more open to reform than other regions. In the sphere of land acquisition for SEZs in particular, protest has been quite absent in Tamil Nadu, which is in marked contrast to the experiences of West Bengal, Orissa or even Maharashtra. Among other factors, Vijayabaskar attributes this to the anti-caste movement that has for long encouraged the move away from rural agricultural economies towards the urban manufacturing and service sectors. In this situation, rural landowners have

been willing to accept competitive prices being offered by the state and SEZ developers, in exchange for agricultural land.

Finally, drawing us to the conditions of the losers, rather than the winners of the reform process is Corbridge (2011), who indicates that the basic environment for economic reform remains absent in Bihar and Jharkhand. Their leadership may speak the language of reform, and it may interact with potential investors in exercises that market their region, however, integration with the world and Indian economy is at most at the level of 'accumulation by dispossession'. There is a history of resource extraction, in the form of mining, deforestation, and the supply of cheap labor. This has enriched local elites, much as in the case of the African 'resource curse' (Collier, 2007). The benefits of economic exploitation have not reached the majority of the populace, leaving economic infrastructure in shambles. Forget economic reform, or a change in the nature of the state in the context of economic reform; the state has been and continues to be absent in large parts of central and eastern India. It is thus not a coincidence that these areas are in the midst of a Maoist insurgency.

The literature advises against over-optimism about the renaissance of the regions. Regional spaces may indeed be experiencing a newfound prominence in India's contemporary politics and economy; however, this prominence is not universal or even new, it has deep roots in history, institutions and local politics; and it is throwing up winners as well as losers. Whether explicit or not, the state apparatus is a prominent, even central presence in discussions about reform in the regions. After Abrams (1988), I see this entity as a multi-layered device, comprising ideas, institutional practices, as well as politics. Thus, the state is a *discursive* direction-giver, enabler and legitimator; it generates policy, and is an *institutional* driver; and it is embedded in and/or in engagement with legislative, party, and social movement *politics*. These multiple levels of stateness,⁴ of what the state can be and do, will be reflected in my analysis of Gujarat's land policies below. But before I explore Gujarat's state, it will be useful to see representations of this entity in the literature on liberalization and globalization, from various disciplinary perspectives.

Given the changing balance of the national and regional state in the contemporary economy and polity, studies have pointed to a process of state re-scaling in India (Kennedy, 2009). This term draws on the work of geographer Neil Brenner (2004), and is an important concept for contemporary times. State rescaling goes beyond the suggestion that globalization is undercutting the state. Instead, it proposes that the state is being turned 'inside-out' and 'outside-in' (Brenner, 1999: 437, citing Soja, 1992). This means that IFIs and international organizations have a greater say in the affairs of national states, and the theatre of stateness is turning to more regional arenas. States are going 'glocal' in the words of Brenner, and are changing in specific ways. Like the world cities of Tokyo, London, and New York, glocal states and regions are tied into the world economy, bypassing or not quite connected to national state boundaries anymore. Circuits of capital function glocally through these rescaled states and the rescaled urban conglomerations that represent them. Delhi–Gurgaon–Noida and Mumbai–Pune represent glocal space in India.

'Rescaling' offers a fresh perspective on the state from the lens of political geography; other studies have considered this entity from analytical interfaces offered by political science, political economy and sociology. These perspectives, of course, can be on

⁴ Stateness has varied meanings. For Nettl (1968) it refers to the institutional centrality of the state in political life; for Tilly (1975) it is about the effectiveness of state functions such as the formulation and implementation of policy, the articulation and protection of rights, the establishment of political institutions and engagement with a diverse population. My usage of stateness is concerned with the capacity and vision of the state.

³ See Kohli (2006, 2012) for an elaboration of the concept of business-friendliness.

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