THE LIVING ARCHIVE

PART FIVE OF NINETEEN

The Congress Record

Part Five — The Map of Who Got What

Policies do not happen to a country. They happen to places, and unequally. This part is about the rules that decided which Indian states would be rich and which would be hollowed out, and about the one that did it for forty-one years without anybody noticing.

Two large concessions are made in Chapter Seven before the ledger is drawn in Chapter Eight, because a charge that cannot survive the strongest objections to it is not worth making.

WRITTEN AND RESEARCHED BY

Lovepreet Singh

INDIA · 1947 TO THE PRESENT

MISTERLOVE.IN

BEFORE WE BEGIN

Where We Left Off

Part Four asked what the permission system cost India. This part asks a question it could not: the system applied to the whole country, so why did it leave some parts of it rich and others empty?

Part Four took forty-one years as one object and found four things that carry directly into this part.

India built a permission system, not a planned economy or a market one. The state was a gatekeeper rather than a producer or a referee — and a gatekeeper is the only one of the three that can be wrong at no cost to itself.

India was not short of capital. Savings rose from under a tenth of national income in the 1950s to around a fifth by the 1970s. What was missing was the return, which makes the whole subject a question about *allocation* — about who decided where money went. This part is that question asked geographically.

The correct diagnosis was on the file by 1969, produced by the government's own committees, and the policy did not change until 1991. Part Four's finding was that a policy with an organised constituency ends when the money runs out, not when it is refuted.

The one programme that worked removed constraints instead of adding permissions — and it could only be delivered where there was water, which made it, unavoidably, a decision about districts. That is where this part picks up.

One thing about the method before we start. Part One said the strongest tool available to this series is the comparison between Indian states, and it is badly under-used. Two states share a constitution, a currency, a central bank, a foreign policy, a legal system, an army and a border. When they diverge sharply over decades, the explanation has to be something local or something done to them — and the list of candidates is short enough to work through. That is why this part can make claims the rest of the series has to hedge.

HOW TO READ THIS BOOK

The Six Boxes

Six coloured boxes run through the series, each doing one job. Here they are with examples from the material ahead.

A **Word Box** explains a hard word the moment it first appears.

> WORD BOX
>
> **Locational advantage:** the benefit a place gets from where it is. A steel mill next to an iron mine pays nothing to move the ore. A mill five hundred miles away pays for every tonne, every day, forever.
>
> For a poor region this is usually the only advantage it has. It cannot offer better roads, a bigger market, an educated workforce or a port. What it can offer is the thing that is physically underneath it.
>
> Why it matters here: Chapter Two is about a policy that removed exactly that advantage, from exactly those regions, for forty-one years, and was called equalisation while it did so.

An **In Real Terms** box turns a number too big to picture into something with a body.

> IN REAL TERMS
>
> In the early 1950s, the states of the east — Bihar, West Bengal and Odisha — hosted the overwhelming share of India’s iron and steel production. West Bengal alone had around a quarter of all the factories in the country in 1946.
>
> Seventy years later, three of those four are among the poorest states in India and the fourth spent decades in industrial decline.
>
> That is not a gradual drift. It is a reversal, of the most industrialised region of the country, over a period in which the country as a whole was industrialising. Something happened, and this part is about finding out what.

A **How We Actually Know This** box shows the physical evidence and then says what it cannot prove.

HOW WE ACTUALLY KNOW THIS

Much of this part rests on the strongest source available anywhere in the series: a government describing its own policy in Parliament. Freight equalisation was not secret. Its purpose was stated, its coverage was published, its withdrawal was announced, and a minister later told Parliament that committees had found its benefits were more than offset by its costs.

That last item is the anchor for Chapter Two, and it is worth understanding why. It is an admission of failure by the body responsible, on the record, in the forum where lying carries consequences.

What it cannot show: how much of the east's decline the policy caused. A policy can be admitted to have failed and still not be the largest cause of what followed. Chapter Two is careful about that distinction and Chapter Seven is built entirely around it.

An **Argument** box appears where serious people disagree, each side at its strongest.

THE ARGUMENT — IS A STATE'S POVERTY THE RESPONSIBILITY OF ITS OWN GOVERNMENT?

Before any of the specific policies, the framing question, because how you answer it decides what this part is even about.

MOSTLY YES, AND BLAMING DELHI IS AN ALIBI

Land, law and order, education, health, electricity, roads and industrial promotion are state subjects. Two states under the same central policies have diverged enormously — Kerala and Bihar had comparable incomes at independence and do not now. That divergence happened under identical central rules, which means the difference has to be local: state politics, state administration, state investment in schooling. Blaming Delhi is the standard move of every state government that has failed, in every country with a federal system.

NOT WHEN THE CENTRE HELD THE INSTRUMENTS

The list of state subjects is real and it is not where the money was. Industrial licensing was central. Freight rates were central. Foreign exchange was central. Plan transfers were central. Railway pricing was central. A state government in this period could not permit a factory, allocate a currency, set the price of coal delivered to its own doorstep or determine which districts got a national irrigation programme. Holding a state responsible for outcomes produced by instruments it did not hold is not federalism; it is an accounting convenience.

Where things stand: both are describing real causal channels and the honest position is that the mix differs by state and by decade. What can be settled, and what this part tries to settle, is narrower and more useful: *which specific central decisions had which specific geographic effects.* That question has answers. The global apportionment of blame does not.

What would settle it: comparing states that were similar at independence and diverged, and identifying whether the divergence tracks central instruments or local ones. Chapter Eight attempts it, imperfectly.

Why people care so much: because the answer determines whether a poor state is owed something or has something to answer for, and every regional politics in India is built on one of those two positions.

A **Hidden Assumption** box digs out a belief sitting underneath an argument that *both sides accept without discussing*.

THE HIDDEN ASSUMPTION

Everyone who argues about Indian regional inequality assumes **that a state's poverty is a fact about that state.**

The critic's version: Bihar is poor because of Bihar's politics. The defender's version: Bihar is poor because of Bihar's history, geography and population density. Both are looking for the cause inside the borders where the poverty appears.

But wealth in a national economy is relational. If a rule moves an advantage from one place to another, the second place gets richer *because* the first got poorer, and the transfer is invisible at both ends. The receiving state experiences it as its own success — better management, better business culture, a more enterprising people. The losing state experiences it as its own failure. Neither sees the pipe.

This is why the standard argument is so unproductive and so bad-tempered. A Gujarati industrialist in 1980 was not conscious of receiving a subsidy; he was conscious of working hard in a well-run state. A Bihari labourer was not conscious of a transfer; he was conscious of there being no work. Both explanations felt like observations rather than beliefs, and both were incomplete in exactly the same way.

Nothing in this part suggests the industrialist did not work hard, or that the successful states did not do many things well. They did, and Chapter Eight says so. The claim is narrower: **some part of the gap between Indian states was manufactured by rules made in Delhi, and neither the winners nor the losers could see it happening.**

And every chapter closes with a **Remember This** box: the chapter in the plainest words available.

REMEMBER THIS

Comparing **Indian states** is the strongest tool in this series, because two states share a constitution, a currency, a central bank and an army. When they diverge, the cause must be local or done to them.

The eastern states held the overwhelming share of India's iron and steel in the early 1950s and are among the poorest now. **That is a reversal, not a drift.**

Wealth in a national economy is relational. When a rule moves an advantage, the winner experiences success and the loser experiences failure, and neither sees the pipe.

Part Five

Contents

CHAPTER ONE

The Question Nobody Asks

> *Why is Bihar poor and Gujarat rich? Almost everybody has an answer and almost nobody has checked whether it is the sort of question that has one.*

1.1 — Why states are the best evidence in this series

Part One set out four ways to test a claim about a road not taken, and said the second was the strongest and the least used. Here it is properly.

Comparing India with another country is always vulnerable, because no two countries share anything. Part Four spent a whole chapter on which comparisons were fair, and conceded most of them away.

Comparing two Indian states is different in kind. Bihar and Gujarat share a constitution, a currency, a central bank, an army, a foreign policy, a supreme court, a customs frontier, a railway system and an income tax code. They have shared them, without interruption, since 1950.

So when two Indian states diverge sharply over fifty years, the explanation cannot be any of those things, because those things were identical. It has to be something local, or something done to them differently. The list of candidates is short enough to work through one at a time, and that is what this part does.

1.2 — What the states actually controlled

The Indian constitution divides subjects between the centre and the states, and the division is not what most people assume.

The **states** held land, agriculture, law and order, public health, education and local government. Real powers, and Part Three showed what happened when a state used them.

The **centre** held everything that decided where an industry could be built. Industrial licensing. Foreign exchange. Import and export policy. Railway freight rates. Banking and credit allocation. Plan transfers. Central public sector undertakings and where they were located. Mining royalty rates.

Look at that second list and notice something. A state government in 1975 could build a school and could not permit a factory. It could run a police force and could not allocate a dollar. It could pass a tenancy act and could not set the price at which coal from a mine inside its own borders was delivered to a buyer two thousand kilometres away.

> **WORD BOX**
>
> **Union List, State List, Concurrent List:** the three schedules in the Indian constitution dividing what the centre may legislate on, what the states may, and what both may.
>
> Where a subject appears is not a technicality. It determines who can be blamed for an outcome — and, more usefully, who could actually have changed it.
>
> Why it matters here: almost every instrument in this part sits on the Union List. That does not make state governments blameless for anything, but it settles who held the specific levers Chapters Two to Six are about.

1.3 — The four instruments

Four central instruments did most of the geographic work in this period, and each gets a chapter.

Freight rates. The price of moving a tonne of coal, iron ore, steel or cement. Set centrally, and from 1952 set so that distance did not affect the delivered price. Chapter Two.

Industrial licences. Permission to build a factory, granted for a specified place. Chapter Three.

Irrigation and the agricultural technology package. Deliverable only where there was assured water, and water infrastructure is built rather than found. Chapters Four and Five.

Money transferred from Delhi to the states. Governed by formulas, and formulas encode a view about what deserves rewarding. Chapter Six.

1.4 — How to tell a transfer from a failure

Now the methodological problem, because this part could very easily become a list of grievances.

A state that is poor in 2026 might be poor because something was taken from it, or because it governed itself badly, or because it was always poor, or because the thing it used to sell stopped being valuable. Those are four different stories and they call for four different responses.

Three tests separate them, and this part applies all three.

Was there a reversal? A region that was always poor tells you nothing. A region that was the most industrialised part of the country and then was not requires an explanation. This is why Chapter Two is about the east rather than about, say, the tribal districts of central India, which have a different and older story.

Is there a mechanism? Not a correlation — a named rule, with a date, a coverage and a stated purpose, whose operation would predict the outcome. Without that, you have a grievance rather than a charge.

Does the timing fit? If the rule ran from 1952 to 1993, the effect should be visible inside that window and should not obviously predate it.

> **HOW WE ACTUALLY KNOW THIS**
>
> The best evidence in this part is unusually mundane: railway freight schedules, licensing statistics by state, irrigation command area figures, Finance Commission reports and plan transfer tables. All published. All produced for administrative purposes rather than to settle an argument.
>
> There is also an unusually good class of source for this specific subject — the parliamentary answer. A state's members of parliament ask why their state received so few licences, and a minister has to reply with a figure. Neither party is trying to write history and both are watching the other.
>
> What it cannot show: what would have happened otherwise. Every claim in this part about what a state lost is a comparison with a world that did not occur, and Part One's warning about counterfactuals applies to all of it. What the evidence establishes is the *rule*, its *coverage* and the *direction* of its effect. It does not establish the size, and Chapter Ten says so at length.

Before going further there is a prior question, which this part will keep running into and which has no settled answer.

THE ARGUMENT — SHOULD A NATIONAL GOVERNMENT TRY TO EQUALISE BETWEEN REGIONS AT ALL?

Everything in Chapters Two, Three and Six was done in the name of regional balance. Whether that is a proper aim of government is genuinely contested.

YES — A COUNTRY IS A SHARED FATE

A nation that lets one region become permanently rich while another stays permanently poor will not remain a nation for long. India in 1950 was three years old, had just been partitioned, and had linguistic movements already forming. Deliberate equalisation was not a luxury but a condition of holding the thing together — and the fact that India did hold together, unlike almost every comparable case, suggests it may have worked at the only job that really mattered.

NO — THE UNIT IS THE PERSON, NOT THE PLACE

The aim should be poor people, not poor places. Helping a poor person is straightforward: give them money, schooling or a job. Helping a poor place means moving industry to where it does not want to go, which requires suppressing the reasons it does not want to go — and those reasons are usually real. Every version of this attempted in India, from freight equalisation to backward-area incentives, ended up subsidising inefficiency in the favoured region while removing advantages from the disfavoured one. And a person who moves out of a poor place has solved their problem, which the policy then counts as a failure.

Where things stand: the second side has the better of the economics and the first has the better of the politics, and Indian policy has consistently chosen the politics without ever stating the trade-off out loud. What can be said with confidence is narrower and is the finding of this part: the specific instruments chosen for equalisation did not equalise, and in the largest case the government itself said so.

What would settle it: comparing regional-equalisation policies with straight income transfers to poor households in the same period. India ran very little of the second before the 2000s, so the comparison barely exists.

Why people care so much: because a rich state paying into a pool that goes to a poor state is now the central fiscal argument in Indian politics, and Chapter Nine shows it about to become a constitutional one.

Note what that argument does not settle and this part does not need it to. Whether equalisation is a proper aim is a question about values. Whether the instruments India chose actually equalised is a question about facts, and it is the one the next five chapters answer.

REMEMBER THIS

Two Indian states share a **constitution, a currency, a central bank, an army and a legal system**. When they diverge over fifty years, the cause must be local or done to them. That makes state comparison the strongest evidence in this series.

States held **land, law and order, health and education**. The centre held **licences, foreign exchange, freight rates, credit and plan transfers** — everything that decided where a factory could be.

Three tests separate a transfer from a failure: **was there a reversal, is there a named mechanism, and does the timing fit?**

CHAPTER TWO

Freight Equalisation

> *A subsidy designed to be fair, running quietly for forty-one years, which took the one asset the poorest region of India had and distributed it to everybody else.*

2.1 — What it was

In 1952 the central government began paying the difference in railway freight on certain essential commodities, so that they cost the same delivered to a factory anywhere in India as they cost delivered to a factory next to the mine.

The policy was called **freight equalisation** and it ran, in one form or another, until it was dismantled between 1991 and 1993.

The reasoning was published and it was not sinister. India’s minerals were concentrated in the east. Its markets, ports and existing industrial centres were mostly elsewhere. Left alone, industry would cluster around the mines, and the rest of the country would remain agricultural forever. Equalising the freight would let industry grow anywhere, which was the stated aim of balanced regional development.

Read that reasoning carefully, because it contains the entire problem and states it as a virtue. The purpose of the policy was to make location not matter. The one thing the eastern states had was their location.

2.2 — What it covered, and what it did not

The commodities equalised were **coal, iron ore, steel and pig iron, and cement**, with fertiliser and bauxite added later. These are the inputs to heavy industry and construction.

Now the detail that turns this chapter from a story about unintended consequences into something harder.

Cotton was not equalised. Nor were most agricultural raw materials.

Follow what that combination does. An industrialist deciding where to put a steel fabrication plant could put it in Gujarat and pay the same for his steel as he would have paid in Jamshedpur. An industrialist deciding where to put a cotton mill could not put it in Bihar and pay the Maharashtra price for cotton, because cotton was never in the scheme.

So the policy was **one-directional**. It dissolved the locational advantage of the mineral states and left the locational advantage of the cotton states standing. Whether anybody designed it that way is a question this chapter cannot answer. What it did is not in dispute.

> **IN REAL TERMS**
>
> Two workshops. One sits beside the quarry; the other is four hundred miles away, next to the market.
>
> The first has one thing going for it: stone is cheap at the door. The second has better roads, more customers and a bank manager who answers the telephone.
>
> The council announces that from now on stone will cost the same everywhere, and the difference will be paid out of general funds. Nobody has taken anything. Nothing has been confiscated. The books show a subsidy, and subsidies are what governments do for poor places.
>
> But the first workshop now has nothing going for it at all, and the second has everything it had before. Twenty years later the first has closed, and the explanation everybody gives is that the people there were not enterprising.

There is a name for what this kind of arrangement is, and it is worth using it, because the name makes clear that somebody was paying.

WORD BOX

Cross-subsidy: charging one group more than a service costs in order to charge another group less than it costs.

Freight equalisation was one. Somebody had to pay for moving coal two thousand kilometres, and the buyer did not. It came out of the railways and the general budget, which means it came out of everybody — including the people living next to the mine, who were paying a share of the cost of shipping their own coal away at a price that removed their advantage in it.

Why it matters here: a cross-subsidy always has a payer, and the payer is usually diffuse enough not to notice. Here the payers included the people it was hurting most.

2.3 — What it did

The east in the early 1950s was not a backward region. It was the industrial core of India.

Bihar, West Bengal and Odisha between them hosted the overwhelming majority of the country's iron and steel production. West Bengal alone had around a quarter of all the factories in India in 1946. In the first decade after independence, West Bengal's manufacturing was still growing faster than the national average.

What followed over the next four decades was a relocation. New plants and expansions went to Maharashtra, Gujarat, Tamil Nadu, Karnataka, the area around Delhi and later Andhra Pradesh — places with ports, markets and infrastructure, which could now obtain minerals at the mine-mouth price.

The eastern states were left with the mines, the pollution, the displacement and the royalty rates, which the centre also set. The processing, the employment, the tax base and the supply chains grew somewhere else.

It is worth stating precisely what the mechanism is here, because it is not theft and it is not corruption. It is that **a state with a mine and no industry earns a royalty, and a state with an industry earns wages, profits, taxes, suppliers, engineers, schools for engineers' children, and a bank that will lend to the next factory.** Those are not comparable quantities. The first is a payment; the second is an economy.

Establishing that requires being careful about the sources, because this is the most politically contested claim in the part.

> **HOW WE ACTUALLY KNOW THIS**
>
> The policy itself is not in doubt. It was published, its commodity coverage was published, its withdrawal was announced, and it was discussed in Parliament throughout its life.
>
> The *effects* are a different matter, and the honest position is that most of what is written about them online is written by people with a position to advance. Several widely circulated accounts attribute the whole of eastern India's poverty to this one subsidy and mention neither Partition, nor the Left Front, nor the loss of Bihar's mineral belt in 2000. Those accounts are not reliable and this chapter does not use them.
>
> What it uses instead: the dates, the published commodity list, the industrial statistics of the 1940s and 1950s, and the ministerial answer in section 2.4. Those survive scepticism from any direction.
>
> What it cannot show: the share of the outcome. Chapter Seven is built entirely around that limit, and Chapter Ten ends with the calculation that would remove it.

2.4 — The admission

Every charge in this series is stronger when the government makes it, and this one did.

The policy was withdrawn in the early 1990s. Explaining why, a Union minister told Parliament that the policy had achieved its object in its initial years, but that committees appointed by the union government from time to time had reviewed it and observed that **the beneficial effect in terms of regional dispersal was more than offset by the increase in real transport costs.** He added that other instruments had been available all along — credit and fiscal policy, infrastructure, transport subsidies.

Grade: **SOLID**. That is the responsible ministry, in Parliament, saying the policy failed on its own stated terms, and that alternatives existed.

Note what the admission does and does not cover. It concedes that the policy did not achieve regional dispersal and cost more than it delivered. It says nothing about the east. The damage to the mineral states is not in the admission; it is the thing the admission is silent about, and it is the subject of the next argument box.

THE ARGUMENT — HOW MUCH OF THE EAST'S DECLINE WAS FREIGHT EQUALISATION?

This is the central factual question of the chapter and it is genuinely contested. Anyone who tells you it is settled is selling something.

A GREAT DEAL OF IT

The mechanism is documented, the coverage is published, the timing fits — the policy ran 1952 to 1993 and the decline runs through exactly that window — and the direction is not in dispute even by the policy's defenders. It removed the sole competitive advantage of a specific set of states, continuously, for forty-one years. And the region it hit was not a backward region needing help; it was the industrial core, which is exactly the reversal pattern Chapter One said requires an explanation.

MUCH LESS THAN THE CHARGE IMPLIES

Freight equalisation is doing a great deal of convenient work in a story with many other causes. West Bengal lost its jute hinterland to East Pakistan in 1947 and its port silted. Labour militancy from the late 1960s drove capital out of Bengal, and the Left Front governed from 1977. Bihar's problems include land relations, caste conflict, administrative collapse and, from 2000, the loss of its mineral belt. Freight was a national policy applied to everyone; the states that fell behind had a great deal else going on, and blaming one railway subsidy is a way of blaming Delhi for local failures.

Where things stand: the second side is right that the single-cause version is unsustainable, and this part does not advance it. What survives every objection is narrower and still substantial: the policy removed the east's only locational advantage, ran for four decades, was one-directional because cotton was excluded, and was admitted by the government to have failed at its stated purpose. That is a real, dated, named mechanism running in one direction. Its *share* of the outcome is not established and probably cannot be.

What would settle it: comparing investment location decisions before and after the withdrawal in 1991–93, and comparing equalised commodities with non-equalised ones over the same period. Some work of this kind exists and points the same way; it is not conclusive.

Why people care so much: because eastern India contains a very large number of people, and if this is right they are owed something, and if it is wrong the poorest states in India have been telling themselves a comforting story for fifty years.

Both sides of that argument, though, take for granted something about the policy that is worth stopping on, because it is what allowed it to run for four decades without anybody objecting on principle.

THE HIDDEN ASSUMPTION

Everybody in this argument — the officials who designed the scheme, the states that complained about it, and the historians who have written it up — shares one belief without ever examining it. **That a policy which treats everyone equally is neutral.**

It is right there in the name. Equalisation. The scheme did not favour anybody: coal cost the same in Ludhiana as in Dhanbad, for everyone, on the same terms, published in a schedule. Nobody was excluded and nobody was singled out. By any ordinary test of fairness, this is fairness.

But equal treatment is only neutral between parties who start equal. When people start with different things, treating them identically does not preserve the difference — **it transfers it.** The eastern states' advantage existed only as a *relative* position: cheaper inputs than everybody else. Make the inputs cost the same everywhere and you have not left the east where it was. You have moved the advantage into the general pool, where every other state now holds a share of it.

And because the transfer is accomplished by making a difference disappear, it leaves no trace anywhere. No money moved from Bihar to Gujarat. No file records a decision to disadvantage the east. Every single transaction under the policy was somebody buying coal at the published rate. The transfer happened entirely in the negative space where an advantage used to be, which is why it took four decades to become visible and why nobody has ever been held responsible for it.

The general rule is worth carrying into the rest of this series, because it recurs: **a rule that removes a difference is not neutral between the party who had the difference and the party who did not.** It is a transfer, and calling it equalisation does not make it one.

This cuts in directions that will be uncomfortable in later parts, and it should. It applies to reservation, to language policy, to procurement prices, and to the uniform application of a single national rule across a country where the starting positions were

> never the same. In every one of those cases somebody has an advantage that a uniform rule would dissolve, and in every one of them the removal is described as fairness by the people who gain from it.

That is the chapter. A subsidy with a fair name, running longer than most Indian lives, doing something nobody would have voted for if it had been described accurately — and described accurately it is not complicated: *the poorest region of India was required to share the only thing it had, and the sharing was called equalisation.*

REMEMBER THIS

From **1952 to 1993** the centre paid the difference in freight on coal, iron ore, steel and cement so they cost the same everywhere. The stated purpose was to make location not matter. **Location was the only thing the eastern states had.**

Cotton was not covered. So the policy dissolved the east's advantage and left the west's standing. Whether that was designed is unknown; that it happened is not.

A minister told Parliament that committees found the regional-dispersal benefit was **more than offset by the increase in real transport costs. A rule that removes a difference is not neutral between the party who had it and the party who did not.**

CHAPTER THREE

Where the Licences Went

Part Four described a system where a factory needed permission. Permission was granted for a place. So somebody in Delhi was deciding, application by application, which districts of India would have work.

3.1 — Location was an instrument, and it was used

An industrial licence in this period did not merely permit a firm to make a product. It permitted the firm to make a specified quantity of a specified product at a specified place.

That third element is easy to skim past and it is the whole of this chapter. A private businessman's judgment about where to build — near his suppliers, near his customers, near a port, near a workforce he could recruit — was subordinate to an official's judgment about regional policy.

The policy itself was explicit and, on its face, generous to the poor states. Backward areas were to be favoured. Industrial estates were to be created in less developed regions. Licences were to be used to disperse industry away from the existing concentrations.

The Dutt committee, which Part Four leaned on heavily, made recommendations in exactly this direction: dispersal, industrial estates in less developed regions, balanced regional growth. So the intention is documented, repeatedly, across decades.

3.2 — What an incentive actually buys

The instruments used to attract industry to backward areas were the standard ones: capital subsidies, tax holidays, cheaper land, concessional credit, and preference in licensing.

They bought less than they were supposed to, and the reason is worth understanding rather than asserting.

A firm choosing a location is weighing many things at once: the cost of getting inputs in and product out, the availability of skilled and semi-skilled labour, the reliability of power, the proximity of suppliers who can make a part at short notice, the presence of banks that understand the industry, and the ordinary quality of the administration it will have to deal with every week for thirty years.

A capital subsidy is a one-off payment against a permanent list of disadvantages. It changes the arithmetic in year one and not in year fifteen.

So the pattern that emerged was predictable and is widely documented: firms took the subsidy, established the minimum qualifying presence, and located their real operations elsewhere. Or they located in the part of a backward state closest to a non-backward one. Or they built the plant, drew the benefits, and closed when the tax holiday expired.

> **WORD BOX**
>
> **Agglomeration:** the tendency of similar businesses to cluster in the same place, and to become more productive because they are clustered.
>
> A factory in a district with fifty other factories can get a broken part machined the same afternoon, hire an experienced foreman without training him, and borrow from a bank that has lent to this industry before. A factory alone in a district can do none of these, whatever subsidy it received to be there.
>
> This is why industrial concentration is self-reinforcing, and why a place that gets ahead tends to stay ahead without anybody intending it.
>
> Why it matters here: it means the cost of moving industry to a backward region is not the difference between two locations today. It is the difference plus everything the leading region has accumulated — which is why a one-off subsidy could never have worked, and why *preventing* a region from accumulating in the first place is so much more consequential than trying to help it afterwards.

3.3 — The pattern that resulted

What actually happened is not seriously disputed, and Part Four's committee reports establish the mechanism.

Licences went disproportionately to large business houses, and large business houses were headquartered in and around the existing industrial centres — Bombay, Calcutta, Ahmedabad, Delhi, Madras. Part Four's Chapter Six explained why the system selected for firms with the capital to wait years and somebody in Delhi to move the file, and both of those are geographic advantages as much as financial ones.

A businessman in Bombay could go to Delhi for a week. A businessman in Patna could too, in principle. In practice, the difference between a man who is in Delhi every month for other reasons and a man for whom it is an expedition is the difference between an application that moves and one that sits.

So even where the policy said backward areas, the *machinery* for obtaining a licence was concentrated in the places that already had industry — and it stayed there for four decades.

> **HOW WE ACTUALLY KNOW THIS**
>
> Licensing statistics by state were compiled and published, and the question of regional distribution was raised repeatedly in Parliament, which means the figures exist in answers as well as in reports.
>
> The Dutt and Hazari findings from Part Four add a second, independent layer: they establish who was getting licences, and the geography follows from where those houses were.
>
> What it cannot show: what a licence was worth. A count of licences by state treats a steel plant and a soap factory as one each. Value-weighted figures would be far more revealing and are much harder to assemble, which is one reason the regional argument has always been conducted with anecdotes.

The arithmetic of why an incentive loses to a cluster is worth doing concretely, because stated abstractly it sounds like an excuse and stated concretely it is obvious.

IN REAL TERMS

Two towns bid for a factory. The first has forty engineering workshops, a technical institute, a bank that has financed this industry for thirty years, and a railway siding.

The second has none of those and is offered a subsidy worth, say, a fifth of the cost of the building.

The subsidy is paid once. The forty workshops are there every day for thirty years, every time a bearing fails at four in the afternoon.

The second town does not lose because its people lack ambition. It loses because a one-off payment is being asked to outweigh a permanent accumulation, and it cannot, and everybody involved could have worked that out in advance.

Which leaves a question about what four decades of a policy that never worked was actually for.

THE ARGUMENT — WAS LOCATION POLICY AN INSTRUMENT OR AN ALIBI?

The stated policy favoured backward areas for forty years and the industrial map barely moved. What does that tell us?

AN INSTRUMENT THAT WAS DEFEATED BY ECONOMICS

Governments genuinely tried. The incentives were real, the industrial estates were built, the intention appears in resolution after resolution and in every committee report. What defeated it was agglomeration, which is a force no capital subsidy can overcome. The honest conclusion is not that anyone was insincere but that the tool was too weak for the job, and that everybody discovered this the expensive way.

AN ALIBI FOR A SYSTEM THAT RAN THE OTHER WAY

If the stated policy is dispersal, and the actual mechanism reliably delivers concentration, then after a decade or two the stated policy is functioning as cover. The licensing system's own inquiry committees said it was favouring the largest houses; those houses were in the leading cities; and no government changed the machinery. A policy contradicted by its own instrument, sustained for four decades and reaffirmed in every plan document, has stopped being an intention and become a form of words.

Where things stand: the first side is right about the strength of agglomeration and the second is right about the duration. The most defensible reading is that it began as the first and became the second somewhere in the 1970s, once the committee findings were in and nothing changed — which is the same shape as Part Four's Chapter Four and the same shape as this whole series.

What would settle it: value-weighted licence approvals by state and by decade, against the stated dispersal targets in the plan documents. The raw material exists in ministry records. Nobody has published the series.

Why people care so much: because if the policy was sincere and merely weak, nobody is owed anything, and if it was cover, then two generations of "the eastern states failed to attract investment" was describing a system's output as a region's character.

One thing this chapter cannot do, and it should be said before the summary. It cannot show that any particular licence was refused to a poor state and granted to a rich one for improper reasons. The evidence establishes a pattern and a mechanism, not a decision. Where this series has a named decision it says so; here it does not, and the charge is correspondingly narrower.

REMEMBER THIS

A licence specified **the place** as well as the product and quantity. Somebody in Delhi was deciding, application by application, which districts would have factories.

The stated policy favoured backward areas for four decades. **A capital subsidy is a one-off payment against a permanent list of disadvantages**, and it loses to agglomeration every time.

The machinery for getting a licence sat where industry already was. **A policy contradicted by its own instrument for forty years has stopped being an intention.**

CHAPTER FOUR

The Districts With Water

> *The one programme that worked could only be delivered where there was assured irrigation. That sounds like geography. It was not.*

4.1 — Why it went where it went

Part Four's Chapter Seven described the four components of the agricultural transformation: seed, fertiliser and water, a guaranteed price, and credit. It also noted the constraint. The new seeds produce their extra grain only if they get heavy, reliable water, and given unreliable water they can do worse than what the farmer was already growing.

So the programme went where the water was assured: Punjab, Haryana and western Uttar Pradesh above all, and later parts of the irrigated south.

That decision was technically correct and this part does not dispute it. Putting water-hungry seed into rain-fed districts in the first season would have produced failure, and failure in the first season would have killed the whole programme at the moment India could least afford it.

The question is not whether the choice was right. It is what the choice was *made of*.

4.2 — Canal water is not weather

Here is the thing that is almost always skipped.

Punjab did not have assured irrigation because of rainfall. In rainfall terms, eastern India has far more water than Punjab. Bihar and eastern Uttar Pradesh sit in one of the wettest large river basins on the planet.

Punjab had assured irrigation because a canal system had been built there — begun by the British administration from the 1880s onwards, in a deliberate colonial investment programme, and extended after independence with Bhakra and the works around it.

That canal network was not a feature of the landscape. It was a capital project, chosen, funded and constructed, by a government, for reasons of its own — in the colonial case largely revenue and settlement, and later strategic. It took decades and enormous money.

So when the Green Revolution went to the districts with assured water, it was going to the districts where somebody had previously spent the money. The apparent geography was **an inheritance of earlier public investment**, and it determined which parts of India would be prosperous for the following fifty years.

> **IN REAL TERMS**
>
> Two villages get an offer. A new kind of seed is available, free advice comes with it, and the government guarantees to buy the harvest at a fixed price. It will only work if you can water the field on demand.
>
> The first village has a canal running past it, built eighty years ago by somebody else. It takes up the offer and within a decade it has tractors, a pucca road, a school and sons in college.
>
> The second village has more rain in an average year and no canal. It cannot take up the offer, because "on demand" is exactly what rain is not. Nothing is refused to it. There is no letter, no rejection, no decision anybody made about it in 1966.
>
> Fifty years later the first village's prosperity is explained by the hard work of Punjabi farmers, which is real, and the second village's poverty is explained by the backwardness of Bihar, which is not an explanation at all.

Which means the phrase everybody uses about this programme needs pulling apart, because it contains two quite different ideas wearing one word.

WORD BOX

Assured irrigation: water a farmer can put on a field when the crop needs it, rather than when the sky provides it.

The distinction is the whole of this chapter. Total rainfall is almost irrelevant to it. What matters is control — a canal with a gate, or a tube-well with a pump and the electricity to run it.

A district with two metres of rain in three months and nothing for the rest of the year has plenty of water and no assured irrigation. A drier district with a canal has less water and more of what a farmer can use.

Why it matters here: everybody who says the Green Revolution went where the water was is using the word "water" in the first sense, and the programme required the second.

4.3 — And there was a second lock on the door

Water was not the only requirement, and the second one connects this part directly to Part Three.

The package required **credit**. Somebody had to buy the seed, the fertiliser and — above all — the pump, before any of it produced a rupee.

Institutional credit requires security, and in rural India security means land. A farmer with a clear title could borrow against it. A farmer without one could not.

Now recall Part Three's finding. Across most of northern India, land records were decades out of date, tenancy was very often oral, and the state that had located 173 million voters could not locate its tenants. That failure was heaviest in exactly the states that also lacked the canals: Bihar and eastern Uttar Pradesh.

So the eastern cultivator faced two locks on the same door. No assured water, because the canal money had gone elsewhere in an earlier century. And no credit, because the land reform that would have given him a title had been defeated by the register.

Two separate national failures, from two different decades, compounding in the same districts. Neither was designed to do that. The effect was as complete as if it had been.

THE ARGUMENT — SHOULD THE PACKAGE HAVE BEEN SPREAD MORE THINLY?

Given that concentrating it created a permanent regional divide, was concentrating it the right call?

CONCENTRATION WAS CORRECT AND THIN SPREADING WOULD HAVE FAILED

The seeds do not work without assured water; that is a fact about the plant, not a policy preference. Spreading the package into rain-fed districts would have produced crop failures in the first two seasons, destroyed farmer confidence in the new varieties, and killed the programme nationally at the exact moment India was importing grain under conditions. Concentration is what made it succeed, and a programme that succeeds somewhere is worth more than one that fails everywhere.

CONCENTRATION WAS CORRECT AND PERMANENT CONCENTRATION WAS NOT

Nobody argues the first season should have been spread thin. The objection is to the following twenty-five years. Once the package had proved itself, the obvious next step was to build the eligibility — tube-wells, rural electrification and a land record — in the districts that lacked it, which would have taken a decade and was entirely within the capacity of a state that had just built Bhakra. Instead the programme deepened where it already was, the subsidies became permanent there, and the ineligible districts stayed ineligible until the 1990s.

Where things stand: the two sides are not really disagreeing, and the second is the charge. The decision of 1966 is defended by everybody including this part. What is not defended anywhere, because nobody has tried, is the absence of a serious programme to extend eligibility eastward in the following two decades. Chapter Ten records that the cost of doing so was never even calculated.

What would settle it: any planning document costing an eastern extension. If one exists it would move this from neglect to a considered choice, which is a different and in some ways better answer.

Why people care so much: because the divide it created is now the single largest fact about internal migration in India, and because Punjab, having been the beneficiary, is now paying for it in groundwater.

Underneath both positions sits a word that has been doing a great deal of unexamined work.

> **THE HIDDEN ASSUMPTION**
>
> Everyone who discusses the geography of the Green Revolution assumes **that it went where the water was.**
>
> Its admirers say: the programme was targeted intelligently at the districts that could deliver. Its critics say: it entrenched regional inequality by favouring the already-favoured. Both are describing a programme allocated according to a fact about the land.
>
> Water availability of the relevant kind — assured, on demand, controllable — is not a fact about land. It is a fact about **previous public investment**. The districts that had it had it because canals had been dug there, at great expense, by earlier governments making earlier choices.
>
> Which means the sentence “the programme could only go where there was water” is true and is not an explanation. It pushes the decision back one step, to whoever built the canals and why — and once you follow it there, you find a colonial revenue strategy and a set of post-independence dam projects, both of which were choices about places.
>
> This matters beyond agriculture, because the same move is available every time. *We built the factory where the skilled workers were. We put the university where the schools were good. We ran the fibre where the demand was.* In each case a present decision is justified by a condition that was itself produced by a past decision, and the chain is never followed back far enough to find a person.
>
> The useful question, then, is not “why did the programme go there” but **“what would it have cost to make somewhere else eligible, and was that ever costed?”** For eastern India in the 1960s the answer is tube-wells, rural electrification and a land record — none of it exotic, all of it dull, and none of it done at the scale required for another twenty-five years.

Carry one sentence out of this chapter. The reason eastern India did not get the Green Revolution is not that eastern India is dry. It is that eastern India had no canals, no rural electricity, no institutional credit and no land titles — four things a government provides, and four things the same government had provided somewhere else.

REMEMBER THIS

The programme went to districts with **assured irrigation**, and that was the technically correct choice. It is what the choice was made of that matters.

Eastern India has more rain than Punjab. Punjab had assured water because canals had been built there from the 1880s at great public expense. The geography was an inheritance of earlier spending.

There was a second lock: the package needed **credit**, credit needed a **land title**, and Part Three showed the east's tenants had none. **Two national failures from two decades, compounding in the same districts.**

CHAPTER FIVE

The Rivers

> *Water that could not be equalised by a freight subsidy was allocated another way. The case is unusually well documented, and it is the clearest example in this part of the centre deciding a dispute to which it was a party.*

5.1 — 1955: the allocation before the argument

The waters at issue are those of the Ravi and the Beas — two of the eastern rivers of the Indus system, which India retained under its 1960 treaty with Pakistan.

In 1955, before any of the later disputes existed, the central government asked the parties to agree a share of the surplus, then assessed at about 15.85 million acre-feet. The outcome was: **Rajasthan 8 MAF, undivided Punjab 7.20 MAF, and Jammu and Kashmir 0.65 MAF.**

Two things about that division, and the first is the concession.

Rajasthan is not a riparian state to either river. Neither the Ravi nor the Beas flows through it. Under the ordinary principle applied to river disputes — that the states a river passes through have the claim on it — Rajasthan had no entitlement at all, and it received the largest single share.

And undivided Punjab did not object. That has to be said plainly, because it is the strongest single point available to the other side of this argument and it is usually left out of Punjabi accounts. The state that later contested every subsequent allocation accepted this one at the time.

WORD BOX

Riparian: lying along the bank of a river. A riparian state is one the river actually flows through.

The riparian principle holds that the states a river passes through have the claim on its water, and states it does not reach do not. It is the usual starting point for river disputes, though it is a principle rather than a rule and Indian law does not apply it absolutely.

Million acre-feet (MAF): the unit these disputes are measured in. One acre-foot is enough water to cover an acre of land to a depth of one foot. A million of them is a very large reservoir.

Why it matters here: Rajasthan received the largest share of two rivers that do not flow through it, and every later argument circles back to that.

5.2 — 1966 and 1976: the state divides, and the water is divided for it

Punjab was reorganised in 1966 and Haryana was created out of it. Part Three covered the politics; this is the consequence.

The Punjab Reorganisation Act required the successor states to agree on sharing the water within two years. They did not.

On **24 March 1976** the central government issued a notification dividing undivided Punjab's 7.2 MAF, allocating 3.5 MAF of it to Haryana. In proportional terms this left Punjab with roughly twenty-two per cent of the total flow of rivers running through its own territory.

To carry Haryana's share, a canal was required — the Sutlej-Yamuna Link, 214 kilometres, of which 122 would run through Punjab and 92 through Haryana.

The Congress government then in office in Punjab was unhappy with the notification and asked the centre to reconsider. The centre did not. The state government then went quiet, and the opposition took up the issue, which is a pattern worth noting: a state Congress unit could not fight its own central leadership, so the grievance was inherited by whoever could.

On **11 July 1979** Punjab filed a suit in the Supreme Court challenging the 1976 notification.

5.3 — 1981: the case that was withdrawn

On **31 December 1981**, while that case was pending, the Prime Minister negotiated a tripartite agreement between Punjab, Haryana and Rajasthan. A reassessment put the available water at 17.17 MAF and divided it: **Punjab 4.22, Haryana 3.5, Rajasthan 8.6.**

Punjab then withdrew its Supreme Court case.

Look carefully at the structure of that, because it is the charge in this chapter and it does not depend on any view about the merits of the water division.

A state was in litigation against the central government over a central notification. The head of that central government negotiated directly with the state's chief minister — a chief minister of her own party — and the outcome was an agreement and the withdrawal of the case. The forum that would have decided the dispute independently was removed from the process by one of the parties to it, through a political relationship inside a single party.

This is the same structure Part Three found in Kerala in 1959: the party organising a dispute also being the authority that resolved it. The Indian constitution does not contemplate that arrangement, and no mechanism has ever been built to separate the roles.

5.4 — What followed

The canal became the centre of Punjab's politics. An agitation against its construction began in April 1982. What followed in the state runs through Part Ten of this series and is not this chapter's subject.

An accord in 1985 attempted a settlement; the Akali leader who signed it was assassinated within a month.

A tribunal under a Supreme Court judge reported in 1987, recommending increased shares for both Punjab and Haryana — about 5 MAF and 3.83 MAF respectively. It issued an interim report and never a final award. Conditions in Punjab prevented it from concluding, and it was adjourned indefinitely in 1989.

The Supreme Court decreed in Haryana's favour in 2002. Punjab passed an Act in 2004 terminating its water agreements, which was later held unconstitutional. The canal is still not built. The dispute is still live, and the assessments of available water on which every allocation rests were made when there was more water than there is now.

THE ARGUMENT — WHO HAS THE BETTER CASE ON THE PUNJAB RIVERS?

Both states hold positions that are sincerely believed and neither is frivolous. This box is longer than most because the material is unusually one-sided in most accounts.

PUNJAB'S CASE

The rivers flow through Punjab and through neither of the other beneficiaries in any meaningful way. Rajasthan, which is not riparian at all, holds the largest share. The 1976 notification left the state with about a fifth of its own rivers, and was issued by a central government rather than decided by a court or a tribunal. The 1981 agreement was signed while litigation was pending and the litigation was then dropped. And the water available has fallen since every one of these assessments, while Punjab's groundwater — the substitute it was forced onto — is now critically depleted, largely because of a national procurement policy that required it to grow paddy.

HARYANA'S AND THE CENTRE'S CASE

Undivided Punjab agreed to Rajasthan's share in 1955 without objection, so the non-riparian point was conceded by Punjab itself before Haryana existed. Water in Indian law is not governed by an absolute riparian rule, and Punjab's appeals to the rights of upper riparian states under international law are misplaced — that body of law governs countries, not provinces of one country. Haryana was created out of Punjab and its farmers have the same needs; the Reorganisation Act required a division and the states failed to agree one, which is precisely when a central notification becomes necessary. Haryana built its share of the canal. Punjab has been directed to build its share by the Supreme Court and has not.

Where things stand: on the legal merits Haryana and the centre are stronger than Punjabi accounts allow, and Punjab's specific arguments — the riparian principle, and the appeal to international law — are its weakest ones. On the process, Punjab is stronger than Haryana's accounts allow: a central notification and a Prime Minister-brokered agreement that ended a live Supreme Court case are not the same as an adjudication, and the tribunal that might have adjudicated never delivered a final award. The honest summary is that **Punjab has a weak case about the water and a strong case about the procedure**, and that it has spent forty years arguing the weak one.

What would settle it: a fresh tribunal with a current assessment of available flow. Punjab has been asking for one since 2015. No government has constituted it.

Why people care so much: because the dispute was one of the threads running into the violence of the 1980s, because both states now face genuine water scarcity rather than a division of surplus, and because after fifty years neither side can concede anything without conceding everything.

One structural point before leaving this chapter, because it is the transferable finding rather than the Punjabi one. India has an Inter-State River Water Disputes Act, and it has tribunals, and their whole purpose is to decide exactly this kind of question independently of whoever is in office. In this case the tribunal was appointed too late, reported only in interim form, and never concluded — while the operative decisions were taken by notification and by political agreement. **The machinery for deciding this fairly existed and was not used.** That is the charge, and it does not depend on which state you think should have the water.

REMEMBER THIS

In **1955**, Rajasthan — not a riparian state to either river — received the largest single share, and **undivided Punjab did not object**. That concession is the other side's best point and it belongs on the page.

The **1976** notification left Punjab about a fifth of its own rivers. In **1981** the Prime Minister negotiated an agreement with a chief minister of her own party and Punjab withdrew its pending Supreme Court case.

Punjab has a weak case about the water and a strong case about the procedure, and it has spent forty years arguing the weak one. The canal is still unbuilt and no final award has ever been made.

CHAPTER SIX

The Formula

> *Every year, a very large sum moved from Delhi to the states according to a formula. Formulas look like arithmetic. Every one of them is an argument that finished before anybody was watching.*

6.1 — How the money moved

A great deal of what Indian state governments spend does not come from taxes they raise. It comes from Delhi, and it comes through two main pipes.

The first is **statutory devolution**: a share of central tax revenue, distributed among the states according to a formula set every five years by a Finance Commission. This is constitutional machinery and it is comparatively insulated from politics.

The second was **plan assistance**: money for development schemes, distributed by the Planning Commission. This was the discretionary pipe, and from 1969 it too ran on a published formula, revised at intervals over the following decades.

The 1969 formula weighted **population** most heavily — around sixty per cent — with smaller weights for tax effort, for per capita income below the national average, for continuing irrigation and power projects, and for special problems. Later revisions changed the weights and added a stronger element for backwardness.

A separate category of **special category states** — hill states, the north-eastern states, and Jammu and Kashmir — received assistance on far more favourable terms, mostly as grant rather than loan.

6.2 — What the weights actually reward

Take those four weights one at a time and ask what behaviour each encourages, because that is what a formula is.

Population. The most defensible variable and the one with the most awkward consequence. A state with more people needs more schools, which is obviously right. It also means a state that reduces its birth rate receives less money than one that does not — a point that becomes constitutional in Chapter Nine.

Tax effort. Rewards a state that collects what it is owed. Sound in principle, and it favours states with a taxable economy, which are the states that already have industry.

Per capita income below the national average. The one variable pointing the other way, and its weight was small.

Continuing irrigation and power projects. Here is the interesting one. It rewards a state that *already has projects under way* — which is to say, a state that got projects sanctioned in earlier rounds. A state with no ongoing project scores nothing on this element, and a state with many scores fully. The variable rewards past success, which means the formula transmits an earlier round's distribution into the next one.

WORD BOX

Gap-filling versus performance: the two ways a central government can decide how much to give a state.

Gap-filling looks at the difference between what a state needs and what it can raise, and covers the difference. It is fair to poor states and it quietly punishes a state that improves its own revenue, because improving reduces the gap and therefore the grant.

Performance-based transfer rewards states that achieve something — collecting taxes, building capacity, hitting targets. It creates the right incentives and it systematically favours states that already have the capacity to perform.

Why it matters here: there is no third option. Every transfer system in every federal country sits somewhere on this line, and wherever it sits it is unfair to somebody in a way its designers can describe as an incentive.

6.3 — Did the transfers narrow the gap?

The honest answer is: less than the amounts involved would suggest, and the reason is instructive.

Transfers were substantial and they mattered. Without them, several states could not have run a schooling system at all. That belongs on the credit side and it is not a small item.

But a transfer arrives as a flow of money for spending. What produces convergence between regions is not spending — it is **investment that raises what a place can produce**, and that requires the ability to absorb money productively: an administration that can design and execute a project, a contractor base, engineers, and a bank that will lend against the result.

Poor states are poor partly because they lack those things. So the same rupee, sent to two states, buys different amounts of future. Money given to a state that cannot absorb it produces a building that is not maintained, a scheme that is not staffed, or an unspent balance returned at the end of the year — and unspent balances then count against the state in the next round.

That is not an argument against transfers. It is an argument that transfers alone cannot equalise, which is Chapter One's argument box arriving with evidence.

IN REAL TERMS

Two schools are each sent the same money for a new building.

The first is in a district with contractors who have built schools before, an engineer in the education office, and a bank that will bridge the payments. The building goes up in a year, is staffed, and teaches children for forty years.

The second is in a district with none of those. The tender fails twice. The building is finished late and badly, there is no budget line for a caretaker, the roof goes in the third monsoon, and by year six it is a shell with a signboard.

The transfer figures record two identical grants. The audit records both as spent. Only one of them bought any future, and the difference was not in the money.

All of which is unusually easy to check, because this is one of the best-documented corners of Indian government.

HOW WE ACTUALLY KNOW THIS

This is documented territory. Finance Commission reports are published in full, with the formula, the weights, the reasoning and the dissents. Plan allocations by state are published. Utilisation figures — how much of an allocation a state actually spent — are reported and are frequently the subject of parliamentary questions.

The dissents are the most useful part and almost nobody reads them. A Finance Commission member who disagrees with a weighting writes an explanation of what the majority's choice will do, in advance, on the record.

What it cannot show: whether a state's low utilisation reflects incapacity, obstruction, or a scheme designed for conditions that state does not have. The figure is the same in all three cases and the difference between them is the whole question.

Which raises a question about the whole apparatus that both the paying states and the receiving states have somehow never asked.

> **THE HIDDEN ASSUMPTION**
>
> Everybody in the transfer argument — the rich states complaining they subsidise the poor ones, and the poor states complaining they are short-changed — assumes **that a formula is neutral because it is a formula.**
>
> The appeal of a formula is precisely that it takes the politics out. There is no minister deciding, no favour, no lobbying: a state's entitlement falls out of variables, and arithmetic cannot have a preference. Both sides accept this and then argue about whether the numbers were applied honestly.
>
> But every variable in a formula is a decision about what deserves rewarding, and every weight is a decision about how much. Choosing population is a choice. Choosing tax effort is a choice. Choosing to reward continuing projects — thereby carrying forward whoever won the last round — is a choice with a very clear direction, and it is the sort of choice that looks purely administrative right up until you ask who it advantages.
>
> What the formula actually does is **move the politics upstream and then hide it.** The argument happens once, in a committee, among a small number of people, over the design. After that it looks like arithmetic for twenty years, and anybody objecting is told the formula is objective.
>
> This is why the dissenting notes matter so much and why nobody reads them. They are the only surviving record of the moment when the thing was still visibly a choice.
>
> Carry this into Chapter Nine, where the same structure is about to determine something much larger than money: a formula that has been treated as neutral arithmetic for fifty years is about to reallocate political power between the north and the south of India, and it will do it without anybody voting on it, because a formula is not the sort of thing you vote on.

None of which makes the transfers wrong or the formulas dishonest. Every federal country needs both and India's are better documented than most. The point is narrower: a formula is a decision wearing the clothes of a calculation, and the moment to argue about it is the design, which is over before anybody outside the room knows it happened.

REMEMBER THIS

Money moved from Delhi through **statutory devolution** (formula-based, insulated) and **plan assistance** (discretionary until 1969, formula-based after).

The weights rewarded **population, tax effort, low income and continuing projects.** The last of these carries the previous round's winners into the next one, which is a real direction dressed as administration.

Transfers mattered and did not equalise, because **a rupee buys different amounts of future in different states**. And **every formula is an argument that finished before anybody was watching.**

CHAPTER SEVEN

The Two Concessions

> *Before the ledger is drawn, the three strongest objections to it. Two of them are conceded in full, and the charge is smaller afterwards and much harder to answer.*

7.1 — Why this chapter comes before the ledger

A prosecution brief that saves the awkward evidence for a footnote is not a prosecution brief. It is a pamphlet, and Part One promised this series would not be one.

There are three serious objections to everything in Chapters Two to Six. Each is factually correct. Two of them substantially damage the popular version of this argument, and one of them turns out to strengthen it. All three are dealt with here, at full weight, before Chapter Eight adds anything up.

7.2 — Bihar's minerals were taken by somebody else

The version of this story that circulates most widely holds that Congress impoverished Bihar by taking its resources. There is a fact that version has to survive.

Bihar's mineral belt was separated from it in 2000, when the state of Jharkhand was created — and that was done by the Vajpayee government, not by Congress.

The coal, the iron ore, the Chota Nagpur plateau, Jamshedpur, Bokaro, Dhanbad: all of it went into the new state. What was left of Bihar is an agricultural plain with a very large population and almost no minerals at all.

So a substantial part of what is now described as Bihar's poverty is a statistical artefact of a boundary drawn by a non-Congress government within living memory. Compare Bihar's per capita income before and after 2000 and you are comparing two different places.

Grade: SOLID, and it is conceded without qualification.

Now the part that survives it, and it survives cleanly.

The hole was dug long before 2000. Freight equalisation ran from 1952. The relocation of industry away from the mineral belt happened across the 1950s, 1960s, 1970s and 1980s, while the belt was still inside Bihar and while Bihar was, for most of that period, governed by Congress and administered under central instruments held by Congress governments.

The bifurcation of 2000 **divided a poverty that already existed.** It did not create it. If the mineral belt had been industrialised in proportion to what lay under it, Jharkhand would today be a rich state and the bifurcation would be a footnote rather than a grievance.

The test is simple and it is available. Jharkhand has had the minerals to itself for twenty-six years. It is not rich.

WORD BOX

Bifurcation: splitting one state into two. India has done it repeatedly — Punjab in 1966, Bihar and Madhya Pradesh in 2000, Andhra Pradesh in 2014.

A bifurcation does not change how much anybody produces on the day it happens. What it changes is the boundary the statistics are collected inside, which can move a state's average income sharply in either direction overnight while no household is any better or worse off.

Why it matters here: comparing Bihar before and after 2000 compares two different places, and a great deal of published commentary does exactly that without saying so.

7.3 — West Bengal's worst decline was not under Congress

The second objection is heavier and it is also conceded.

West Bengal's sharpest industrial decline runs from 1977 onwards, under the Left Front, which governed the state for thirty-four consecutive years. Labour militancy from the late 1960s drove capital out. Investment stopped arriving long before anybody in Delhi was blamed for it.

Congress did not cause that stretch and this series will not pretend otherwise.

Two things survive, and they are different in kind from each other.

The first is chronological. West Bengal's manufacturing was still growing faster than the national average in the decade after independence. It had around a quarter of India's factories in 1946. The reversal begins well before 1977, and freight equalisation begins in 1952. The Left Front inherited a declining industrial base; it did not create one and then destroy it.

The second is the one nobody makes. Partition itself was the largest single blow to Bengal's economy — it cut the jute mills of the west from the jute fields of the east in one act, and Part Two covered how the refugee consequences were handled. Whatever share of Bengal's decline belongs to the Left Front, a substantial share belongs to 1947, and that is not the Left Front's account to settle.

7.4 — Punjab's procurement has never been withdrawn by anybody

The third objection is the one that turns around.

Chapter Four described how the agricultural package locked Punjab and Haryana into wheat and paddy through a guaranteed price, and how free or near-free power for pumping made groundwater costless to the farmer and very costly to the aquifer. Part Four called it a permanent instrument that acquired a constituency and never expired.

The objection: **no government of any party has withdrawn or restructured any of it.** Not Congress, not the Janata governments, not the United Front, not the National Democratic Alliance in any of its terms. Every attempt to alter the arrangement has been abandoned in the face of the constituency it created.

Conceded, and it is true.

But notice what the concession actually establishes. It does not show that the original design was sound. It shows that **the design was irreversible** — that a temporary emergency instrument was built in a form that no subsequent government, of any political colour, over more than fifty years, has been able to undo.

That is not a defence of the decision. It is an aggravation of it. A policy that can be reversed when it stops working is a policy. A policy that cannot is a permanent alteration of the country, and it was made without anybody saying so at the time.

IN REAL TERMS

A family farm is split between two brothers. One gets the orchard, the other the dry field.

The next day, the average income of "the dry field" is far lower than the average income of the old undivided farm — and nobody has become poorer, nothing has been produced or lost, and no tree has been cut down.

Now add the part that matters. If the orchard had been properly tended for the previous forty years, the brother who received it would be rich and the split would be a family arrangement. If it was never tended, both brothers are poor and the split merely decides which of them holds the bare trees.

That is the Bihar and Jharkhand question, and the answer after twenty-six years is that neither of them is rich.

Taken together, the three concessions demand a straight accounting of what is left.

THE ARGUMENT — AFTER ALL THREE CONCESSIONS, WHAT IS LEFT?

This is the honest audit of the part, conducted before the ledger rather than after it.

VERY LITTLE, AND THE REST IS REGIONAL GRIEVANCE

Take the concessions seriously and the charge shrinks dramatically. Bihar's minerals were removed by a non-Congress government. Bengal's decline is substantially a Left Front story and a Partition story. Punjab's procurement trap has been maintained by everyone. What remains is one railway subsidy whose share of the outcome nobody has established, a licence system whose regional effects are inferred from a pattern rather than from any decision, and a set of formulas that every federal country argues about. That is a long way from a case that Delhi manufactured regional inequality.

THE CORE SURVIVES, AND IT IS DATED AND NAMED

Every concession is about a *later* or *additional* cause, and none of them touches the mechanism or the timing. Freight equalisation ran from 1952 to 1993, covered minerals and not cotton, removed the sole advantage of a defined set of states, and was admitted in Parliament to have failed. The Green Revolution's geography followed canals built with earlier public money and required credit that a titleless tenant could not obtain. The river allocation was settled by notification and by a Prime Minister ending a live court case. None of that becomes untrue because Jharkhand was carved out in 2000 or because the Left Front governed after 1977.

> **Where things stand:** the second side is right about the mechanisms and the first side is right that the *size* of the effect is unestablished, which is the same verdict Chapter Two reached. The proper conclusion is narrower than the popular charge and stronger than the popular defence: **a set of named central rules ran for four decades in one direction, and how much of the outcome they explain is not known.** Chapter Ten says this again at the end, because it is the thing most likely to be dropped when this part is quoted.
>
> **What would settle it:** the calculation described in Chapter Ten, which has never been done by anybody.
>
> **Why people care so much:** because the concessions are politically useful to one side and the mechanisms to the other, and almost nobody in Indian public life has an interest in stating both.

One further note on method, since this chapter is about honesty. Everything conceded above was conceded because it is true, not because conceding it happens to strengthen the argument. Where a concession had simply destroyed a claim, the claim would have been dropped. Two of them nearly did, and the popular version of this story — that Congress deliberately impoverished eastern India — does not survive this chapter. What survives is smaller, duller and considerably harder to dismiss.

The reader who has stayed with this chapter is now in a position most Indian political argument never reaches: holding the strongest objections and the surviving charge at the same time. Chapter Eight draws the ledger on that basis and on no other.

REMEMBER THIS

Bihar's mineral belt went to Jharkhand in 2000, under a non-Congress government. Conceded. But the hole was dug from 1952 onwards, while the belt was still in Bihar — and Jharkhand has had the minerals to itself for twenty-six years and is not rich.

West Bengal's sharpest decline runs from 1977 under the Left Front. Conceded. But the reversal begins before 1977, and the largest single blow was Partition.

No government of any party has withdrawn Punjab's procurement and power subsidies. Conceded — and that is an aggravation, not a defence. It shows the design was irreversible.

CHAPTER EIGHT

The Ledger

> *State by state, what was done and by whom. This table runs through the rest of the series and consolidates in Part Nineteen.*

8.1 — How to read it

This is the entry that Part Two opened and every part from here carries forward. It is not a scorecard and it does not produce a total, for the reason Chapter Seven just gave: the mechanisms are established and their sizes are not.

What it does is answer a question the national story cannot: **if you live where you live, what was decided about you in Delhi?**

Three cautions before the table. It covers the instruments in this part only, not the whole of what happened to each state. It attributes central decisions to central governments, which for most of this period were Congress but not all of it, and it says so where it matters. And a state appearing as a beneficiary is not an accusation against its people, which is a distinction Chapter Eight's hidden assumption is entirely about.

8.2 — The states that gained

STATE	WHAT IT RECEIVED
Maharashtra	Minerals at mine-mouth prices from two thousand kilometres away, while retaining its own uncovered advantage in cotton. Existing industrial concentration compounded by a licensing machinery centred on Bombay.
Gujarat	The same freight benefit, the same cotton exemption, and a port. Later a very large share of new industrial investment.
Punjab	The canal inheritance of the 1880s, then Bhakra, then the full agricultural package: seed, subsidised fertiliser, near-free power for pumping, and a guaranteed price. Made the richest state in India per head by the 1970s. Then Chapters Five and Seven.
Haryana	The same package, plus 3.5 MAF of Ravi–Beas water allocated by central notification in 1976 and confirmed in 1981.
Rajasthan	8 MAF in 1955 and 8.6 MAF in 1981, from two rivers that do not flow through it, as a non-riparian state.

STATE	WHAT IT RECEIVED
Tamil Nadu and Karnataka	Freight benefit, ports, and later a large share of licensed industry. Both also invested heavily in their own schooling, which is a state subject and belongs to them.
Delhi and around	Proximity to the machinery. Chapter Three's finding: the difference between a man who is in Delhi anyway and a man for whom it is an expedition.

8.3 — The states that lost

STATE	WHAT WAS DONE
Bihar (with Jharkhand to 2000)	Held the coal and iron. Freight equalisation removed the advantage from 1952. Royalty rates set centrally. Land records never updated, so tenants could not obtain the credit the agricultural package required. Mineral belt separated in 2000 by a non-Congress government.
Odisha	Richest ground, poorest people. The same freight mechanism, the same centrally set royalties, and almost no downstream processing for four decades.
West Bengal	Around a quarter of India's factories in 1946. Lost its jute hinterland at Partition, its freight advantage from 1952, and its investment from the late 1960s. The last of those is not Delhi's.
Madhya Pradesh (with Chhattisgarh to 2000)	Coal and minerals, the same freight mechanism, and the same absence of processing.
Assam	Minerals, tea and oil under the same arrangements, with refining capacity historically located elsewhere. Part Thirteen takes the rest of it.
Uttar Pradesh (east)	The largest population in the country, no minerals to lose, and the two locks of Chapter Four: no canal command and no land title. Slid from around the national average income towards the bottom of it.

8.4 — The ones that do not fit

Two states break the pattern and both are instructive, which is why they are here rather than left out.

Kerala. No minerals, no canal command, no great share of licensed industry, and no special treatment from Delhi — indeed Part Three showed the centre dismissing its government. It nevertheless produced human development outcomes far ahead of much richer states, through investment in schooling and health, which are state subjects. Kerala is the single strongest piece of evidence for the argument that state governments matter enormously, and it is in this part because an honest ledger has to contain it.

Jharkhand. Has held the minerals alone since 2000 and has not become prosperous. That cuts two ways at once. It weakens any claim that the minerals alone would have made Bihar rich, and it strengthens Chapter Two's point that what a mineral state loses is not the ore but the *economy that should have grown around it* — which, once it has grown somewhere else, does not come back because the boundary moved.

> **HOW WE ACTUALLY KNOW THIS**
>
> Each row of those tables rests on something published: a freight schedule, a licensing return, a water notification, a plan formula, or a census. Nothing in them is inferred from an outcome.
>
> That matters because a ledger of this kind is exactly where a partisan account would smuggle in its conclusions. The discipline applied here is that a state appears in a column only if a named central instrument, with a date, applied to it in a stated direction — not because it is poor now.
>
> What it cannot show: proportions. There is no honest way to say that freight equalisation explains a third of Odisha's position and land records another quarter. The table records what was done, and Chapter Seven has already conceded that what was done is not the whole of what happened.
>
> It is also silent on everything the states did to themselves, which for several of them is substantial and for one of them — Kerala — is the entire explanation.

There is one further thing about the shape of that table, and it explains why fifty years of arguing about it has changed nobody's mind.

THE HIDDEN ASSUMPTION

Everyone reading a table like the one above assumes **that the states in the first list were given something.**

That is how a ledger reads. Winners and losers, and the winners must have received a transfer, which implies a benefactor, a decision, and somebody who should feel a debt.

Mostly they were not given anything. What they received was **the removal of somebody else's advantage**, and that is a completely different kind of event.

A Gujarati industrialist in 1975 buying steel at the published rate was not receiving a grant. No cheque arrived. Nothing appeared in his accounts that would not have appeared anyway. He experienced a normal transaction in a normal market, and everything he built on top of it he built with his own capital, his own risk and his own long hours — which is why the prosperity of the western states is so genuinely and so sincerely attributed to enterprise. From the inside it *was* enterprise.

This is why regional resentment in India is so useless as politics. The complaining state describes a transfer, and the accused state hears an accusation of theft it knows it did not commit — because it did not commit one. Nobody took anything. A rule dissolved a difference, and the party holding the difference lost it to everybody.

And it explains something otherwise strange: why no beneficiary state has ever acknowledged any of this. Not out of bad faith. You cannot feel a debt for a thing you never received. The whole transfer happened in the space where an advantage used to be, and there is nobody in the country who experienced getting it.

The ledger will grow. Every part from here adds to it — Punjab in Part Ten, the North East and the tribal belt in Part Thirteen, the states affected by the material in each of the rest — and Part Nineteen prints it whole.

REMEMBER THIS

The ledger answers what the national story cannot: **if you live where you live, what was decided about you in Delhi?** It has no total, because the mechanisms are established and their sizes are not.

Kerala breaks the pattern — no minerals, no canals, no special treatment, and the best human development outcomes in India, through state spending on schooling and health. It is the strongest evidence that state governments matter enormously.

The gaining states were mostly **not given anything.** They received the removal of somebody else's advantage, experienced it as an ordinary market, and built on it with their own work — which is why no beneficiary has ever acknowledged a debt, and why nobody should expect one to.

CHAPTER NINE

What It Did to People

> *A gap between states does not stay in the states. It moves, in the form of human beings on trains, and it is about to move again in a form nobody has voted on.*

9.1 — The mechanism nobody counts

When a region has no work and another region does, people move. This is the oldest fact in economics and it is the least examined thing in Indian public life.

The flow has run in one direction for fifty years: out of Bihar, eastern Uttar Pradesh, Odisha and West Bengal, and into Punjab, Haryana, Gujarat, Maharashtra, Delhi and the southern cities.

Notice what that does to the arithmetic of everything in this part.

A working-age man leaves Bihar and works in Punjab. Bihar paid for his childhood — his food, his schooling if he had any, the public health that kept him alive to twenty. Punjab receives him at exactly the age when he starts producing more than he consumes. When he is old and sick he generally goes home, and Bihar pays for that too.

So the poorer state bears the cost of producing a worker and the richer state receives the output. That is a transfer, running continuously for decades, in the opposite direction to the fiscal transfers of Chapter Six, and it appears in no formula, no Finance Commission report and no argument about which states subsidise which.

IN REAL TERMS

A village raises a boy. Twenty years of food, twenty years of a mother's work, whatever schooling there was, the vaccinations, the fevers survived. All of it paid for locally, from very little.

At twenty he gets on a train. For the next thirty years his labour builds houses in another state, which collects the tax on the cement, the wages of the shopkeepers he buys from, and the profit of the man who employed him.

He sends money home. That money is real and it keeps his family alive, and it is a fraction of what he produces. The rest stays where he works.

At fifty-five his back gives out and he goes home to be looked after.

Every economic statistic in India records this as the second state being productive and the first state being poor.

The usual answer to all of this is that the money comes back, and it does. It is worth being precise about how much of it comes back.

WORD BOX

Remittance: money a worker sends home. India receives an enormous amount from abroad, and a much less discussed amount moves internally, from the richer states to the poorer ones.

A remittance is a fraction of what a worker produces — the part he does not spend where he works. The wages he spends, the taxes on what he buys, the profit of the man who employs him and the value of what he builds all stay in the state he moved to.

Why it matters here: remittances are frequently cited as evidence that migration benefits the sending state. They are evidence that it benefits the sending *family*. Those are not the same claim.

9.2 — Money one way, people the other

The fiscal argument in India is conducted almost entirely in one direction. The richer states point out, accurately, that they contribute more tax than they receive back, and that the difference goes to the poorer states.

That is true and it is a legitimate grievance. It is also half a ledger.

The other half is the labour flow above, and the remittances that return along it, and the fact that the receiving states' growth has been supported for decades by workers whose upbringing was financed elsewhere. Neither half has ever been costed against the other, by anybody, in any official document.

Until it is, the sentence "we subsidise them" and the sentence "they are built on our people" are both unfalsifiable, and both are believed with complete sincerity in the places where they are said.

9.3 — The seats that were frozen

Now the part of this chapter that is not history.

Seats in the Lok Sabha are allocated between states by population. If a state's population grows faster, its share of seats should rise.

In 1976, by constitutional amendment, that allocation was frozen on the 1971 census figures. In 2001 the freeze was extended, and it now runs until after the first census taken after 2026.

The reason for the freeze was straightforward and it was fair. States were being asked to reduce their birth rates. A state that succeeded would, under the ordinary rule, lose seats to a state that did not — which is a spectacular disincentive to comply with a national policy. The freeze removed it.

It worked, unevenly. The southern states and some others reduced their fertility substantially. Several of the large northern states did so much later and much less.

So for fifty years India has run on a representation map that does not match its population, and everybody has accepted this because the alternative was worse. That arrangement is now approaching its expiry, and when it lapses, seats will move — from the states that reduced their birth rates to the states that did not.

HOW WE ACTUALLY KNOW THIS

This is constitutional text rather than analysis. The freeze was effected by amendment, its extension was effected by amendment, and both are in the constitution with dates attached. The census figures on which the current allocation rests are published and are from 1971.

Nothing about the mechanism is contested by anybody. What is contested is entirely about what should happen next, and that argument has barely begun in public.

What it cannot show: what will actually be done. A constitutional deadline is not a prediction. Governments have extended this freeze once already, and extending it again is available.

Set that beside Chapter Six and the shape becomes visible. The plan transfer formula weighted population most heavily, so a state that reduced its birth rate received less money. The representation formula would have moved its seats away too, and was frozen to prevent exactly that. One of those compensations was made and the other was not, and the one that was made is about to end.

THE ARGUMENT — SHOULD THE SEAT FREEZE BE EXTENDED AGAIN?

This is not history. It is a decision that has to be taken shortly, and both positions are held with complete sincerity.

EXTEND IT — THE STATES THAT COMPLIED MUST NOT BE PUNISHED

Reducing your birth rate was national policy. States that did it made a genuine effort over decades, in schooling, in health and in the status of women. Handing seats to the states that did not is a plain penalty for compliance, and it teaches every state that following a national programme is a mistake. It also concentrates political power in the states with the weakest human development indicators, which is not obviously good for anybody, including them.

END IT — A DEMOCRACY COUNTS PEOPLE

One person, one vote, one value is not a policy instrument that can be suspended for fifty years to reward good behaviour. Citizens in the more populous states are already substantially under-represented and have been since 1976. There is no principle under which a citizen's vote should count for less because of a demographic decision made by their state government before they were born, and a freeze that has already run for half a century is not a temporary measure by any ordinary meaning of the word.

Where things stand: the second side has the stronger principle and the first has the stronger fairness claim, and there is no arrangement that satisfies both. The available compromises — enlarging the house so no state loses seats in absolute terms, or strengthening the upper house — are all partial, and none of them is being seriously debated in public yet.

What would settle it: nothing settles it. It is a genuine conflict between two things a democracy owes people, and it will be decided politically.

Why people care so much: because it is the largest reallocation of political power in India since independence, it is arriving on a fixed date, and almost nobody outside the states that stand to lose has noticed it is coming.

And underneath the whole of this chapter sits a reading of migration that everybody shares and nobody defends.

THE HIDDEN ASSUMPTION

Everybody who discusses out-migration from India's poor states — sympathetically or otherwise — assumes **that migration is a symptom of the failure.**

The sympathetic version: people leave because there is nothing at home, which shows how badly those states have been served. The unsympathetic version: people leave because their states are badly run, and the exodus is the verdict. Both treat departure as evidence about the place departed from.

Migration is also the **mechanism by which the loss is exported and made invisible.**

Consider what would happen if nobody could leave. Bihar and eastern Uttar Pradesh would hold every one of the working-age men who now build in Gujarat and harvest in Punjab, with no work for them. The unemployment would be concentrated, visible, countable and politically unbearable, and it would have become a national emergency in about 1975.

Because they can leave, it never becomes an emergency anywhere. The receiving state sees workers, not unemployment. The sending state sees remittances arriving and its own labour surplus reduced. The national figures see people employed. **A state that exports its unemployed does not appear to have any**, and the political pressure that would have forced a correction is dissipated across the whole country in the form of individual men on individual trains.

This is why the regional question in India has never produced the political crisis its scale would predict. The safety valve worked. And a safety valve that works well enough removes the pressure that would otherwise have fixed the boiler.

It also explains why this part is so hard to write and why so little has been written about it. The victims of everything in Chapters Two to Six are not a constituency in the places where the decisions were made, because they left — and in the places they went to, they are not constituents at all.

That is where this part ends, and it ends pointing forwards rather than back. Everything in Chapters Two to Six happened decades ago and cannot be undone. The thing in section 9.3 has not happened yet.

REMEMBER THIS

The poorer state **pays to raise a worker** and the richer state **receives his output**. That transfer runs opposite to the fiscal one and appears in no formula, no Finance Commission report and no argument about who subsidises whom.

Lok Sabha seats have been frozen on **1971 census figures** since 1976, extended in 2001, and the freeze runs until after the first census following 2026. It was fair and it worked. **When it lapses, seats move from the states that reduced their birth rates to the states that did not.**

A state that exports its unemployed does not appear to have any. The safety valve worked, and a safety valve that works removes the pressure that would have fixed the boiler.

CHAPTER TEN

An Honest List of What We Do Not Know

> *This part establishes mechanisms and does not establish sizes. That distinction is the whole of this chapter and it is the thing most likely to be dropped when the part is quoted.*

10.1 — Genuinely unknown

Six things in this part cannot be established. The first is the largest and it governs the rest.

How much of the gap between Indian states these instruments explain. Chapter Two established that freight equalisation removed the east's only locational advantage, ran for forty-one years, and was admitted in Parliament to have failed. It did not establish what share of the east's decline it caused.

Why it is unknown: it is a counterfactual, and Part One's Chapter Three explained why those cannot be measured directly. What can be done is comparison, and the comparisons here are contaminated by the very concessions Chapter Seven made — Partition, the Left Front, the 2000 bifurcation and local governance all move in the same period.

What a licence was worth, by state. Chapter Three counted licences and could not weight them. A steel plant and a soap works count as one each.

Why it is unknown: value-weighted approval series by state and decade would settle it. The raw material sits in ministry records. Nobody has published it, and this is a *decided* absence rather than a hard one: the figures existed at the time and were reported to Parliament in aggregate.

What it would have cost to make eastern India eligible for the agricultural package. Chapter Four said the requirements were tube-wells, rural electrification and a land record — dull, known and available.

Why it is unknown: because it was never costed. That is the finding, not the gap. A government that could build Bhakra could have priced the eastern alternative, and no document shows anybody being asked to.

Whether the Punjab river notifications would have survived adjudication. The 1976 notification was challenged and the case was withdrawn in 1981. The tribunal that might have decided it issued an interim report in 1987 and never a final award.

Why it is unknown: because the two forums that could have answered it were both closed before they finished — one by a political agreement, the other by the conditions in the state. Punjab has asked for a fresh tribunal since 2015 and none has been constituted.

The two halves of the fiscal argument, against each other. Chapter Nine set out the money flowing one way and the workers flowing the other, and said neither has been costed against the other.

Why it is unknown: nobody has attempted it. The data for the fiscal half is excellent and published. The data for the labour half — who moved, when, at what age, having consumed how much public spending where — barely exists, because internal migration in India is measured badly on purpose and by accident in roughly equal measure.

Whether the exclusion of cotton from freight equalisation was designed. Chapter Two established the coverage and the asymmetry it produced. It did not establish intent.

Why it is unknown: the commodity list would have been settled in files that are not open. Grade for any claim of intent: ALLEGED, and this part has deliberately not made one.

10.2 — Solid

What freight equalisation was, what it covered, when it ran, and that it failed. Introduced 1952, dismantled between 1991 and 1993. Covered coal, iron ore, steel and pig iron, cement, later fertiliser and bauxite. Did not cover cotton. And a Union minister told Parliament that committees had found the regional-dispersal benefit was more than offset by increased real transport costs. Grade: SOLID, and the last of those is the strongest single sentence in this part.

That the east was the industrial core in the early 1950s. Bihar, West Bengal and Odisha held the overwhelming share of iron and steel production; West Bengal alone had around a quarter of India's factories in 1946 and was still outgrowing the national average in manufacturing in the following decade. The reversal is the thing requiring explanation.

That an industrial licence specified a place. Statutory, and Part Four's chapter on the mechanics rests on published law.

The river chronology. The 1955 allocation of 15.85 MAF — Rajasthan 8, undivided Punjab 7.20, Jammu and Kashmir 0.65, with undivided Punjab not objecting. The requirement in the Punjab Reorganisation Act. The notification of 24 March 1976. The suit filed on 11 July 1979. The tripartite agreement of 31 December 1981 and the withdrawal of the case. The 1987 interim report. The canal, 214 kilometres, still unbuilt. All record.

The transfer formulas and their weights. Finance Commission reports and plan formulas are published in full, including the dissents.

The seat freeze. Effected by amendment in 1976, extended by amendment in 2001, running until after the first census after 2026, and resting on 1971 figures. Constitutional text.

The three concessions in Chapter Seven. Jharkhand created in 2000 by a non-Congress government; West Bengal's sharpest decline from 1977 under the Left Front; Punjab's procurement and power subsidies never withdrawn by any party. All solid, all conceded.

10.3 — The calculation nobody has done

One piece of work would settle more of this part than everything else combined, and it is not difficult.

Compare the equalised commodities with the unequalised ones.

Freight equalisation covered a defined list and excluded others. Industries built on the covered inputs and industries built on the excluded inputs faced different incentives about where to locate, in the same country, in the same decades, under the same everything else. That is very nearly a controlled experiment, and India ran it for forty-one years without anybody analysing the results.

Add the second half: what happened to location decisions after the policy was withdrawn in 1991–93.

If the charge in Chapter Two is right, industries using equalised inputs should show a location pattern detached from their raw materials, industries using unequalised inputs should not, and the pattern should begin to change after 1993. If it is wrong, they should look the same.

The freight schedules are published. The industrial location data exists. Some work pointing this way has been done and it is not conclusive. Nobody has done it properly, and until somebody does, the largest claim in this part remains what Chapter Seven called it: a named mechanism running in one direction for four decades, of unestablished size.

I would rather end a part by telling you what would prove me wrong than by rounding an argument up into a number I cannot support.

REMEMBER THIS

Genuinely unknown: **the share of the gap these instruments explain, what a licence was worth by state, what the eastern alternative would have cost, whether the river notifications would have survived adjudication, the two halves of the fiscal argument against each other, and whether the cotton exclusion was designed.**

Solid: **what freight equalisation was and that a minister admitted it failed; that the east was the industrial core in 1950; that a licence specified a place; the river chronology; the formulas and their weights; the seat freeze; and all three concessions.**

One calculation would settle most of this part: compare the equalised commodities with the unequalised ones, before and after 1993. The data exists. Nobody has done it.

REFERENCE

Timeline of the Instruments

Dates only. The arguments are in the chapters.

DATE	WHAT HAPPENED
1880s onward	Canal colonies built across western and central Punjab by the colonial administration. The assured irrigation that decides Chapter Four is created here.
1946	West Bengal holds around a quarter of all factories in India. The east holds the overwhelming share of iron and steel production.
1947	Partition cuts Bengal's jute mills from the jute fields of the east.
1951	The Industries (Development and Regulation) Act. A licence specifies product, capacity and *place*.
1952	**Freight equalisation begins.** Coal, iron ore, steel, pig iron and cement cost the same delivered anywhere in India. Cotton is not covered.
1955	Ravi–Beas surplus assessed at 15.85 MAF and allocated: Rajasthan 8, undivided Punjab 7.20, Jammu and Kashmir 0.65. Undivided Punjab does not object.
1948–58	West Bengal's manufacturing still grows faster than the national average.
1960	The Indus Waters Treaty. India retains the Ravi, Beas and Sutlej.
1963	Bhakra completed. Punjab's post-independence water infrastructure extended.
1966	Punjab reorganised. The Reorganisation Act requires the successor states to divide the water within two years. They do not.
1966 onward	The agricultural package is delivered to districts with assured irrigation: Punjab, Haryana, western Uttar Pradesh.
1969	The Gadgil formula. Plan assistance distributed on published weights, with population carrying around sixty per cent. Special category states created.
1969	The Dutt committee recommends industrial dispersal and estates in less developed regions. The industrial map does not move.
24 Mar 1976	Central notification divides undivided Punjab's 7.2 MAF, allocating 3.5 MAF to Haryana. The Sutlej–Yamuna Link canal is required to carry it.
1976	**Lok Sabha seat allocation frozen on 1971 census figures** by constitutional amendment.

DATE	WHAT HAPPENED
1977	The Left Front takes office in West Bengal and governs for thirty-four years.
11 Jul 1979	Punjab files suit in the Supreme Court challenging the 1976 notification.
31 Dec 1981	Tripartite agreement brokered by the Prime Minister. Ravi–Beas reassessed at 17.17 MAF: Punjab 4.22, Haryana 3.5, Rajasthan 8.6. Punjab withdraws its case.
Apr 1982	Agitation against construction of the canal begins in Punjab.
1985	An accord attempts a settlement. The Akali leader who signs it is assassinated within a month.
1987	A tribunal recommends Punjab 5 MAF and Haryana 3.83 MAF. It is an interim report. No final award is ever made.
1989	The tribunal adjourns indefinitely.
1991–93	**Freight equalisation dismantled.** A minister later tells Parliament that committees found its dispersal benefit was more than offset by increased real transport costs.
2000	Jharkhand and Chhattisgarh created. Bihar and Madhya Pradesh lose their mineral belts, under a non-Congress government.
2001	The seat freeze extended by amendment, to run until after the first census following 2026.
2002–2004	The Supreme Court decrees in Haryana's favour. Punjab legislates to terminate its water agreements; the Act is later held unconstitutional.
2015 onward	Punjab asks for a fresh tribunal with a current assessment of flow. None is constituted. The canal is still unbuilt.

Part Six starts here. It leaves the map and returns to the chronology, in 1954, with an agreement about Tibet and a road being built across territory India believed was its own.

REFERENCE

Glossary

Every hard word used in this part, in plain English.

WORD	WHAT IT MEANS
Agglomeration	The tendency of similar businesses to cluster and become more productive because they are clustered. Self-reinforcing, which is why a place that gets ahead tends to stay ahead.
Assured irrigation	Water a farmer can put on a field when the crop needs it rather than when the sky provides it. Total rainfall is almost irrelevant; what matters is control.
Bifurcation	Splitting one state into two. It changes no household's income on the day it happens, but it moves the boundary the statistics are collected inside, which can shift a state's average sharply overnight.
Command area	The land a canal or irrigation project can actually water. A field outside the command area gets nothing from the canal, however close it looks on a map.
Cross-subsidy	Charging one group more than a service costs so another can be charged less. There is always a payer, and the payer is usually diffuse enough not to notice.
Delimitation	Redrawing constituency boundaries and reallocating seats between states according to population. Frozen in India on 1971 figures since 1976.
Devolution	The share of central tax revenue passed to the states, distributed by a formula set every five years by a Finance Commission.
Finance Commission	The constitutional body that decides how central tax revenue is divided between the centre and the states, and among the states. Reports are published in full, including dissents.
Freight equalisation	The policy, running 1952 to 1993, under which the centre absorbed the difference in railway freight so that listed commodities cost the same delivered anywhere in India.
Gap-filling	Deciding a transfer by covering the difference between what a state needs and what it can raise. Fair to poor states, and it quietly punishes a state that improves its own revenue.
Locational advantage	The benefit a place gets from where it is. For a poor region it is usually the only advantage available, because it cannot manufacture roads, markets or a workforce.

WORD	WHAT IT MEANS
Million acre-feet (MAF)	The unit river disputes are measured in. One acre-foot covers an acre of land to a depth of one foot.
Remittance	Money a worker sends home. It is the part of what he produces that he does not spend where he works — a fraction, not the whole.
Riparian	Lying along the bank of a river. A riparian state is one the river actually flows through. The riparian principle gives such states the claim on the water.
Royalty	The payment a mining company makes to the state for extracting a mineral. Rates were set centrally throughout this period.
Special category state	A category created in 1969 for hill, north-eastern and certain other states, receiving central assistance on far more favourable terms, mostly as grant rather than loan.
Tribunal (water)	A body constituted under the Inter-State River Water Disputes Act to decide a river dispute independently of whoever is in office. The machinery exists; in Chapter Five it was not used.
Union List	The schedule of subjects on which only the central parliament may legislate. Almost every instrument in this part sits on it.

ABOUT

About the Author

NAME	Lovepreet Singh
PROJECT	The Living Archive · misterlove.in
EDUCATION	BCom, Chandigarh University · MBA (Business Strategy and Analysis), Panjab University
ALSO	Founder, Lovelace · Certified Ethical Hacker · self-taught developer
CONTACT	lovepreetsinghmk10@gmail.com · Instagram @misterlove.in

I write long-form research on Indian history, society, belief and public life, and publish it at misterlove.in under the name The Living Archive. Before this series I completed a fourteen-part history of Punjab and a sixteen-part study of the rules societies place on women.

This part required a particular kind of care and I want to name it. Chapter Five is about Punjab's rivers, and I have written about that subject before and hold views about it. The verdict I have reached here — that Punjab has a weak case about the water and a strong case about the procedure — is not the verdict most Punjabi accounts reach, including some of my own earlier ones. The riparian argument and the appeal to international law are the arguments I grew up hearing, and they are the weakest ones available. Saying so is the price of the method.

Chapter Seven is where I have tried hardest to argue against myself. Two of the three concessions in it substantially damage the version of this story that circulates most widely, and one of them — the Jharkhand bifurcation — destroys the version I have heard repeated most often. It is in the text at full strength, before the ledger, rather than in a footnote after it.

THE RULES OF THIS PROJECT

The Living Archive

Everything published under this name follows three rules.

Plain language, undiminished content. The words are as simple as I can make them. The argument is not simplified with them.

Show the evidence, and show what it cannot prove. Every serious claim names what it rests on, and every source is described honestly, including what it is blind to.

Give every side its strongest case. Where people who know the material disagree, both positions appear at full strength, and I say when the evidence does not settle it.

PLEASE READ THIS

A Word on Sources

This part carries no footnotes. It rests on published material: the statutes and licensing framework described in Part Four, parliamentary answers on freight equalisation and its withdrawal, Finance Commission reports and plan formulas, the river allocation notifications, agreements and tribunal reports, census and industrial statistics, and the constitutional amendments freezing seat allocation.

A warning specific to this part. Freight equalisation is a live political subject, and much of what is written about it online is written to advance a position. Several accounts I checked blame one railway subsidy for the whole of eastern India's poverty, mentioning neither Partition, nor the Left Front, nor the 2000 bifurcation. Chapter Two is built only on what survives that scepticism: the dates, the commodity coverage, the direction of the effect, and the ministerial admission in Parliament.

What this archive is good at, and bad at. The instruments are exceptionally well documented — laws, schedules, formulas, notifications and amendments are all public. What is missing is measurement of effect, which is why Chapter Ten ends with a calculation rather than a conclusion.

Corrections. If something here is wrong, write to me. Later editions will say what was changed and who caught it.

Lovepreet Singh

The Living Archive · misterlove.in

NEXT

What Comes Next

Part Six — China, Tibet and 1962

Part Six returns to the chronology and takes the single worst military and diplomatic failure in independent India's history. It asks:

- What did India give up in the 1954 agreement on Tibet, what did it receive in return, and who inside the government argued against it at the time?
- A road was built across territory India claimed. When did India find out, how did it find out, and what was the gap between finding out and telling Parliament?
- What was the Forward Policy, who designed it, and what did the army say about it before it was ordered to carry it out?
- Part One's test for a blunder is whether somebody saw it at the time. Who wrote the warnings, in which year, and what happened to them afterwards?
- How much of the defeat was equipment and terrain, and how much was a chain of command that could not tell the Prime Minister he was wrong — the finding of Part Three, tested against a war?
- One official report on the defeat has never been published in full, sixty-four years later. What is known about what it says, and who has kept it closed?

Questions, not topics. If any of them is answered badly, you will be able to tell.
