

Decentralised Land Governance

Role of Subnational Institutions in Mediating Conflicts Over Land-Use Change in India

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Abstract

One of the key elements through which subnational units in India have asserted their autonomy is through land market liberalisation. Due to the displacement caused by land-use change, land-related conflicts have been a major problem in India. The thesis highlights two key imperatives of land markets and related institutional frameworks, namely, the *jurisdictional* (referring to the legal bases of land acquisitions, allocations, transfers, and conflict resolution) and the *fiscal* (the consolidation of economic benefits from land through investments and revenue generation). Fiscal realignments over the years have promoted subnational governments to use land value booms for local gains and use policy instruments to attract revenue through either foreign investments or land-leasing. Subnational governments have adopted different land liberalisation strategies based on their fiscal positions. The findings suggest that the strong presence of both avenues of land market liberalisation entails subnational units' ability to retain competitiveness without initiating policies for aggressive land-grabbing and land-use change, which manifests itself in lower degree of land-related conflicts. The variation in conflicts unpacks the contradiction between two premises of subnational governments' agenda – to promote local growth whilst meeting democratic demands for social protection. At the same time, the developments in land markets show that subnational units have largely not resolved these competing imperatives adequately. The presence of overlapping frameworks on land governance has meant that attempts at harmonisation have remained unsuccessful. Consequently, there has been inadequate institutionalisation of compensation and rehabilitation frameworks, and conflicts over land-use change have remained persistent.

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1 Introduction

In September 2013, the Indian Parliament adopted the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013 (LARR)¹, replacing the colonial-era Land Acquisition Act 1894 (LAA). This was a major milestone as it attempted to maintain the delicate federal balance over land governance. It asserted baseline standards in land regulation whilst guaranteeing states' autonomy in land governance. The politics of the LARR marks a prominent fault-line in Indian federal politics. Debates on the definition of 'public purpose' reflect the tenuous centre-state relations under decentralised federalism (Goswami 2016).

There is scholarly agreement that there has been a competitive turn in Indian federalism in post-liberalisation era which has affected the subnational variation in regulatory standards (On competitive federalism, see: Saez 1999; Sinha 2004; Kennedy 2013; Rudolph and Rudolph 2001). Land acquisition involving state actors for commercial purposes or land sales to private actors have become a key factor in interjurisdictional competition in the Indian federation (Levien 2011), thus showing that there is an increasing commercial pressure on land.² In response, conflicts over land-use change stemming from displacement and insufficient recognition of property rights have created sizeable risks to these investments (Rights and Resources Initiative 2016). However, commercial pressure on land is not evenly felt. The mechanisms which drive these conflicts, and the determinants of variation at the subnational scale have not been adequately investigated in the literature.

¹ The Act is applicable to any acquisition conducted by the Government of India or any State Government, excluding the state of Jammu and Kashmir (Government of India 2013).

² There are multiple terms used in the literature, including land grabbing, global land rush, investment rush etc. In this thesis, following the standard formulation proposed by the International Land Coalition, I use the phrase *commercial pressures on land* to denote the general commoditisation of land involving a wide range of actors for different purposes (Melert and Jamart 2009).

Given this gap, the thesis investigates the role of competitiveness in the Indian federation as a driver of conflict over land use-change. The thesis argues that **differences in fiscal capacities of subnational units affect the strategies of liberalisation of land markets causing variation in conflict over land-use change**. It further unpacks the specific mechanisms through which subnational differences in states' fiscal capacities can contribute to conflict occurrence and intensity.

In what follows, I will present the main context of this thesis, a brief discussion of the guiding framework, and specific research questions. Then I discuss the implications of this research in the broader field of comparative federalism.

1.1 Relevance and Research Gap

Land conflicts have been a major risk to social stability in India. Scarcity of land combined with a high population density (World Bank 2016) shows that there is a high degree of pressure on land, and any land-use change can contribute to large-scale displacement. Therefore conflict over land-use change have always remained high (Suri 2006). Chakravorty (2013) puts the total amount of land acquired for industrial infrastructure and mining since 1947 at 50 million acres. Fuelled by rapid economic growth, land (particularly urban land), has been in high demand (Nagaraj 2013). The global spike in food prices in 2007-08 also caused a renewed interest in land, manifesting itself in large-scale land acquisitions (LSLAs), particularly in agricultural land in the global south (Edelman, Oya, and Borras Jr 2013).

Land governance, which is the domain of state governments, has underwent significant changes over the years. The policy changes have come alongside the emergence of explosive conflicts over land-use change over the years. In the presence of competing legal frameworks on land governance, the LARR was an attempt at harmonisation, and was an inevitability given the pre-existing centripetal biases in the constitutional framework of Indian federalism (Rao and

Singh 2004). While it is too soon to judge the successes and failures of the LARR 2013 as states still redraft pre-existing frameworks in accordance with the national framework, investigating the drivers of conflicts hitherto can provide us insight into potential redundancies in future attempts in legislation guiding land governance. Below, I provide a brief description of the developments in the post-liberalisation (after 1990) era.

From the 1990s, the erstwhile LAA was used to convert large scales of land, particularly agricultural land, for purposes such as mining, ports, real estate, automobile industries etc, the primary ‘brokers’ being the state governments themselves (Sud 2014). In response to such spikes in commercial pressure on land, conflicts have been increasing over time. From the data released by Land Conflict Watch (2016), the total amount of land under conflict jumped from approximately 170,000 ha in 2000 to over 600,000 ha in 2016. However, these conflicts were highly concentrated in a few states, whereas others did not experience high degree of conflict (shown in chapter 4).

The most significant change which occurred in the aftermath of liberalisation came through the adoption of decentralisation reforms, particularly fiscal decentralisation. This set the stage for significant divergences in land governance as well. Owing to newfound autonomy, access to multiple sources of revenue, and reduced dependency on the centre, states were able to solidify their own economic agendas (Sinha 2004). This would also allow them to modify their frameworks on land-use as a potential source of revenue (Sud 2014). However, the specifics of which institutional structures serve as incentives for aggressive land use-change is not adequately specified. This is the gap that I address through my research, to describe the mechanisms which drive land conflicts.

1.2 Framework and Design

The picture painted above begs the question as to what degree whether the consistent rise in land conflicts in India is simply a reflection of the inherent competitive pressures in federations, or whether there are other drivers of the variation in conflicts. In the words of Burgess (2006, 148), “... the [Indian] federation is attempting to find a *modus operandi* between developmental planning, market development and fiscal decentralisation.”

As mentioned above, both theoretical and empirical literature on this issue remains scant, particularly in reference to the Indian case. One camp of researchers works with underlying assumptions of inflexibility in federal systems. While the constitutional framework drives much of the centripetal bias in the Indian federation, the political and economic changes in the wake of liberalisation has put these centralising tendencies under considerable strain (Sinha 2004; Saez 1999). The literature which addresses the politics of decentralisation from a public choice perspective posits a clear decline of regulatory standards. They argue that increasing competition, mapped onto the political realignments over time, could potentially contribute to a race-to-the-bottom in land governance standards. The differences in land liberalisation regimes of states depends on differences in revenue sources such as FDI or land-leasing. States would find land-use change as a quick and effective way to boost their economies, and the resultant policy changes might promote aggressive land-grabbing, resulting in expropriation of local populations and precarisation of land usership or ownership (Boadway and Shah 2009; Humphreys 2005).

Therefore, this thesis is guided by the following questions:

RQ1: How do changes in interjurisdictional competition as shown through differences in subnational fiscal capacities contribute to commercial pressure on land?

RQ2: How does dependency on FDI and land leasing in turn contribute to land-use change and conflict occurrence?

It is clear that shifts in land-use change and associated conflicts are mediated by subnational political economies. The differences in fiscal capacities of states is defined by two key factors. First is the horizontal imbalance stemming from differences in tax-revenue raising capacity and the ability to provide public goods efficiently (Boadway and Shah 2009; Wilson 2006; Vanberg 2015). The second is the vertical imbalance stemming from the differences in intergovernmental transfers to federal sub-units, which serve as fiscal correctives for states according to their own fiscal capacities. Lack of progressivity in intergovernmental transfers would entail a higher degree of inter-state disparities, which can in turn contribute to horizontal competition (Boadway and Flatters 1982; Rodden 2010).

The combination of horizontal and vertical fiscal imbalances influences the commercial pressures on land. These are aggravated through putting strain on subnational units to look for other sources of revenue by liberalising land through Foreign Direct Investment (FDI) and land-leasing. Large scale foreign investments in land can drive conflicts, due to reasons such as the uncertainty created by fluctuations in business cycles which can drive aggressive land-use change, or create expectations of project-affected persons for higher gains from dispute resolution mechanisms (Ashenfelter and Johnson 1969). Secondly, it can further conflicts due to the social dislocations which occur due to land use-change, through lack of institutionalised mechanisms for grievance redressals (Piore and Schrank 2006), and precarisation of labour in the agrarian sector (Bardhan et al. 2014). Land-leasing to private actors can put strain on ownership rights, particularly when common lands are involved (Ross 2015). Thus, a combination of fiscal capacity and differences in land liberalisation policies can explain the variation in conflicts over land-use change.

However, the subnational variation in sizes, duration, and responses to such conflicts over land-use change also show that there is something else at play as well. The erstwhile LAA, and the successor law LARR, are just two measures in a vast range of policies covering land governance, which are subject to subnational legislation which arbitrate between the compulsions stemming from democratic processes, and demands for regional growth and equity (Levien 2011).

Therefore, in response to the research questions posed above, it is hypothesised as follows:

H1: High differences in subnational fiscal capacities create incentives for higher degree of land liberalisation.

H2: Subnational units adopt different land liberalisation strategies based on their fiscal positions which produce differences in land legislation and divergent conflict outcomes.

This thesis attempts to fill this gap by providing a comprehensive two-level analytical description of changes in land governance in post-liberalisation era, and how it has been influenced by the changing dynamics of decentralised federalism. To answer my research questions, I conduct a *within-case* analysis, with India as the case. Within the case, I collect data from the 11 largest states covering 70% of the population, over the period of 2000-2016, to study aggregate trends on commercial pressures on land and the changes in land liberalisation. I also conduct a paired comparison of two states by choosing extreme cases in the sample, to show subnational divergences in policy outcomes (Gerring 2007; Snyder 2001).

1.3 Strengths and Limitations

My research contributes to the broader field of comparative federalism, through a focus on the political economy of fiscal federalism and land-use change. I develop this on both the macro and micro levels, arguing that the key defining factor is differences in states' fiscal capacities stemming from increased competition, which pushes them to adopt different land liberalisation

strategies. The flexibility in federal designs renders it difficult to accurately theorise the direction of effects. Assessing an under-studied case through existing theories can provide a useful contribution which can serve as basis for further theorising on asymmetric federations. The thesis achieves this goal through a two-layered analysis. By testing existing theories on competitive federalism with respect to the Indian case, it assesses the generalisability of our understanding of federalism and politics of natural resources. By conducting a paired-comparison of extreme cases, it adds to the conceptual case for focusing on the subnational scale, thus serving as basis for further theory-building by underlining the divergent experiences in land governance and conflicts. It also further specifies how the variation in conflict outcomes is based on subnational differences in land liberalisation strategies, and not just inherently due to increased interjurisdictional competition.

There are several limitations to such a study as well. First, this study does not have predictive claims about the changes in land governance and conflicts as it only seeks to test whether the trends that were seen immediately in the aftermath of liberalisation continue to hold in present day. The findings show that the cumulative effects of policy changes hold very strongly across states, with very few indicators of harmonisation. Second, there is no comprehensive governmental land-use change survey across the country which provides information on. The data I use does not cover all 29 states of the country, and therefore does not paint a complete picture of the aggregate trends. Third, the study utilises a subnational comparative method, which makes it difficult to achieve generalisability. However, the thesis builds a comprehensive survey of land related conflicts in India from multiple secondary sources, which can serve as the basis for further research on the politics of decentralised governance.

1.4 Roadmap

This thesis is structured as follows. In chapter 2, I review the literature on competitive federalism and how it potentially incentivises state governments to institute changes in land-

use for attraction of capital through diverse means. This establishes the role of differences in fiscal capacities as a prerequisite for increasing commercial pressures on land. I also discuss the specific developments in Indian federalism, detailing the policy changes which mirror the presence of competition and its effects on land-use change. It outlines the range of stakeholders involved and their divergent responses. In Chapter 3, I discuss the methodological framework guiding the study. In Chapter 4, I present analysis of the aggregate trends which suggests that interjurisdictional competition produces higher commercial pressures on land which drive conflicts through incentivising state governments to make different policy changes with regards to land liberalisation. However, there are several sources of variation across states, based on access to competing sources of revenue. In Chapter 5, I discuss the evidence through a paired comparison of two extreme cases to explicate the policy changes which drive conflicts over land-use change. I conclude with theoretical and empirical contributions of the thesis, and its relevance for further research on land governance in India.

2 Literature Review

This chapter reviews literature on the changing nature of Indian federalism and its impact on the politics of land governance and conflicts. First, it conceptualises federalism and interjurisdictional competition. It then outlines the emergence of competitive federalism in India, and the disparities that emerge between subnational units (or state governments) as a result. Second, it discusses the consequences of such a shift on land markets. Third, it delineates the pressures on land governance under a decentralised land governance system, viz. the reliance on Foreign Direct Investment and land-leasing. Fourth, it discusses the subnational scale in land governance and related policy frameworks. It concludes with the guiding framework and research questions.

2.1 Conceptualising Federalism

A theory of federalism and interjurisdictional competition must recognise the government's dual role – as a taxing authority and as a service providing authority (Vanberg 2015). These two imperatives can also be related to land governance. Land-use change can be an important source of revenue for subnational governments. It also impacts local populations as land is used for diverse reasons such as livelihoods or cultural identity and therefore can influence the magnitude of conflicts. Therefore, land governance and related jurisprudence become complicated due to the presence of multiple channels of accountability. In this thesis, I stick to a classical definition provided by William Riker, who equates the phenomena of federalism and decentralisation. For Riker, a political system is federal if it has two key features – first, it should have a hierarchy with at least two levels of government – the national and the subnational – which have clearly defined spheres of authority; second, each level of government should have institutional guarantees for its autonomy so that they are self-enforced and self-reproducing (Riker 1964).

Riker's seminal work inspired many debates in public choice theory on fiscal federalism and economic competition. Riker's work did not give an account of the interaction of political and economic imperatives, and hence the new theories on interjurisdictional competition over resources attempted to fill this missing linkage. Federal arrangements can be a combination of political, administrative and fiscal decentralisation (Schneider 2003; Treisman 2002). The degree of decentralised decision-making can arguably promote greater diversity in public service provision, political participation, and accountability, and thus may also be better suited to deal with regional conflicts. However, most classic studies of decentralisation concentrate on the extent to which power is monopolised by the centre, either through constitutional mandate, or through the experience of political and economic alignments and realignments (Saez 1999). These realignments over time can promote pressures on natural resource governance. The debates on competition between constituent units in federations led to the emergence of a new theoretical concept called "competitive federalism" or "market-preserving federalism", which refers to the ability of citizens in federal systems to move through different jurisdictions based on the kind of services provided (Weingast 1995). According to this view, if people are dissatisfied with local packages of taxation and public services, they can 'exit' and move to a jurisdiction which matches their preference structures. This assumed 'mobility' is purported to incentivise governments to align their service provision with citizens' demands, to avoid a situation of 'voting through feet' (Vanberg 2015). This is essential for the governance of natural resources, and the potential conflicts that may arise as a result of differences in land governance across regions. In the next section, I review literature on interjurisdictional competition with reference to India, and why land governance is a key feature of the changes over time in the Indian federation.

2.2 Interjurisdictional Competition

Federalism, with its varying degrees of (a)symmetry, is purported to generate competition between jurisdictions, whether horizontally or vertically. Governments situated on the same level will compete with each other, and with those situated above or below them in the hierarchy. Indian federalism has its foundations as an asymmetric federation, i.e. a federal constitution with strong unitary features (Rao and Singh 2004). The evolution of the three-tiered federal constitutional framework must be understood in this respect.³ During constitution making after decolonisation, the centralising tendency was considered desirable to manage the diverse cultural, linguistic, and economic constituent units, and also to unify the British ruled territories and the various princely states. Over the years there were small attempts at liberalisation through moderate trade reforms such as shift from import-substitution to export-orientation, gradual weakening of tariff and licensing regime etc, however these were tightly monitored by the Central government (Parikh 2014).

The radical shift came in the aftermath of structural reforms initiated under the aegis of the IMF and World Bank in the 1990s, and the adoption of the New Economic Policy⁴ (Sinha 2004). The alterations that occurred as a result exacerbated the competitive pressures inherent in the Indian federation. Such competition can increase the pre-existing differences between subnational units. However, the presence of competition does not disqualify the possibility of coordination or cooperation between different levels of government (Breton 1996). There are two types of competitive pressures inherent to federations, i.e. horizontal and vertical competition.

³ Analysis of the role of the third-tier of India (i.e. urban and rural local self-governments) is beyond the scope of this thesis. Furthermore, the focus of thesis is exclusively on the politics of land policies and land acquisitions, in which the third-tier plays no direct role. For a discussion on the challenges faced by the third-tier urban and rural local bodies, see Palanithurai (2002) and Heller (2011).

⁴ For a detailed overview of the economic reforms, see: Saez (1999).

2.2.1 Horizontal Competition

Horizontal competition refers to the competition over resources among units situated at the same level of government. The most widely studied element of horizontal competition is tax competition, wherein federal sub-units compete with regards to a combination of taxes and services at offer (Wilson 2006). Another related discussion is about regulatory competition concerning corporations, financial markets, and the environment (Vogel and Kagan 2002). The underlying theme in these studies is that in a bid to attract more capital, states may be incentivised to reduce their regulations. Theories of horizontal competition argue that subnational governments comprise of almost-homogenous preferences within their jurisdictions; which “sorts” individuals for a higher degree of preference matching through allowing mobility. This account is flawed in its representation of citizens’ ability to contest public policy, as realistically there is very low mobility in federations. This literature has overlooked the possibility that there are significant asymmetries inbuilt in constitutional structures and quite simply through the organisation of locales, wherein mobility is severely restricted (Wibbels 2005).

Furthermore, this literature works with the implicit assumption that all units are equal in size and influence. Theories of interjurisdictional struggle mirror the work on competition between firms, wherein equilibrium is posited to be achieved when different governments can meet the cost of public service provision at the lowest possible cost (Salmon 2005). The other set of work derives from studies of federalism in the United States, which has considerably higher degree of decentralisation and therefore the presence of competitiveness is an outcome of its constitutional design as well (Keman 2010). These accounts do not fit in the non-Western world as promoting competitiveness has not been the sole imperative in federal constitutional design of developing countries (Beramendi and Diaz-Cayeros 2006). These accounts are also insufficient for a theoretical reason – federations undergo major political realignments over

time. The degree of interjurisdictional competition also undergoes massive changes over time, which can influence the differences in regulatory standards in land governance. Regional interests and bargaining power as specified by different constitutional measures are very important in federations. The full range of revenue and expenditure functions are never specified under federal constitutions, and many important functions are undertaken purely by virtue of changes in socioeconomic circumstances (Beramendi 2007). For example, the full degree of decentralisation is never specified in a constitution at one point in time, and the attainment of autonomy is subject to several internal bargains and external pressures.⁵ India's embrace of liberalisation and related free-market reforms in 1991 led to a considerable expansion of regional autonomy in policy-making (Kennedy 2013). The overall impact of these reforms, alongside changing coalition politics, was the emergence of what has been termed as the "federal market economy" (Rudolph and Rudolph 2001), which implies the rise of states' bargaining powers and their enhanced economic sovereignty, and the expansion of decentralisation for subnational governments through reforms in fiscal revenue and expenditure responsibilities.

2.2.2 Vertical Competition

The horizontal imbalances in states' economic performances and fiscal capacities are usually corrected through intergovernmental fiscal transfers or vertical transfers. All federations undertake some form of redistributive transfers between regions, however, there exists a variation in effective redistribution as per different schemes of revenue-sharing.⁶ Not all constituent units receive the same amount of fiscal assistance; this process is subject to political and economic bargaining. This means that the central government takes on a dual role, by

⁵ For example, as part of the structural adjustment programs, several countries were expected to enact some measure of decentralisation. A lot of foreign aid packages are now contingent on decentralisation reforms as well (Dickovick 2014).

⁶ Some country case studies show that federalised revenue sharing have promoted stagnation in economic performance and dependency on intergovernmental transfers. See Argimón and Cos (2012) for Spain, Goldberg, Desai, and Freinkman (2003) for Russia, and Cavalieri et al. (2009) for Italy.

directly transferring grants to state governments from its own resources but using its discretion to utilise state revenues for redistribution (Salmon 2005). Some countries have more progressive transfers (from rich to poor states), while in others they are not (Rodden 2010). The traditional normative approach to federalism argues that institutions improve outcomes through power-sharing, but these approaches do not provide an account of how political opportunities or political constraints may influence the performance of these institutions (Wibbels 2005). Economic theories of federalism focus on how different degrees of decentralisation within federations have a market-preserving effect which may enhance growth and consequently developmental outcomes to some degree (Weingast 1995). However, more recent work has worked with the assumption that political agents promote fiscal structures which maximise their personal utility. The translation of such imputed preferences to fiscal structures is channelled through the system of political representation. Rodden argues that when coalition-based politics takes over, and multiple actors are present, the distribution of preferences can favour winner-take-all districts and parties will tend to focus on the median voter in the median district. This means that overrepresentation of certain states in the Parliament can potentially influence alliance seeking reforms. The more fractious the ruling coalition (i.e. the absence of a single strong party), the greater the chances of the persistence of winner-take-all regions. This would mean that if intergovernmental transfers are not progressive, poor regions will look to other sources of revenue (Rodden 2010).

Therefore, the combination of horizontal and vertical imbalances can promote higher degree of interjurisdictional competition. India's transition from centralised planned economy to decentralised market economy exacerbated the pre-existing inequalities between regions (Rao, Shand, and Kalirajan 1999), putting more pressure on subnational governments to compete with each other. This is central to this study from the perspective of the relationship between

interregional disparity and commercial pressures over land-use change (see for e.g. Lessmann 2013). In the next section, I outline the emergence of commercial pressures on land.

2.3 Commercial Pressures on Land

The literature indicates high level of political and economic pressures on land in India. Land acquisitions are considered one of the biggest struggles in India's development path today. As global competition for land has intensified over the years, India's land economy has witnessed drastic changes as well. As shown in Table 1 below, about 5 million hectares of land has been converted for non-agricultural purposes such as industry and infrastructure since the 1990s to 2014. It further shows that there has been a sizeable decline in cultivable wasteland and permanent pastures necessary for agricultural use. This renewed interest was driven by the incentive for high profits due to increase in land prices for agricultural production (Görge et al. 2009).

While the available dataset provides information only until 2014, recent studies confirm that these trends continue, and land-use change has been found to be a major cause of social unrest in India. For example, D'costa and Chakraborty (2017) argue that transactions around land have changed drastically as land gets increasingly used for non-agricultural purposes, roping in a range of actors who negotiate through both market and non-market terms. Furthermore, despite strong socio-political mobilisations, the land-rights regime has not been secured effectively in the country (Kashwan 2017). 'Land-grabbing' has become a prominent theme in media and civil-society reporting (see for e.g. Shiva 2011). Official reviews have shown that 70% of delayed projects occur because of land acquisition related problems. The Infrastructure Development Finance Company report puts the amount of investment at risk due to land conflicts at Rs.1,926.2 billion in 2008, in only 21 projects out of 80 high-value stalled projects. These stalled projects refer to both private and common lands (IDFC 2009). Corroborating this view are the Business Outlook Surveys conducted by the Confederation of Indian Industry

(CII), which cite land acquisition as the primary hurdle in project implementation (CII 2017). The rise of land-related disputes is also shown through the expansion of efforts to modernise land titling and land records (Sud 2014). These go on to show the terrain of contestation casts a wide net, creating a different kind of politics of dispossession (Levien 2011). Furthermore, previous research has shown that size of acquisition does not directly determine the occurrence of conflicts. Conflicts are also not merely related to large projects, and there is some evidence suggesting that conflicts may develop in reference to smaller land sizes as well (Chakravorty 2013).

Table 1: Land-Use Statistics in India, 1990-2014

Source: Ministry of Agriculture, India

Note: Figures in Million Hectares

Classification/Year	Non-Agricultural Use	Uncultivable Land	Permanent Pastures	Miscellaneous	Cultivable Waste Land
1990-91	21.09	19.39	11.40	3.82	15.00
2000-01	23.75	17.48	10.66	3.44	13.63
2001-02	23.91	17.41	10.53	3.44	13.52
2002-03	24.12	17.52	10.45	3.43	13.65
2003-04	24.52	17.47	10.48	3.38	13.24
2004-05	24.76	17.47	10.45	3.36	13.27
2005-06	24.99	17.33	10.44	3.39	13.22
2006-07	25.45	17.29	10.42	3.35	13.27
2007-08	25.88	17.02	10.36	3.4	13.04
2008-09	26.21	16.85	10.34	3.34	12.73
2009-10	26.16	17.18	10.34	3.21	12.95
2010-11	26.4	17.18	10.3	3.2	12.65
2011-12	26.31	17.22	10.31	3.16	12.64
2012-13	26.5	17.07	10.26	3.18	12.64
2013-14	26.91	16.95	10.26	3.19	12.39

However, this was not always the case. Since independence, a lot of land, particularly agricultural land, was acquired for infrastructural projects such as the dams in Bhakra Nangal, Hirakud, Narmada, and steel plants in Bhilai and Bokaro. However, in recent years the land acquisition system has witnessed a lot of opposition. One reason is the accelerated phase of development between 2003-08, which brought fierce investments in infrastructural and commercial projects on account of increased domestic savings and foreign capital flows (Nagaraj 2013). This phase was harnessed by legislation on Special Economic Zones (SEZs) in 2005, made to stabilise earlier similar legislations which had evoked mild responses from investors (Aggarwal 2012).

Under limited supply, land is a major candidate for resource-based competition. These can create threats to livelihoods in a situation where agriculture still constitutes a large proportion of employment (Planning Commission of India 2013), despite declining contribution to the Gross Domestic Product (World Bank 2015). The economy has not managed to catch-up to the problem of land scarcity. The reason is that a large part of land is owned by households completely dependent on it for livelihood, who lack other skills to move to other sectors, and are faced with less opportunities for absorption of unskilled labour (IDFC 2009, 1-9). There are several other usages of land which can create problems due to changes in ownership, titling, and land pricing.

2.4 Land Governance and the Subnational Scale

The changes outlined above mean that standard studies of Indian federalism which work with the assumption of asymmetric power distribution remain insufficient, and the disparity in the ability of states to command autonomy must be further specified. Below I outline the key changes in the federation over time, and a new framework which reflects the role of subnational political economies.

Since independence in 1947, the Indian polity was dominated by the Indian National Congress, which had full rein over different states' politics. The monopoly of a single party over the nation's politics provided the necessary complementarity to centralised planning. The developmental trajectories of different states were formalised through the Five-Year Plans. States have been known to request the centre for providing infrastructural projects such as dams or steel plants (Sinha 2004). Today, however, in the face of decentralised governance, the onus of economic growth is strongly on state governments, and only some have managed to capitalise in this reformed competitive environment (Corbridge 2011). Many theorists have proposed that the inequalities between states after liberalisation in the 1990s was a function of their stature even before the liberalisation reforms were made (Kohli 2006; Sinha 2005). Jenkins (1999) attributes the low contestation to land liberalisation reforms to the politics of federalism, whereby some states have managed to gain benefits from land through acquisition by stealth or non-transparent means.

India's regional political economy comes along with changes in the political system. The period of liberalisation reforms also coincided with the decline of the national party Indian National Congress, and the rise of regional-parties or region-specific caste-based parties (e.g., the Bahujan Samaj Party in Uttar Pradesh, or the Telugu Desam Party in Andhra Pradesh). The coalition era brought about a phase of highly vocal regional parties in national politics (Yadav 1999) with increased possibility of resource bargaining, and consequently the "vernacularization of democracy" (Michelutti 2007).

Rodrik and Subramanian (Rodrik and Subramanian 2004) argue that India after economic liberalisation has been pro-business, rather than pro-market. Pro-business orientation refers to a state-business alliance where private incentives are pursued under the garb of greater public good. Pro-liberalisation or pro-market orientation is based on the principles of free exchange of goods and services which can result in efficient resource allocation and support growth

initiatives. They argue that the increased autonomy in the post-reform era has led to rent-seeking behaviour.

Owing to these changes, analyses of Indian federalism have been broadened beyond the narrow constitutional-legal framework, recognising that the centrality of the pressures to accommodate diverging economic performances. One of the principal sources of contestation has been the wide variation in tax-raising capacities of states. Furthermore, the magnitude of intergovernmental transfers has declined over the years (Dash 2014; Rodden and Wilkinson 2005), putting pressure on states to raise revenues through other sources. In face of vertical imbalances and rising horizontal imbalances through fiscal decentralisation (constitutional or ex-post-facto), the expectation is to have greater pressure on natural resources. Saez (1999) argues that these changes could have promoted interjurisdictional cooperation for development, however, the effects of massive FDI flows have pushed it in different direction, generating more inter-regional disparities as a result.

As demonstrated before, this is also evident in the commercial pressure on land. The evidence suggests that the politics behind land acquisitions must be understood through the lens of the interests of subnational units. Most of the current literature has focused on single states, primarily due to the issues of data collection in such a vast country (Bedi 2013; Levien 2011). A shift in conceptual focus is also warranted given the constitutional status of land-related legislation. The Indian Constitution allocates various policy areas into Union, State, and Concurrent Lists. Land has been termed a state-subject in the Constitution, endowing the states the powers to legislate on land related issues. Their jurisdiction covers “rights in or over land, land tenures, the collection of rents; transfer and alienation of agricultural land; land improvement and agricultural loans; colonization; land revenue, the maintenance of land

records; and taxes on lands and buildings.”⁷ The Union government is not mandated to govern land on its own, and the Concurrent list deals with land acquisitions. Despite multiple attempts after independence to come up with a standardised framework of land-related interventions, there still are competing economic approaches adopted by different states (Kennedy 2013). In September 2013, the Indian Parliament passed The Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Bill (RTCFLARR) which replaced the colonial Land Acquisition Act of 1894 (LAA). The unifying attempts made by the centre in providing an overarching framework shows an attempt to take on a bigger regulatory role, paving the way for the states to take on the role of primary investment facilitators. The endeavour of market liberalisation was met by subnational amendments to the erstwhile LAA 1894 to acquire lands speedily, particularly agricultural land, for private companies interested in mining, real-estate or manufacturing. Therefore, there is a clear need to evaluate the role of the subnational institutional structures in developmental outcomes as they attempt to balance the competing demands of various sections of the electorate and compulsions of economic growth, and create multiple centres of accountability.

Another major change that came in post-liberalisation era is the central government’s growing encouragement to the states to create business-friendly environments, underlining the expectation that FDI can serve as a catalyst for economic development, employment creation, and technological spill-over (Maini 2016). At the subnational level, this holds importance in revitalising regional economies. (Sojin 2015) explains the impact of institutional changes on FDI inflows by characterising India’s FDI policy into three eras and concludes that there is a dual objective in today’s pro-FDI institutional set-up, one of investment attraction and one of

⁷ Article 246 of the Seventh Schedule of the Indian Constitution outlines responsibilities for the Union and State governments. List II Clause 18 reads: “Land, that is to say, rights in or over land, land tenures including the relation of landlord and tenant, and the collection of rents; transfer and alienation of agricultural land; land improvement and agricultural loans; colonization”, (Government of India 2016, 322).

dispute mitigation. At the same time, investors recognise the fluctuating nature of business norms under pressures of political negotiations, and this affects the timing and locations of investment decisions (Chanegriha, Stewart, and Tsoukis 2017; Holtbrugge and Friedmann 2012). These competitive pressures can play out in many ways. One of the major ways this tension triggers itself is the character of localised land conflicts, which are fuelled by apprehensions of loss of livelihood, rehabilitation and land allocation that come in the wake of conversion of land to host infrastructural projects which come with FDI inflows. The political configurations at the central and state levels can play a decisive role in fuelling opposition. For instance, regional wings of the ruling party at the centre can solidify disapproval of developmental projects of rival party's government at the state level. Alternatively, state governments can portray developmental projects initiated by the centre as a power-play by imposing unilateral policies (Bedi 2013).

The new law RFCTLARR 2013 falls under the Concurrent list (constitutional list referring to governance matters subject to both national and subnational governments), creating new-found tensions based on the constitutionality of specific legislative processes. In most cases, the Union Government asserts its right to provide guidelines within which states can create their own land acquisition policies. There remains, however, a growing pressure on land, and states continue to assert their autonomy in land governance. These institutional changes have led to increasing tensions between the centre and the states, creating problems in political bargaining (Sud 2014). In light of this, the expectation is that global land deals are increasingly mediated by regional political economies. However, in India, there still remains a certain degree of centripetal bias in policy-making. Therefore, given the tension between the centre and the states, local institutional structures may provide certain mitigating factors. The overall impact of land acquisition, hence, remains ambiguous. The dynamics of the effects of the new land acquisition policy are still not very clear and must be understood in light of subnational units'

historical experience with land governance. In the next section, I develop a theoretical framework linking subnational capacities to the ability to assert autonomy in land governance and how they can influence land liberalisation strategies and conflicts.

2.5 Theoretical Framework: Decentralised Land Governance and Conflicts

Having outlined the high degree of pressure on land, I now discuss the role of decentralised land governance on land conflicts. The primary interest of this thesis is how changes in Indian federalism towards increased competition have exacerbated the commercial pressure on land and thus promote conflicts. In federations, there is a high degree of pressure for recognising rights of subnational governments over land governance. Another source of pressure is the recognition of rights of indigenous communities over land (Choudhary 2013). The major characteristic of land is that it is a fixed location factor - that land must be used where it is located. Therefore, a unique characteristic of land as a resource is that it introduces conflicts through its spill-over effects in specific jurisdictions, but also influences other domains of local governance within that jurisdiction. This aggravates the need for harnessing land values and justifies certain land use policies to deal with potential externalities (Duranton et al. 2015). In what follows, I discuss how decentralised land governance can be a factor of interjurisdictional competition, and how the regulatory changes in land use policies as a result can create conflicts.

Revenue assignment from natural resources such as land can be a source of rivalry between units within federations – between central and state governments, or between different state governments. Given that natural resources in large federations are bound to be unevenly distributed, the politics of revenue generation from these resources can create considerable strain. This is because rents from such resources can be substantial, depending on the quality of the resource. Secondly, increasing decentralisation (political or fiscal) can incentivise subnational governments to demand a higher share of rent from their jurisdictions (Boadway and Shah 2009, 224-228). Natural resource rents can form a substantial part of the revenue of

subnational governments located in regions with the presence and abundance of such resources. Examples of such resources are minerals, forests, water bodies. Other type of immobile natural resources which can be a significant part of rent extraction are cultural heritage sites, but they are excluded from this research since the tourism industry is not directly related to conflicts with citizenry over land-use change.

Delineating the appropriate jurisdictional authority of natural resources is thus a key problem in developing countries with underdeveloped decentralised institutions and can be put under considerable strain as they seek to devolve more powers and improve on institutional quality. Furthermore, since resource revenues are subject to a great deal of market volatility, governments even at the same level of authority may differ in their ability to cope with uncertainties and absorb shocks as a result thereof. Therefore, this thesis is guided by the following questions:

RQ1: How do changes in interjurisdictional competition as shown through differences in subnational fiscal capacities contribute to commercial pressure on land?

RQ2: How does dependency on FDI and land leasing in turn contribute to land-use change and conflict occurrence?

In this thesis, the term *conflict* refers to contestations involving two or more individuals or groups with the assumption that their interests are clearly distinguishable. The relationship between fiscal decentralisation and land-use conflicts have been addressed less systematically in the literature. It is found that fiscal decentralisation is unlikely to promote or mitigate conflicts in itself, however can be mediated by other factors. These differences in land governance standards owing to the context of the regional economy can promote contestations over land-use change. One set of scholars assign the responsibility to resource scarcity, arguing that this increases the incentives to engage in conflict. Hall and Hall argue that direct

deprivation in combination with rising prices of certain resources due to increased demand contribute to welfare differences between individuals and between groups. This can potentially set stage for a conflict over resources either between social groups or indirectly through the channel of appeals to government regulation (1998). Another strand of research argues that the rents from large scale extraction can lead to conflicts due to emerging grievances from misgovernance of funds, environmental damages, or insufficient recognition of community rights (Edelman, Oya, and Borras Jr. 2013). A third strand of research asserts that the resource-conflict nexus is contingent on type of resource, and the institutional and political context (for an extensive review, see: Nillesen and Bulte (2014).

These studies have empirically focused on both micro-level data (households or firms) and macro-level data (cross-country aggregates). They face several challenges, primarily because the standard measurements of resources are not pure exogenous determinants of conflicts. Resource stocks will vary based on decisions taken on exploration and extraction, which are also affected the threats of conflicts. Furthermore, they are also affected by potential reverse causality effects, as resource extraction and resource-based conflicts are also likely to be influenced by regime type and levels of economic development (Wu and Heerink 2016).

Borrowing the approaches of fiscal federalism, researchers have analysed the consequences of decentralised environmental governance in general, but also land governance in particular. Revesz (1997) argues that interjurisdictional struggle in a decentralised regime may lead to efficient environmental governance. On the other hand, the sceptics argue that decentralisation of natural resource governance can interact with local fiscal imperatives and lead to a downward competitive spiral to maximise inward capital investments by lowering the costs of regulations (Litvack 1998). Applying this logic, subnational governments may engage in some form of rent-seeking behaviour, where immediate and private benefits from land-use conversion into infrastructural projects or special economic zones may take precedence over

long-term public goods like soil fertility for agricultural use, water provision, stability of forest resources, community-led sustainable land development and urban transformations, etc. Interjurisdictional competition can push land to be a major candidate for revenue extraction. There are two channels for revenue extraction. The first is through large scale land use-change to host FDI through the construction of infrastructural hubs. Second, land-leasing for specific amounts of time can potentially create sudden booms in windfall gains.

Therefore, for RQ1 it is hypothesised as follows:

H1: High differences in subnational fiscal capacities create incentives for higher degree of land liberalisation.

I now discuss how land liberalisation can potentially create conflicts. As discussed above, foreign economic engagement has become a major element of subnational units' economic activity in the post-liberalisation era. A sizeable literature examines the impacts of Foreign Direct Investment (FDI) on the trajectories of economic development of host economies. However, the impacts of these may depend on the specific institutional contexts of the host economies. Studies show that FDI can have positive effects on the growth of an economy depending on the level of financial development and economic freedom (Borensztein, De Gregorio, and Lee 1998). Negative effects are shown to occur in terms of reduced environmental and labour standards, which are dependent on levels of democracy, property-rights regime and the degree of development of market-friendly measures. FDI can also create spill-over effects for the quality of local governance or employment opportunities (Cole, Elliott, and Fredriksson 2006). FDI inflows can also create conflicts. Robertson and Teitelbaum (2011) have shown through a panel-dataset of 110 countries that foreign investment inflows can create an increase in protests in developing countries, depending on the labour rights protection regime.

Another element of land liberalisation is the revenue from land leasing which can affect the policies on land-use change, and therefore conflicts. The literature on resource-windfall gains suggests that resource booms can promote conflicts if appropriate institutions are not set in place. Furthermore, the type of resource can make a big difference in the magnitude of conflict as not all resources are equally volatile. Resource booms in capital-intensive sectors are more likely to trigger conflicts (Ross 2015). In a study of land conflicts in China, Wu and Heerink find that windfall gains from land are associated with corruption, and therefore a larger degree of mistrust between locals (especially farmers) and the administration (2016). In a bid to retain competitiveness, state governments may lower their prices, thus causing a race to the bottom (Tao et al 2016). On the other hand, there are sizeable differences in urban and rural land markets in India, and urban markets routinely show better performance (Chakravorty 2013, 146). Therefore, the size of potential gains from land conversion or the investment at stake over land, might be considered to be an important element in deciding institutional responses, which can impact the magnitude of conflicts.

Therefore, for RQ2, it is hypothesised as follows:

H2: Subnational units adopt different land liberalisation strategies based on their fiscal positions which produce differences in land legislation and divergent conflict outcomes.

The thesis analyses the relationship between differences in fiscal capacities of states on differences in land liberalisation created by utilisation of avenues of foreign investments and land revenue. The relevance of these two factors can increase the commercial pressure on land in a particular jurisdiction, thereby influencing the potential for reduced regulatory standards in land governance and aggressive land acquisitions. The resultant expropriations from land-use change can create contestations based on demands for ownership and property rights.

3 Methodological Framework

To summarise, this thesis asks the broad question: How do changes in interjurisdictional competition as shown through differences in fiscal capacities contribute to commercial pressure on land? In other words, it seeks to evaluate to what degree interjurisdictional competition has created a downward spiral in land governance standards in India. I utilise the subnational comparative method as proposed by Snyder (2001) for this purpose, combining it with the time-specific analysis in federalism studies proposed by Broschek (2012). Below I provide an overview of these methodological approaches in comparative federalism, followed by the data sources used in the study. I conclude with data limitations and potential improvements.

3.1 The Subnational Comparative Method

Recent theories of competitive federalism as discussed in the previous chapter have analysed the patterns of decentralisation, as opposed to the adoption of decentralisation in itself. These theories incorporate more realistic theoretical assumptions where local governments which are subject to competitive pressures respond to voters' demands whilst checking the arbitrariness of the centre. Despite these newly emergent theoretical insights, the experiences of several developing countries show that decentralisation has both positive and negative effects on different areas of governance (See: Beramendi and Diaz-Cayeros 2006). Scholars have so far focused on how decentralisation multiplies and solidifies veto points or allows for the transferability of local negative performances onto competing jurisdictions. The empirical realities show that the approaches are limited in their potential, as they seek to find conditions of "optimum decentralisation" without discussing the political conditions which make fiscal federalism self-enforcing (Parikh 2014). Therefore, land governance must be studied through the lens of the interaction of subnational fiscal imperatives along with policy frameworks that emerge as a result of the federal balancing act.

Snyder (2001) lists three key advantages of the subnational comparative method: First, it overcomes the shortcomings of small-N research design, by allowing to increase the number of observations and easily conduct controlled comparisons. This is because subnational units are likely to be affected by the same set of cultural, historical and socioeconomic background conditions thus allowing for better matching across relevant variables. While this cannot be assumed to hold true directly, the assumption is potentially less distorting than between nation-comparisons. Second, subnational comparisons allow for more accurate coding without generalising based on national averages. This overcomes the problem of underplaying internal heterogeneity within large nations. The *whole-nation bias* potentially distorts causal inferences, and therefore within-case variation allows for more nuanced comparison. It also avoids the problems of using results from salient cases to construct a national characterisation. Third, subnational comparisons allow for better understanding of uneven political and economic trajectories which have distinct effects on specific jurisdictions. Disaggregated analyses can provide a more comprehensive overview of the linkages between similar transformations on divergent socio-political outcomes (94-98). The within-nation variation also provides insight into how national politicians build strategies to mediate differences between subnational units. The exclusive focus on the centre obscures the autonomy of subnational actors and therefore the context in which actors within different jurisdictions operate (100).

Following this, the thesis conducts an in-depth case-study with a sample chosen from units within the Indian federation. It seeks to modify arguments which posit a clear race-to-the-bottom function of interjurisdictional struggle in the Indian federation. The main goal is to assess the degree of commercial pressures on land in subnational jurisdictions as a whole, and the divergent effects in specific jurisdictions. Secondly, the thesis focuses on the mechanisms contributing to intensity of conflicts, by showing the necessity to initiate policies which allow aggressive non-compensatory land governance policies.

While there are significant asymmetries in the Indian federation in terms of land governance, subnational institutional structures play a key role in promoting or preventing conflicts. Since competitiveness in federations is an ongoing process and is contingent on many political and economic developments at various levels in the country, this study provides a cross-sectional analysis over time. Comparative federalism can benefit from time-specific analysis, by delineating institutional configurations which emerge out of critical developments. In India's case this was the full-scale liberalisation and privatisation regime that came after the 1990s. Time is important to the assessment of decentralisation through a focus on the sequences of policy reform. It also strengthens the causal mechanisms through looking at the first decentralisation reform and its influence on the outcomes over time (Broschek 2012, 115-116). However, it is impossible to construct a sample of independent political units which can be treated as isolated cases at any level of analysis. The subnational comparative method has shortcomings in this respect due to greater interdependence between units, particularly in assessing the processes of policy diffusion. Second, subnational within-case analyses drastically limit the potential for generalisability. Such analyses serve as a trade-off between controlling and generalisability. This can be improved upon by comparing subnational units between different countries with similar conditions (Snyder 2001, 104).

3.2 Variable Sources and Definitions

The dataset used in this thesis covers a sample of 11 major states in India, which account for about 70% of its population, over the period of 2000-2016. The period is chosen on the basis of both theoretical and data availability concerns. Theoretically, this thesis seeks to assess the impact of changes in Indian federalism and extends on previous work done on the shift to competitive federalism in India but through a focus on land governance. Empirically, it attempts to build a more refined survey of land governance across Indian states. Table 2 below

summarises the operational definitions of the variables and data sources. It also utilises a host of policy documents to relate the economic imperatives to policy changes.

Table 2: Variable Definitions and Data Sources

Variable Name	Summary	Source
Fiscal Decentralisation	Annual State Fiscal Revenues Per Capita (excluding intergovernmental transfers)/ State plus Central Fiscal Revenues Per Capita (Schneider 2003)	Reserve Bank of India, State Financial Handbooks, multiple issues
Intergovernmental Transfers	Annual Net Discretionary Grants from the Centre to the State (Rodden 2010)	Reserve Bank of India, State Financial Handbooks, multiple issues
Foreign Direct Investment Per Capita	Annual Foreign Direct Investment (Equity) raised by State Governments Per Capita (Wu and Heerink 2016)	Reserve Bank of India, State Financial Handbooks, multiple issues
Land Revenue	Annual Land-Leasing Revenue raised by State Governments	Reserve Bank of India, State Financial Handbooks, multiple issues
Land Conflicts	Annual Area of Land Under Conflict	Land Conflict Watch

3.3 Limitations and Further Research

The data used in this study have several limitations. First, the publicly available government data on land-leasing revenue do not reflect the different types of lands which are leased out. Second, they do not include the cost of acquisitions and preparations which would allow us to identify profits accrued to a state government. Third, there are no publicly available data on FDI by sector (such as agribusiness, petrochemicals etc.) for subnational governments.

Therefore, this study just uses total FDI accrued to state governments, excluding the ones brokered by the central government to be located in particular states. Due to these shortcomings, the study also uses secondary literature to fill in the gaps.

The biggest challenge for this study is in operationalising land-use conflicts. Using the dataset Land Conflict Watch, I operationalise conflict by year using the starting year of a particular conflict. Only the year of starting is recorded in the dataset, and the conflicts which have been resolved in each given year are subsequently dropped. Having access to the latest updated dataset, all conflicts are considered in this study. Conflicts beginning before 1991, are excluded. Reported conflicts in each state are aggregated to show total size of land affected in a state. Area of land affected is considered over just the numbers of conflict, as the data reveal that states with lower number of conflicts still have disproportionately higher size of land under dispute. Area of land affected is recorded in each subsequent year after the year of beginning and are cumulatively added to reflect their ongoing nature. All missing values have been dropped. The unit of measurement is hectare (ha).⁸ While the data collection is still ongoing due to the perennial nature of land-related conflicts, this is the most comprehensive cross-state survey of conflicts available today. It must be noted that the dataset is based on reported conflicts, and therefore the numbers reflect the ground situation of researchers in each state. All figures are based on best available estimates. The institutional responses to each case are being collected by filing to Right to Information (RTI) requests, which provides access to data which are not publicly available.⁹ Therefore, despite the limitation of unreported conflicts, this dataset is utilised in this study. Further research needs to solidify data collection on all these dimensions to build a refined nation-wide survey on land governance in India.

⁸ Based on recommendations of the Department of Land Resources (Ministry of Rural Development India 2016)

⁹ Based on personal interview with the team dated July 07, 2017, New Delhi, India.

4 The Impact of Liberalisation of Land Markets on Land Conflicts

After economic liberalisation in the 1990s, India became a decentralised federal democracy. Since then, subnational governments have garnered more fiscal autonomy - more than half of general expenditures are undertaken by subnational governments. However, it still exhibits some centralising tendencies as shown through the concentration of taxation powers with the centre (Rao and Singh 2007). In recent decades fiscal governance has become more complex as channels of authority become increasingly blurry, creating distortions in subnational fiscal performances. However, states have attempted to achieve improve their fiscal positions through a host of different mechanisms. One of these mechanisms is through the liberalisation of land markets, either through land-leasing or through using land to host foreign direct investments.

The chapter identifies the most important market characteristics which have created distortions in decentralised land governance. It assesses the combined performance of subnational governments to demonstrate the causal effect. First, it provides evidence on increasing interjurisdictional competition, shown through the combination of horizontal and vertical imbalances, which can potentially drive the incentives for aggressive changes in land governance. Second, it shows the developments in liberalised land markets, shown through the increasing importance of FDI and land-leasing for subnational governments. Third, it assesses the variation across states in the chosen sample along these dimensions. The chapter concludes with reflections on the relevance of a subnational focus in the field of comparative federalism.

The findings show that the intensified interjurisdictional competition has contributed to the increased importance of FDI and land-leasing, suggesting that land market liberalisation has been an important agenda for subnational governments. Due to these changes in the character of the Indian federation, there are significant alterations in the fiscal capacities of subnational

units (i.e. states), which have guided diverse policy choices in land governance. However, looking at the subnational variation over time, it is clear that the commercial pressure on land is not evenly felt, and states have reacted very differently to these pressures. The impact of land liberalisation on land conflicts across subnational units remains ambiguous based on an aggregate assessment. The disaggregated analysis shows that the differences stem from the presence of competing legal frameworks which can anticipate the potential outcomes of such pressures on land. Furthermore, the pressure on land is mediated by the diversification of a subnational economy, wherein aggressive land conversion might not be a necessity if a state is not significantly dependent on one channel of land liberalisation. Therefore, it is necessary to investigate the policies adopted by subnational governments under different pressures stemming from land liberalisation.

4.1 The Effects of Interjurisdictional Competition on Land Markets

Figure 1 below shows the magnitude of land area under conflicts in the 11 states, jumping from 0.17 million hectares in 2000 to 0.62 million hectares in 2016. The data presented below show that in response to massive changes in land-use, particularly in agricultural land, contestation over land in India has been steadily rising over the years. Particularly between 2007-2009, the total land area under conflict jumped from 0.26 million hectares to 0.41 million hectares. Most of the conflicts were with respect to infrastructural projects (48%). The rest of the conflicts were over mining, industry and power projects (34%), and displacement due to forced relocation or violation of land settlements over community lands (18%). Contrary to common expectation, most conflicts involved common land (74%). Out of the conflicts over private land, 60% involved land acquisitions for infrastructure or extractive projects. The high level of conflicts surrounding common land is due to the absence of legal recognition of community rights over common lands. Common lands are at the intersection of problems with both ownership or property rights and tenancy or usership rights (Land Conflict Watch 2016).

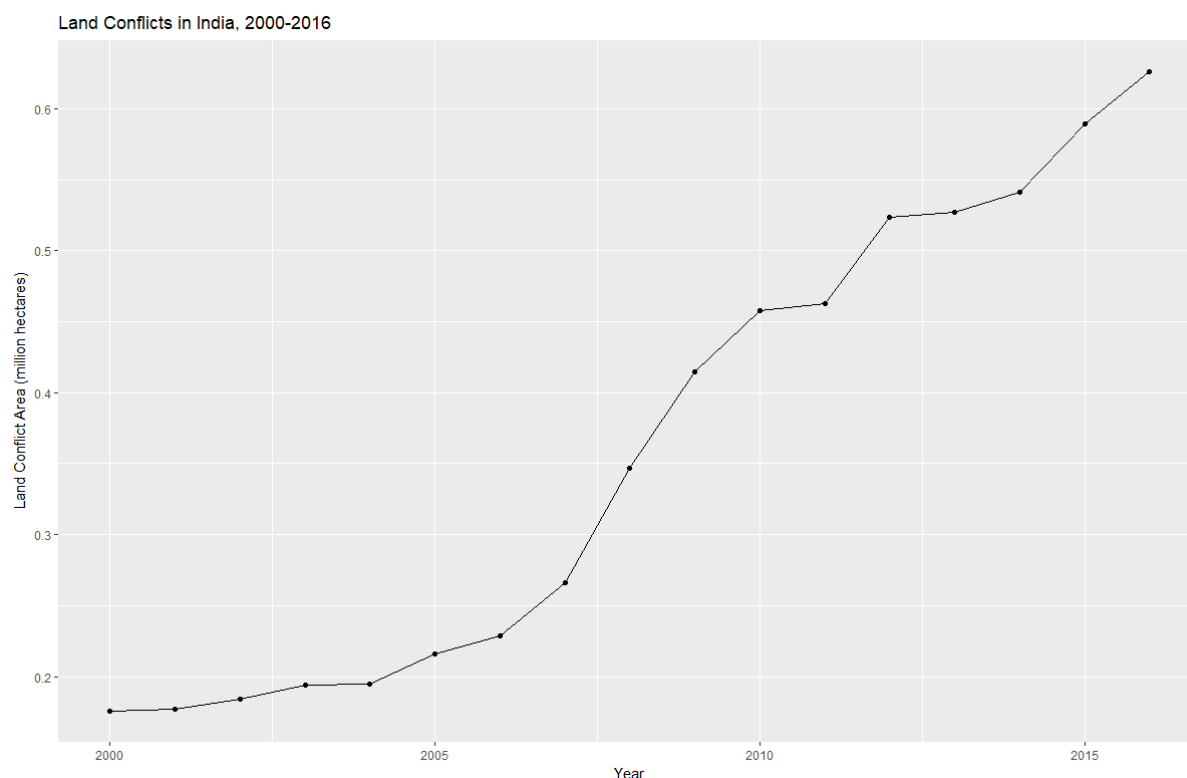


Figure 1: Land Conflicts in India, 2000-2016
Source: Land Conflict Watch (Own calculation)
Note: Figures in million hectares

Having established the role of federal sub-units in land-use conflicts, I now show the relationship between changes in interjurisdictional competition and its effect on land market liberalisation. An assessment of the combined performance of all states in the sample shows that over time there has been an intensification in interjurisdictional competition, stemming from both horizontal and vertical fiscal imbalances. Owing to this, land liberalisation through FDI attraction and land-leasing revenue have become important components for subnational economies. These pressures on land have pushed through several changes in subnational legislations regarding land, which have had varying effects on contestations over land-use change. As discussed in previous chapters, uneven distribution of natural resources in a federal system puts considerable strain on the politics of revenue generation and distribution (Boadway and Shah 2009; Wilson 2006). The inherent competitive pressures in a federation can intensify rent extraction through natural resources such as land. This can be seen through the magnitude

of land revenue generation and foreign investment inflows. This section first provides evidence on changes in aggregate subnational fiscal performance. It then discusses its relationship with the two strategies of land market liberalisation.

Between 2000 and 2016, the share of subnational governments' revenue per capita in total revenue per capita increased sizeably, changing from 41% in 2000 to 51% in 2016.¹⁰ This shows that states have been able to solidify their fiscal positions and expand their revenue bases through a host of different policies. At the same time, there have been high vertical fiscal imbalances shown through the declining progressivity in intergovernmental fiscal transfers. Figure 2 below shows the changes in intergovernmental transfers upon dividing the states into three income categories.¹¹

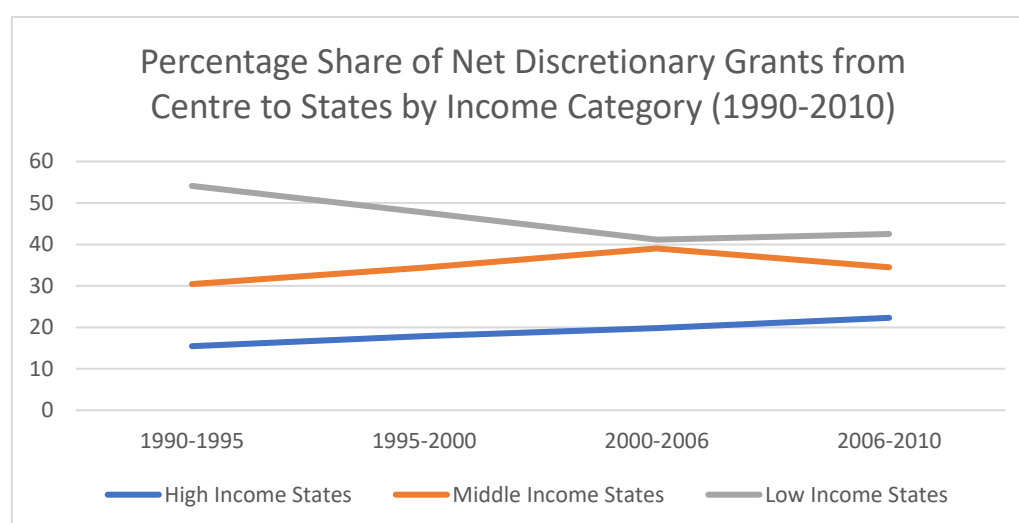


Figure 2: Share of Net Discretionary Grants by Income Category, 1990-2010
Source: RBI State Handbook, multiple issues

The overall intergovernmental financial relations across high-, middle-, and low-income states shows a grim picture. In the face of high inter-state disparity in economic capacities, declining progressivity of centre-state equalisation transfers reflects that there are significant pressures

¹⁰ Figures excluding intergovernmental transfers. Based on own calculation (RBI State Finance Handbooks, multiple issues).

¹¹ Categorisation is based on Per Capita Gross State Domestic Product averaged across time. There have been some movements across these categories, but over-all they remain stable (Kumar 2011). The states by category are as follows: High (Gujarat), Middle (West Bengal, Karnataka, Tamil Nadu, Kerala, Andhra Pradesh), Low (Madhya Pradesh, Rajasthan, Odisha, Uttar Pradesh, Bihar).

on states to strengthen their fiscal capacities through other channels. From the 1990s, there has been a decline in transfers to low income states, picking up slightly around 2000. Middle income states have also witnessed declining share of intergovernmental grants after 2000. High income states have seen a minor rise over time. Just between 2006 to 2010, as inter-state inequality rose, the share of net discretionary grants to all the states in this sample has jumped from 18% to 32%. However, the fall in the share of grants to low income states is quite perceptible, as is for the rise in the share of middle income states. High income states only show a minor increase. During the period of 2006-2010, the two states with highest number of net grants were Uttar Pradesh and Andhra Pradesh, both from different income categories (low and high respectively).¹² This shows that grants are not progressive and are potentially based on different logics. The standard explanation in the literature involves the degree of legislative malapportionment, i.e., the under- or over-representation of certain units shown through differences in seats per capita (Rodden 2010). These differences can shape the long-term distribution of resources in a federation. These two states have high voter bases and strong regional parties have always been battlegrounds for Parliamentary elections, which potentially puts them at advantage in extracting resources from the centre.¹³ This implies that there is a great deal of pressure on low- and middle-income states to utilise other mechanisms for expanding their revenue bases. Only in 2014, the 14th Finance Commission set up by the Union Government of India adopted a revised revenue-sharing scheme, wherein states' share in central taxes was set at 42%, a ten percentage points jump from the previous scheme (Finance Commission of India 2014). While through top-down reforms the economic positions of states have improved to a certain degree, there are high pressures to continue to compete using different instruments of revenue extraction, as the role of the centre as the principal financier

¹² Own calculation (RBI State Handbooks, Multiple issues)

¹³ This thesis does not discuss the evolution of centre-state relations with respect to Parliamentary elections. For an overview, see: (Rodden and Wilkinson 2005).

has continually declined. The data above show trends only until 2010, however recent studies have shown that the trend continues and transfers tend to be concentrated in states which were already in better fiscal positions (Fan et al. 2018).

Having discussed the factors which show intensification of interjurisdictional competition, I now show the importance of land-leasing revenue for subnational governments. Figure 3 below shows that the aggregate revenue from land accrued to subnational governments jumped from INR 12,951.4 million in 2000 to INR 102,120.7 million in 2016. There is a sudden spike in 2008, coinciding with the global food-price spike, where revenue from land reached INR 35,982.7 million. There is also a significant spike in 2013, the year when the revised land law the LARR 2013 was adopted, reaching INR 91,872.6 million. It signals that state governments have used the new law with reduced regulatory standards in conjunction with pre-existing frameworks to further land-use change.

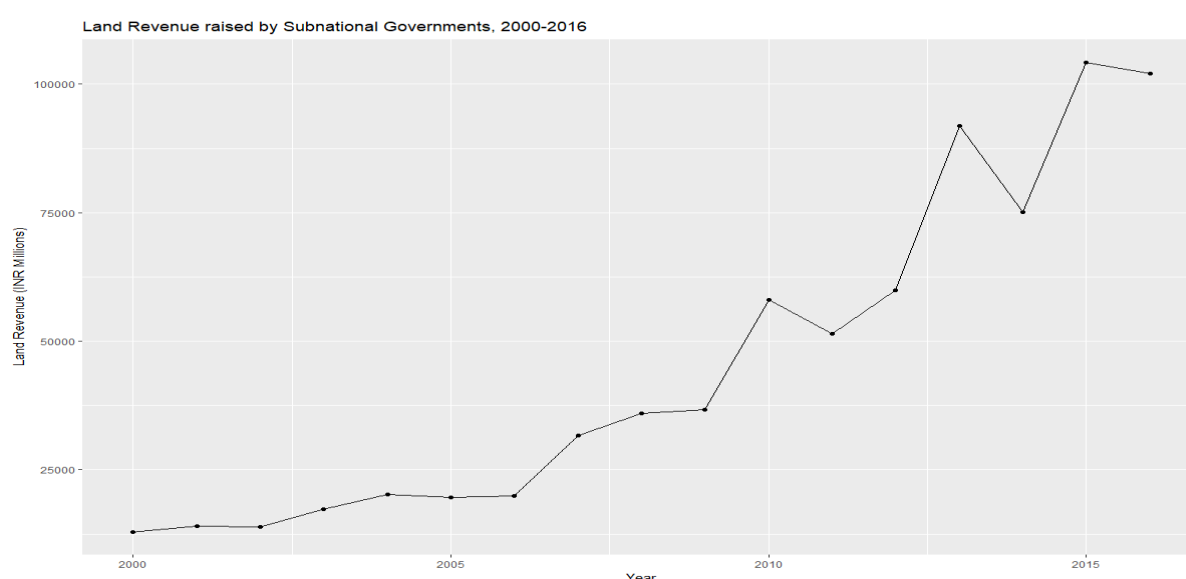


Figure 3: Land Revenue Raised by Subnational Governments, 2000-2016

Source: RBI State Finance Handbook, multiple issues (Own calculation)

Note: Figures in INR Millions

Furthermore, over-time FDI has also become an important component for State economies.

Figure 4 below shows the flow of FDI into the country accruing to subnational governments.

The subnational performance is dismal in the first few years but picks up after 2005. While

there are several fluctuations in their size over the years, they do not drop to pre-2005 levels. There is a significant spike in 2008. This is partially attributable to large investments in the agricultural sector owing to the global spike in food prices which promoted a rush for land to ensure food security (Görge et al. 2009). The aggregate performance remained stable in the years 2008 and 2009. The policy measures adopted by various institutions of the Indian government in response to the global financial crisis worked to smoothen the impact. Only Foreign Institutional Investment was adversely affected (Viswanathan 2010, 11). Similarly, in 2015 there was a 40% jump from the previous year. This is partially due to the expansion of the bracket of amounts for single-window clearance for FDI approved by the Bharatiya Janata Party government at the centre (NDTV 2015). Using this federal policy, some states have utilised the reduced bureaucratic hurdles in clearing large projects for their own gains.

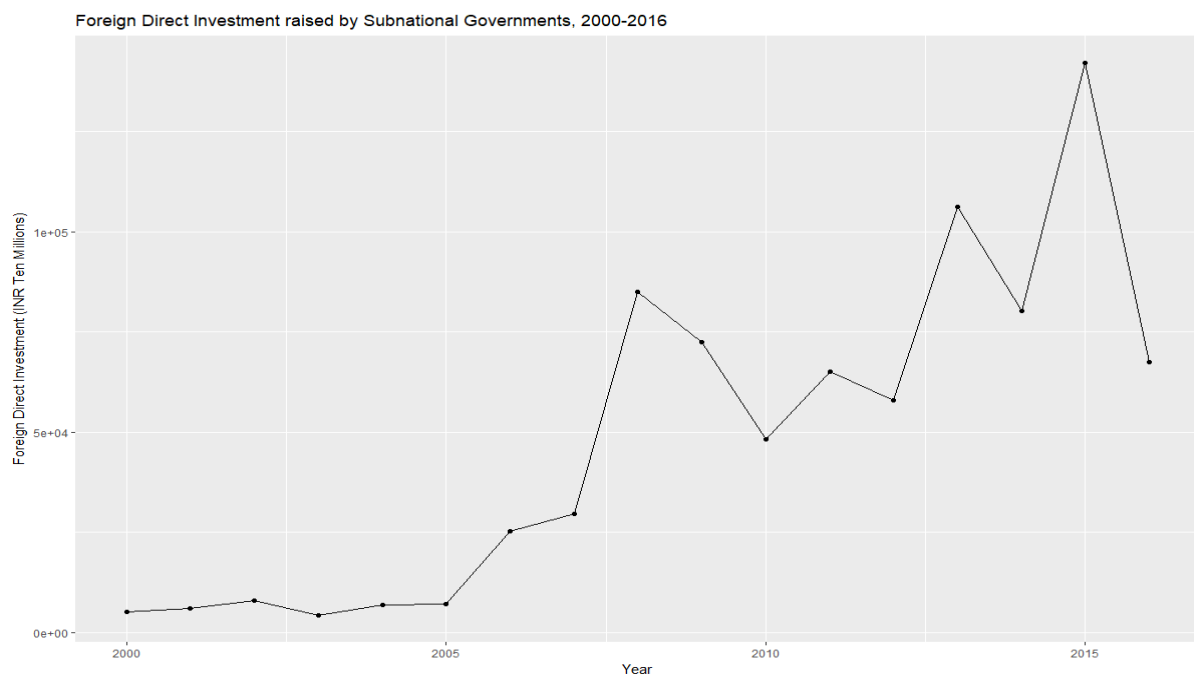


Figure 4: Foreign Direct Investment Raised by Subnational Governments, 2000-2016

Source: RBI State Finance Handbook, multiple issues (Own calculation)

Note: Figures in INR Crores or Ten Millions

These developments suggest that land market liberalisation has become an important element for subnational economic performance. Indian states have developed various strategies to compete with each other, two elements of which are FDI and land revenue generation. The

fluctuations in the overall performances stem from the ability of a few subnational units to carve their identity as land-leasing and investment hotspots. The differences in their ability to utilise either of these elements of land market liberalisation may promote the difference in policy changes regarding land governance. Investment projects require the conversion of large swathes of land, and in the absence of harmonisation of compensation standards in land acquisition, FDI or related infrastructural projects can potentially be hosted through a lowering of land prices, reduction of compensation to project affected persons, or forcible eviction and displacement (Vermeulen and Cotula 2010; Wu and Heerink 2016). To acquire revenue from leasing land to private actors there may be swift conversion of ownership or tenancy status of a particular piece of land (Chakravorty 2013), and the lowering of land prices for higher windfall gains to the state (Ross 2015; Boadway and Shah 2009).

From the data presented above, it cannot be clearly said how the intensification of interjurisdictional imbalances and competition influences policy changes which may drive such conflicts. However, the overall shift towards competition entails that we can expect differences in states' fiscal capacities with respect to these elements. These differences would mediate the degree of commercial pressure on land which incentivise certain kinds of policies. The next section presents a disaggregated analysis of the competitive pressure and its implications for land-use change. While a policy overview of all states is beyond the scope of the thesis¹⁴, the next section outlines the emergence of such pressures in land markets of the subnational cases and how they reflect different patterns of conflict outcomes.

4.2 Variation Across States

Liberalisation of land markets has been a prominent element in the agenda of some states' demands of enhanced autonomy. This section discusses the variation across the sample with

¹⁴ The next chapter reviews policy changes in two cases to show the mechanisms which drive conflicts.

respect to the three main variables. The difference in fiscal capacity is the main independent variable, whereas foreign capital accumulation and land revenue are the two main moderating variables, which influence the strength of conflicts over land-use change. Based on the reviewed literature, it is expected that states with high dependency on one source of revenue are more likely to institute aggressively extractive policies promoting extensive land conversion and thus witness higher degree of conflicts. States which have successfully diversified their land liberalisation regime are expected to witness lower degree of conflicts. The difference in conflict outcomes across the sample shows that the LAA 1894 or the subsequent LARR 2013 have not functioned effectively as protective legislations, and differences in state legislations have promoted rent-seeking behaviour.

Table 3 below shows that there are sizeable differences in states' fiscal capacities. There are also massive differences in per capita FDI inflows to each state. While land finance (the proportion of land revenue to total revenue in a state) is fairly low, showing that it is not the most important fiscal component, the differences in the total size of land revenue show that there are potential windfall gains which can be utilised by state governments.

Table 3: Averages of Main Indicators across Indian States, 2000-2016
Source: RBI State Handbooks, multiple issues; Land Conflict Watch (Own calculation)

	Fiscal Decentralisation (Revenue)	Foreign Direct Investment per capita	Land Finance	Land Revenue (millions)	Area of Land under Conflict (ha)
Andhra Pradesh	50.8%	₹ 426.834	0.4%	₹ 1693.732	29,290.797
Bihar	34.6%	₹ 0.404	0.3%	₹ 1176.937	6,489.795
Gujarat	53.2%	₹ 697.910	1.6%	₹ 9399.106	10,001.786
Karnataka	54.9%	₹ 1179.011	0.3%	₹ 1343.420	67,444.965
Kerala	54.2%	₹ 168.611	0.3%	₹ 804.310	36,686.02
Madhya Pradesh	46.3%	₹ 66.905	0.4%	₹ 2093.425	76,892.395
Odisha	47.7%	₹ 33.156	1.5%	₹ 5478.674	29,699.567
Rajasthan	46.8%	₹ 74.652	0.4%	₹ 1608.081	13,202.236
Tamil Nadu	55%	₹ 985.956	0.2%	₹ 948.011	996.847
Uttar Pradesh	40.2%	₹ 8.310	0.2%	₹ 2659.515	46,578.326
West Bengal	40.3%	₹ 142.113	4.2%	₹ 14708.427	18,278.565

4.2.1 Fiscal Capacities

An important component in fiscal decentralisation in a federation is the level of fiscal autonomy. While expenditure composition in India is centrally mandated, revenue composition has been the source of autonomy for subnational governments (Rao and Singh 2004). The standard measure proposed in the literature deals with the general assignment of taxation powers or responsibility of spending over public goods provision. In Figure 5 presented below, I have excluded the amount of intergovernmental fiscal transfers and external borrowing as part of subnational fiscal revenue. This is to show the level of fiscal activity of subnational governments relative to the fiscal activities of both levels of government.¹⁵

¹⁵ To reiterate, this thesis does not measure the fiscal capacities of all three levels of government in the Indian federation, as the third tier of government is not directly involved in land governance.

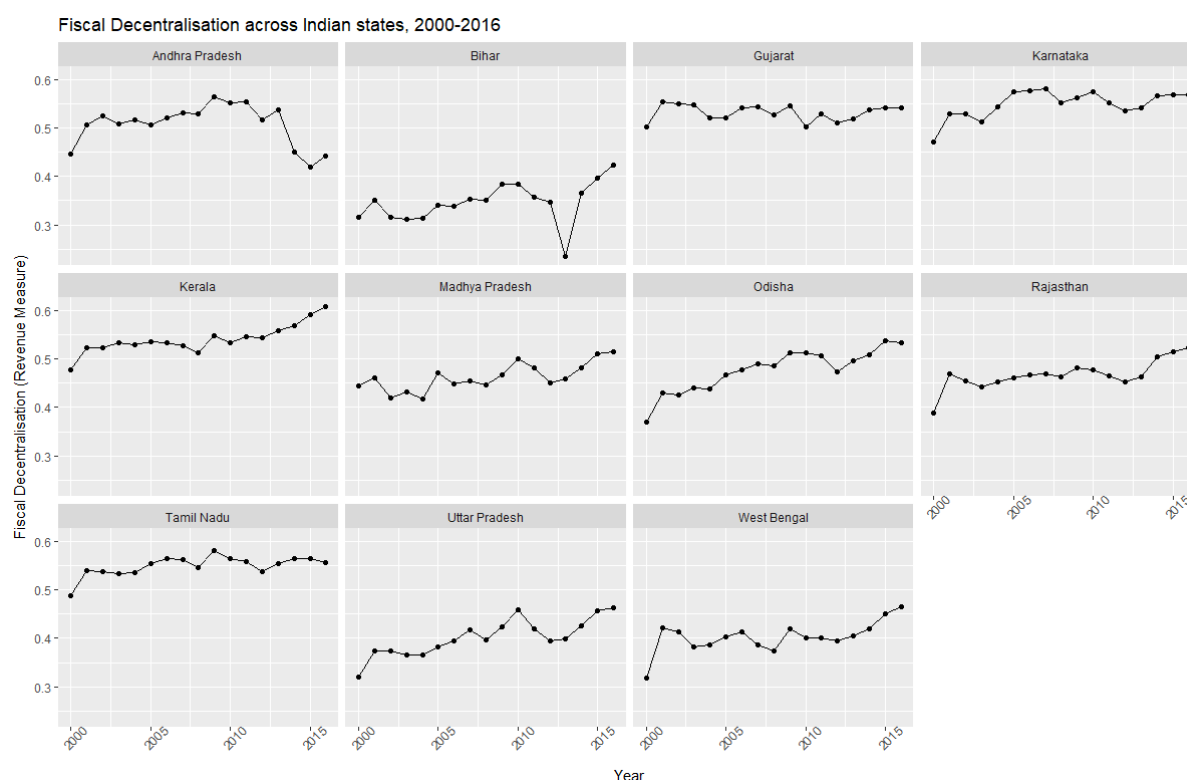


Figure 5: Fiscal Decentralisation across Indian States, 2000-2016
Source: RBI State Finance Handbooks, multiple issues (Own calculation)

There is a great degree of fluctuation in levels of fiscal decentralisation across time. The states with high level of fiscal decentralisation (Andhra Pradesh, Gujarat, Karnataka, Kerala, Tamil Nadu) have remained fairly stable over time as compared to the ones with low levels (Bihar, Madhya Pradesh, Odisha, Rajasthan, Uttar Pradesh and West Bengal). In the high-decentralisation category, Andhra Pradesh has seen a decline after 2010. This is due to the political troubles with the Telangana region, which eventually split up to create a new state in 2014 (Government of Telangana 2014). Bihar is the state with the most fluctuation and saw a radical decline in revenue in 2013 and became the highest recipient of central government transfers in non-special category states (Rajesh 2014).

4.2.2 Foreign Investment Inflows

Figure 6 shows the over-time changes in FDI inflows per capita in the country over the chosen time-period. It reflects that are only a few prominent investment-friendly destination choices.

FDI decisions are also dependent on previous experiences with a location, and therefore are a function of the investment confidence in a particular destination.

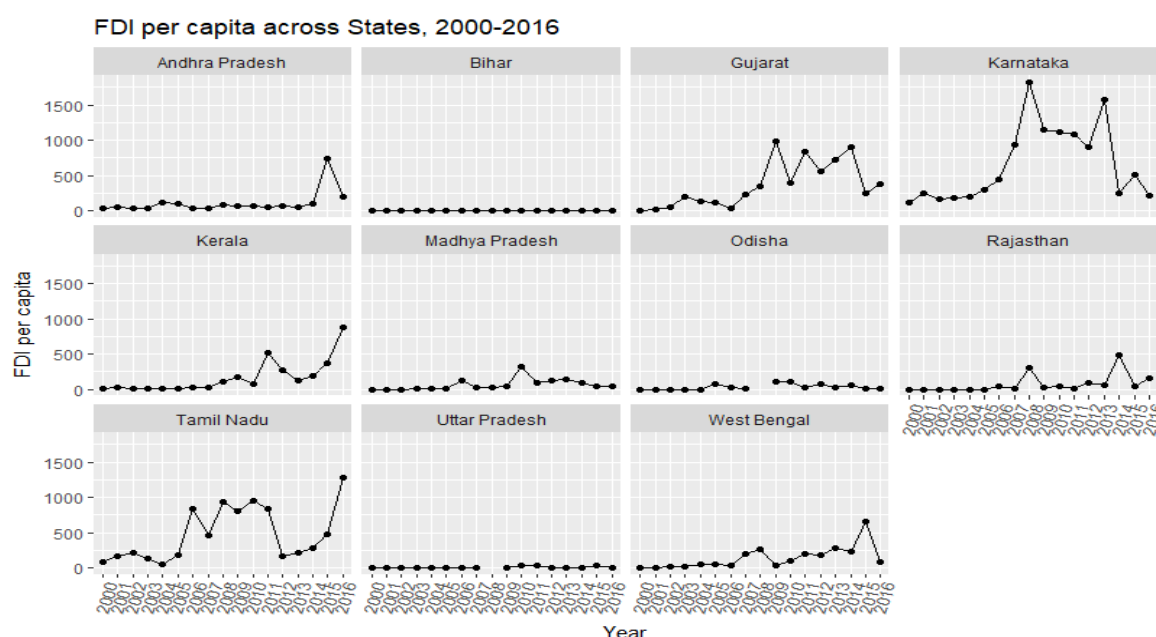


Figure 6: FDI Per Capita across Indian States, 2000-2016
Source: RBI State Handbooks, multiple issues

Some states such as Odisha and Uttar Pradesh experienced a few year's gap where they received no FDI at all. The states of Gujarat, Karnataka and Tamil Nadu, are the three states which have been consistently the highest recipients over time, even though there have been sharp fluctuations throughout the years. The data above show that there is great inter-regional disparity in the pattern of FDI inflows.

4.2.3 Revenue from Land-Leasing

Figure 7 below shows the importance of revenue from land for each state. Land revenue in most states has been fairly stable across the years, except for the cases of Gujarat, Odisha, and West Bengal. This measure is insufficient to derive proper conclusions on rent-seeking behaviour, as in the absence of information on cost of acquisitions, preparations, or maintenance, it cannot reflect the profits accrued to a particular state. West Bengal has the highest dependency on land revenue, but also sees a radical decline in land revenue in 2010.

This is due to the highly contentious land acquisition cases starting in 2006 and 2007 (Ghatak et al. 2013), which could have potentially reduced the value of land.

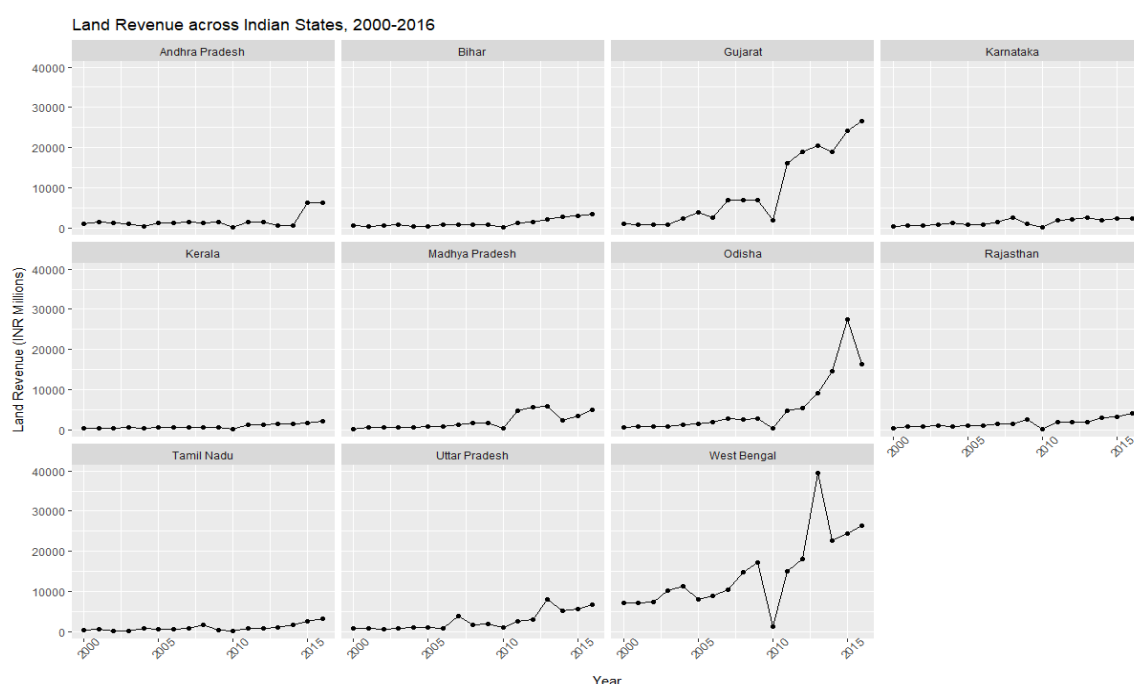


Figure 7: Land Revenue across Indian States, 2000-2016
Source: RBI State Handbooks, multiple issues

The measure of decentralised land revenue presented above is insufficient as it does not capture the windfall gains from land conversion. However, in the absence of data on costs of acquisition and preparation, I stick to this measure of total revenue from land-leasing. A more useful operationalisation would be to see the profits accrued to land-sales and conversion, which is an avenue for further research. In the next section I discuss the differences in states' dependence on FDI and land-revenue as two strategies of land market liberalisation which influence land conflict outcomes.

4.3 The Pressure on Land

The evolution of land governance must be seen alongside the structural shifts seen in Indian federation, and the resultant intensification of interjurisdictional competition. Contemporary land acquisition in India is a consequence of the growth initiatives adopted since the 1990s. The economic logics of liberalisation combined with reforms in fiscal decentralisation

produced a new role for subnational governments as facilitators of business, which hitherto was the domain of the central government only. However, this economic logic is insufficient in its explanatory power. The policy transition was heavily influenced by the shift in the political environment as well, with the decline in the domination of a single party at the central level i.e. the Indian National Congress, and the emergence of fragmented and coalition party politics. This meant that states received renewed bargaining power with respect to the centre and had more autonomy to set their own policy agendas. The different investment environments of different states reflect their governance structures. Public actors therefore play an important role, directly or indirectly, as brokers of large scale investment in land and land acquisitions. However, not all states have reacted similarly to the intensification of competition.

Figure 8 below shows the level of conflicts across Indian states, showing several patterns of socio-political tensions in response to land-use change.

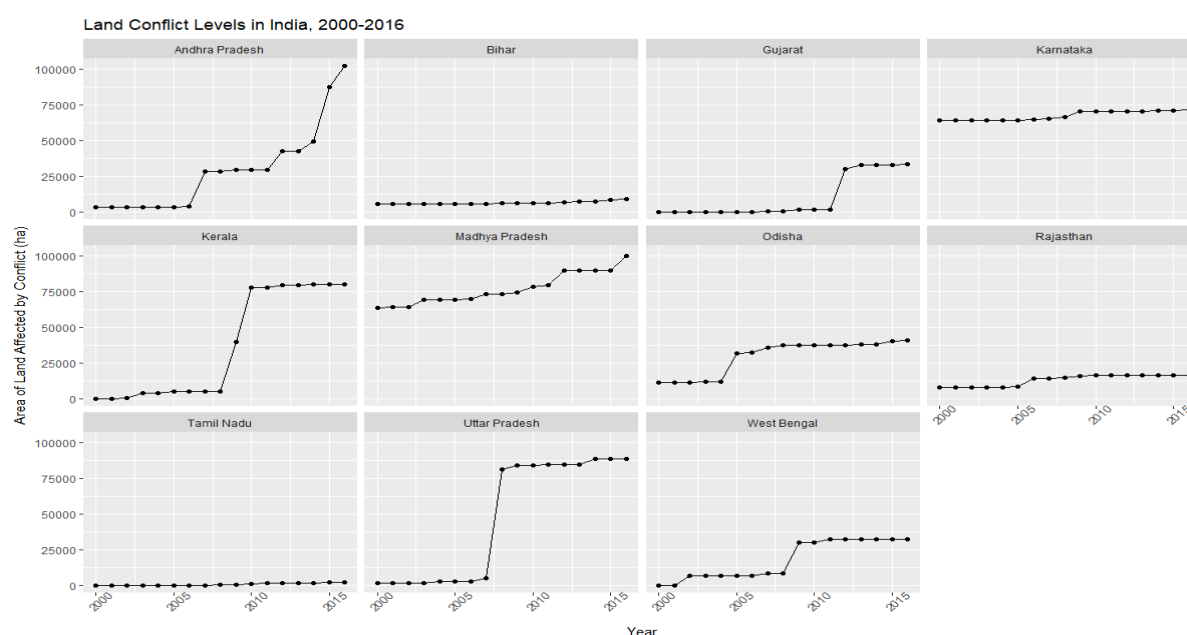


Figure 8: Land Conflict Levels in India, 2000-2016
Source: Land Conflict Watch

Comparing the key differences across the sample on the main dimensions, we can conclude that dependence on one avenue of land market liberalisation can spur policies which utilise

aggressive land-use change and thus land conflicts. Below I discuss four patterns of land conflict outcomes.

Andhra Pradesh, Kerala, Uttar Pradesh: Consistent increase in conflicts

Andhra Pradesh and Kerala are highly decentralised states. However, both have on average fared poorly in terms of the ability to attract capital through FDI or land-leasing. This has translated into higher incidence of conflicts in both cases. Even though Kerala witnessed an increase in FDI in recent years (2013 onwards), the conflicts increased massively around 2010. Uttar Pradesh is a state which scores low on all dimensions, but still witnessed a consistent rise in conflicts. Even though it sees a slight spike in land-leasing revenue around 2010, it still has not successfully liberalised its land markets as compared to the other states. Furthermore, it has underdeveloped institutions dealing with land justice. The high incidence of conflicts in the state can be attributed to its poor performance with respect to land reforms and property rights, and the persistence of severe disparities across caste groups and land-ownership.¹⁶

Bihar, Rajasthan, Tamil Nadu: Consistently low conflicts

Bihar and Rajasthan are two of the least decentralised states in India. They both fare poorly in terms of investment attraction and revenue through land-leasing, and thus have witnessed virtually no conflicts over time. Tamil Nadu remains a deviant case which is a highly decentralised state with high FDI but sees virtually no conflicts. This is primarily due to the states' historical aversion to liberalisation of land through FDI (Bedi and Tillin 2015). In May 2018, the Tamil Nadu government cancelled the allotment of land to a copper mining plant owing to highly explosive protests in the preceding months (PTI 2018). A recent review of land

¹⁶ Uttar Pradesh is the most populous state in India. It is also the state with the highest population of backward castes and indigenous groups. For a detailed study on how the caste question reflects the persistence of feudal land-ownership systems, see: Trivedi (2010).

grabbing cases in India finds no evidence for poor rehabilitation and displacement from acquisitions in Tamil Nadu (Mukerji 2017).

Gujarat, Odisha, West Bengal: Sudden increase in conflicts

Gujarat is one of the most decentralised regions in the country and is the only case in the sample where land liberalisation has occurred through both high degree of FDI and land-leasing. Gujarat is the only state which has instituted comprehensive coastal development projects (Times of India 2016) and Special Investment Regions (Business Standard 2013). While the state has had relatively low conflicts on average, it sees a sudden increase in conflicts, showing that the efforts in land liberalisation are being contested more regularly. Odisha and West Bengal are two cases which have remained less decentralised, however, are highly dependent on revenue from land-leasing. They have also seen sudden increase in conflicts over time. This is a reflection of their underdeveloped property rights regime which disfavours indigenous communities (Bedi and Tillin 2015), but also is partially explained by the long-term presence of left-wing extremism (Behera 2017).

Madhya Pradesh, Karnataka: Consistently high conflicts

Madhya Pradesh and Karnataka are two of the most extreme cases in the sample which have witnessed consistently high conflicts, despite differences in states' fiscal capacities and land liberalisation. Madhya Pradesh has remained less decentralised, does not fare well on either FDI or land-leasing revenues. The high presence of conflicts can be explained through its poor record on land reforms and records modernisation, and the persistence of feudal systems of land-ownership and tenancy (Chakravorty 2013). Karnataka has been highly decentralised and has received the most amount of FDI in the country but is not highly dependent on land-leasing. Its high incidence of conflicts can be attributed to the large-scale information-technology

investment and the land-use change for building investment hubs (Economic Times 2016), and its poor track record with compensation in land acquisitions (Deccan Chronicle 2017).

4.4 Land Liberalisation and Indian Federalism

From the above categorisations, we can see that the subnational experiences with land market liberalisation are widely different. The presence of high FDI seems to mitigate the necessity to generate revenue from land leasing. The strong presence of both avenues of land market liberalisation show that states can retain competitiveness without initiating policies that allow aggressive land-grabbing, shown through smaller size of conflicts. However, the dependence over one source of revenue seems to be related with higher incidence of conflicts. At the same time, there are some deviant cases in each category, which could be analysed further to contribute to existing theoretical explanations of land governance in Indian federalism.

The data presented above remain insufficient due to several limitations. First, the composition of FDI used directly in hosting land are not publicly available, thus making it difficult to draw clear inferences on the kinds of land-use change. In the absence of such data, one can only speculate regarding the magnitude of infrastructural development. However, other recent studies also show that FDI in land in India is increasing manifestly (cf. Görgen et al. 2009; International Land Coalition 2012). Second, the other channel of land liberalisation is through land-leasing to private domestic actors. The revenues accrued from land-leasing are not the biggest component in states' revenue bases, however the magnitude of total revenue has increased over the years. Third, data on costs of preparation, maintenance and actual transfers are not available. Information on these parameters relative to averages of land revenue values could provide understanding of "distress sales" which are likely to be subject to more

contestation.¹⁷ Fourth, the data on land conflicts used in this study also includes data on forest-land conversion and conservation, which are not directly subject to the same legislations.¹⁸ Forest-related conflicts in India constitute another strand of research, particularly with reference to indigenous group rights.

Despite the data limitations shown above, several important lessons emerge. The key feature in the land liberalisation debate is the absence of a standardised regulatory framework. These tensions can be seen in the changes from the 1990s onwards. The newly liberalised order and the growth-model envisaged in its aftermath favoured commercialisation which triggered a massive drive towards land acquisitions. Land as a market element was not easily available under the colonial law LAA 1894. Acquisitions had to be legitimised on two grounds, a) eminent domain, and b) safeguarding against vulnerability. Since the 1990s, there were several amendments to this law to ensure legitimate transfer of land and substantive compensation (Land Acquisition Act 1894). However, there have been several contestations over settlements of transfer of titles, in the absence of an updated land-titling system and modernisation of land records (Zasloff 2011). Furthermore, compensatory standards, social impact assessment, and issues of Free, Prior, Informed Consent (FPIC) have always been challenged, as the jurisprudence surrounding these issues is convoluted by presence of multiple legislations (International Land Coalition 2012).

The first attempt at setting a regulatory harmonisation was the National Rehabilitation and Resettlement Policy 1997, which was to be read in conjunction with the LAA 1894. This policy reviewed the eminent domain principle with the recognition that it downplays the sociocultural

¹⁷ State governments are known to rely on high stamp duties. The levels of these duties have changed over time and are not recorded in public datasets. Information on actual prices paid or prices declared could provide insights into the impact on formal and informal land markets (Deininger, Jin, and Nagarajan 2009, 418).

¹⁸ While general land acquisition laws are also used for forest land conversion, there are several important competing legislations within states themselves. The biggest challenge in these cases is the forging of consent through illegal procedures. See: Bloomberg Quint (2018).

consequences on affected populations. It further minimised the size of agricultural land which could be converted for developmental projects. It asserted the importance of resettlement alongside compensation, and also included a special plan for cases involving tribal lands. However, the identification of vulnerable persons was inadequate, and there was no discussion on acquisition through popular will and informed consent (Goswami 2016).

This unfinished task was subject to a lot of debate in the years to follow and culminated in the LARR 2013 (and related amendments). The original law mandated a consent requirement, which was set at 80% of families in the case of private acquisitions, and 70% for public-private partnerships. Further, it identified other vulnerable occupational groups apart from farmers and agricultural labourers, such as artisans, labourers, tenant farmers, sharecroppers and small traders. However, through certain amendments in 2014, some elements in the process of land acquisition were relaxed. First, some categories of land-use were exempted from consent conditionalities, namely defence, housing for poor, rural-industrial infrastructure. Second, the word ‘private company’ was replaced with ‘private entity’, broadening the scope of potential stakeholders. Third, grievance redressal mechanisms were relegated to the district level. These changes reinforced a business orientation and prompted states to lower their own regulatory standards invoking the new changes at the centre (See: Appendix).

The LARR 2013 should be seen as not simply an attempt at harmonisation, but also as a facilitator of easy inflow of foreign capital through reduced background checks and lowered compensation rates. Therefore, the LARR 2013 potentially can exacerbate the pre-existing disparities between states’ fiscal capacities. The differences that existed before can promote a renewed spur towards land under the presence of lowered regulatory standards at the centre. States which already instituted policies which were relatively more open to land liberalisation were not hit hard by these developments.

The pressure on land is due to high differences in states' fiscal capacities and dependency on a particular source of revenue. Evidence presented so far only suggests that over time there has been a perceptible shift in competition among units. Even if the shares are relatively small, they clearly indicate the presence of a pressure which can only become worse unless appropriate institutional checks and balances are maintained. There has been a massive change in the institutional landscape over time, owing to the volatile nature of centre-state relations and debates on fiscal stability. The evidence presented above suggests that states which have liberalised their land markets more comprehensively have seen less volatile conflicts on average.

Subnational units have utilised their enhanced autonomy in a multitude of ways, which has spurred an intensification of competition due to the compounding nature of differences in states' fiscal capacities. It also shows that the centre has receded in its regulatory role, allowing subnational governments to embark on diverse developmental trajectories. The findings suggest that socio-political tension over land-use change in India are among the side-effects of liberalisation/globalisation and subnational governments' dominance over local economies. Fiscal realignments over the years have promoted governments to use land value booms for local gains and use policy instruments to attract revenue through either FDI or land-leasing. The variation in conflicts unpacks the contradiction between two premises of subnational governments' agenda – to promote growth whilst prioritising social protection.

The evidence presented in this thesis also sheds light on some prominent assumptions regarding commercial pressures on land in general, and in India in particular. First, the data on land-use change in India (See Chapter 2, 15) show that there is no abundance of empty or unutilised land which drives investor interest in land acquisitions. All lands are utilised by communities in different ways and may be important for diverse reasons such as livelihoods or cultural identity. Large scale acquisitions can drive conflicts as land-use change creates sizeable

displacements of local populations. Second, foreign investments are not the biggest drivers of land conflicts, and foreign investors are not the primary ‘land grabbers’. Subnational units vary widely in their land liberalisation trajectories, and there are only a few states are recipients of high degree of foreign investments. Furthermore, foreign investments in land are not a new phenomenon, even though there are some peculiar characteristics in such acquisitions. For instance, land deals today are not purely market transactions, and public policies in both host and recipient countries drive such deals. Governments also acquire land on behalf of private interests through short- or long-term leases. Therefore, the increasing importance of land acquisitions globally also entails the erasure of local informal markets which are primarily framed through claims of public interest and authority (Cotula 2013, 95). Third, agricultural land is not the biggest driver of foreign investment interest. There is a sizable literature on the impact of land acquisitions on agribusiness and agrarian precariousness. However, the evidence in this thesis shows that land conflicts involve a variety of land-uses, and contestations occur for many reasons including ownership and community rights. This shows that there is a general shift toward commoditisation of land, which is deemed beneficial for consolidation of fiscal performance. Agricultural investments cannot be seen in isolation from the general commercial pressures on land (Taylor and Bending 2009).

As mentioned in Chapter 2, the first hypothesis suggested that high differences in subnational fiscal capacities create incentives for higher degree of land liberalisation. The evidence presented above shows that while increasing competition has made land liberalisation important for subnational governments, land-leasing remains the bigger element as compared to FDI. However, land conflicts in general have also been steadily increasing. The second hypothesis suggested that subnational units adopt different land liberalisation strategies based on their fiscal positions which produce differences in land legislation and divergent conflict outcomes. The evidence presented above shows that the subnational units with dependency on

a single element of land liberalisation viz. land-leasing or FDI show higher degree of conflicts. Whereas, subnational units which have diversified their land liberalisation strategies more broadly seem to show lower degree of conflicts. However, there is no decline of conflict levels in any of the cases. In the long run, the incomplete institutionalisation of compensatory and rehabilitation frameworks, and the lack of harmonisation across jurisdictions entails the persistent nature of conflicts over land-use change.

It is important to note that the statistics presented in this chapter alone do not give a complete picture of the drivers of land conflicts. Hierarchical attempts at controlling the negative outcomes of the land question has not driven appropriate institutional changes. Some states have managed to creatively balance out competing imperatives. It is beyond the scope of this thesis to discuss these changes in all the states represented in the sample, owing to the complexity of contexts and policy frameworks. Therefore, in the next chapter, I compare the policy changes in land governance for two cases of Gujarat and West Bengal, which are the extreme cases in the sample, to further analyse the second hypothesis.

5 Subnational Variation in Policy Outcomes: The Cases of Gujarat and West Bengal

As discussed in the previous chapter, the Indian federation has seen a competitive turn to some degree. The resultant differences in states' fiscal capacities put pressure on subnational governments to compete with each other for better access to developmental resources. The potential for rent-seeking behaviour gets maximised with the enhanced regional autonomy, where states set their own developmental agendas. The necessities of foreign capital attraction and raising revenue from land can lead to outcomes such as the undermining of principles of just compensation and rehabilitation in land-use change. These factors have combined to exacerbate conflicts over land-use change. Based on the dependency on a single avenue of revenue extraction, there are divergences in states' experiences with policy changes in land governance, which influence the occurrence and the severity of conflict outcomes. The commercial pressure on land is not evenly felt across subnational units. Therefore, it is essential to theorise on the role of subnational governments in mediating these competing pressures stemming from interjurisdictional competition, and democratic compulsions through which citizens make demands over justice in land-use change.

To summarise the policy relevance of the subnational scale, the constitutional mandate of land governance in India is divided into two parts: First, the subnational governments' jurisdiction covers "rights in or over land, land tenures, the collection of rents; ... land revenue, the maintenance of land records..." Second, the Concurrent list divides the responsibility of "acquisition and requisition" of land between the centre and states (Constitution of India 2016, Article 246). Therefore, the issue of land governance is subject to competition among states, and between states and the centre.

This chapter conducts a paired comparison to study the differences in modalities of land acquisitions and its potential effects on degree of conflicts. Through an intermingling of subnational contexts and policy adaptation, there have been variations in levels of conflict. The literature on this topic has hitherto focused mostly on the national legislation i.e. the LAA 1894 and the LARR 2013 (or related ordinances and amendments). However, as we will see, subnational governments have accessed land through more creative efforts, routinely invoking the national legislation in accordance with their pre-existing subnational frameworks. This reflects the contested nature of land as a policymaking element, and the continued assertion of states' rights over resources located in their jurisdictions. These invocations are normally used as justifications for subnational policies. The conjunction of the two policies do not hint towards a harmonisation, but instead the emergence of several contradictions in land governance.

I chose the cases of Gujarat and West Bengal based on their different “models” of development and its impact on land governance with respect to tenancy reform, titling, compensation, and conditions of land-use change. The two cases are interesting in that they have largely managed to circumvent the federal legislation, engaging in competition through different strategies of land liberalisation. However, they are different in their styles of land acquisition, which can explain the divergence in conflict outcomes.

The differences in policy frameworks reflect the diversification of the economy or the dependency on a single source of revenue relevant for land-use change. Contrary to the notion of definite shift towards interests of investment attraction, this chapter shows that the differences in fiscal capacities and differences in reliance on one source of interjurisdictional competition as defined in this study determine the commercial pressure on land. The chapter shows that in the face of increased economic competition due to liberalisation, states tend to consciously concentrate on certain aspects of their developmental capacities. These differences

can in turn explain the policies which anticipate potential conflicts and try to mitigate them through different compensatory frameworks.

5.1 Rationale for Case Selection

Table 4 below shows a comparison of the two cases along the main study variables and categorises them according to the variation in the sample. Both cases are different in conflict outcomes on average, but similar in their trajectories over time, i.e., both witnessed a sudden increase in conflicts over time.

Table 4: Comparison of Gujarat and West Bengal: Selected Indicators, 2000-2016

Source: See Chapter 2 (Section 2)

Note: High/Low Categorisation based on variation in the sample

	Gujarat	West Bengal
Fiscal Decentralisation (Average)	High (53.2%)	Low (40.3%)
Total Foreign Direct Investment Per Capita (Average)	High (₹ 697.910)	Low (₹ 142.113)
Land Revenue Per Capita (Average)	High (₹ 161.69)	High (₹ 170.50)
Aggregate Foreign Direct Investment in Land between 2002-2013	High (INR 10,008.68 billion)	Low (INR 6112.98 billion)
Conflicts (Average)	Low (10,001.786 ha)	High (18,278.565 ha)

The state of Gujarat has had consistently high levels of fiscal decentralisation, showing a stronger revenue base and public activity. However, while Gujarat has managed to attract high levels of FDI, and also earn significant revenues from land-leasing and sales, West Bengal is solely dependent on land revenue. Owing to this, West Bengal relied on extensive conversion of private lands and relaxation of ceiling limits on land-ownership, causing large scale expropriation, and thus witnessed high contestations over land-use change regarding issues such as ownership and user rights of landowners and tenants. Gujarat seemed to have initially

managed to successfully balance between the competing interests of attracting capital and managing political consequences. However, in recent years it has also seen a sudden spike in conflicts, showing that its land liberalisation strategy has also not remained ‘successful’ in the long run. On the other hand, West Bengal has relied mostly exclusively on increasing land-leasing revenue through various strategies, and therefore has seen higher conflicts on average but also a sudden increase over time.

This preliminary comparison tells us that in the case where a state has access to two equally viable sources of revenue such as in Gujarat, thus bolstering its fiscal position, it may reduce the necessity to initiate aggressive land-use change and thus mitigate the presence of conflicts. On the flip side, in a case where a state is highly dependent on revenue from leasing land, and is in a worse off fiscal position in general, it may institute policies which initiate aggressive land grabs, thus increasing the size of conflicts. The findings show that the diversification of a regional economy with reference to two potential factors in land-use change i.e. FDI and land leasing for revenue, can potentially restrict the incidence of policies promoting aggressive land-grabbing, whereas the dependence on a singular element is related with higher land-grabbing. However, the effects of the policy choices may have a cumulative effect which shows through the increasing conflicts over time in both these cases.

A comparison of their policy choices suggests that Gujarat has adopted policy measures which are systematically more market-oriented. While West Bengal has attempted to adapt to such a model, it has edged more towards business-oriented policies by acting as a broker for private actors. These differences also reflect the highly politicised debates on subnational “models of development” in Indian politics, which refer to Gujarat’s historical experience with market-oriented policies, and West Bengal’s experience with a long-lasting socialist government which emphasised redistribution (Sinha 2003; Jaffrelot 2015). Therefore, while Gujarat has seen accelerated land deregulation, West Bengal shifted from a protectionist land governance

regime to veiled marketisation and partial deregulation. In both cases however conflicts have increased over time, showing that both strategies have not remained fully successful. Land liberalisation has not evolved alongside adequate property rights recognition or policies addressing expropriation. In recent years, the state of Gujarat has aggressively changed land acquisition policy, without full consideration of dislocations from land-use change. This is shown through the sudden spike in land conflicts in recent years.

Some caveats must nonetheless be added. Gujarat and West Bengal have two diametrically opposed political cultures. The question of marginalised communities' land rights such as Dalits (lower-castes) or Adivasis (indigenous peoples) remains at the side-lines in both states, reflecting a commonality between governance of the left and the right. Even though West Bengal has instituted land reforms and land redistribution, these are mostly based on economic differences, and not the historically protected status of indigenous and caste groups.

Furthermore, they are different with respect to geographical constraints on the size of landholdings. Gujarat is a small state with huge space for commons while West Bengal is a densely populated region. Therefore, Gujarat has had more opportunity with expanding land-leasing along with hosting FDI through land, through systematic land-pooling (Mathur 2013). Third, in Gujarat, the right-wing government has recently begun to focus more on acquiring land from village *Panchayats* (local self-government) and common land. This is a way to circumvent the direct land conversion through land-leasing. The creation of the Special Investment Region Act for petroleum extraction led to many farmers' protests (Business Standard 2013). In the 2018 state elections, Gujarat farmers were determined to defeat the ruling party owing to their aggressive land-grabbing (NDTV 2018). Unfortunately, the dataset used in this study does not reflect these recent conflicts, and therefore there is no information on the scale of this conflict. In what follows, I discuss the different subnational contexts which drove certain kinds of policy changes, and their impact on the nature of conflicts.

5.2 Gujarat: Accelerated Land Deregulation

Gujarat has been one of the most decentralised states in India, with relatively few fluctuations in fiscal capacity over time. Between 2002 and 2013, it was home to 11.45% of private industrial investment in India, initiating around 5000 projects at estimates of INR 10,008.68 billion (Sud 2014). Gujarat is regularly called one of the top investment hubs in India, and the state government has routinely invoked a ‘Gujarat model’ of development land acquisitions which bases itself on pooling land from small landholders to execute the various developmental and infrastructural projects (Mathur 2013). In what follows, I present the changes in Gujarat’s policy frameworks in post-liberalisation era.

From the 1990s onwards, Gujarat has undertaken systematic efforts for the liberalisation of its land market. Using existing frameworks and the public debate around land acquisition, it underlined a growth model which worked towards the simplification of land policies. The two main laws which have governed land acquisition in Gujarat are the Gujarat Agricultural Land Ceilings Act (GALCA) 1960 which extended the Bombay Tenancy and Agricultural Lands Act of 1948 to the newly created state of Gujarat after Independence (Government of Gujarat n.d.). The law sought to limit landholdings in agriculture in excess of a specified limit and underlined conditions under which acquisition of surplus agricultural land could be deemed necessary to landless persons, labourers and smallholders (Section 12, GALCA 1960). This was defined in reference to the definition of “public purpose” laid down in the erstwhile LAA 1894, which limited the conversion of agricultural land for non-agricultural purposes. It mandated the institution of an independent body to decide on compensation amounts, however in most cases these compensation amounts were arbitrary (Sud 2014). Similarly, the Land Acquisition (Gujarat Unification and Amendment) Act of 1963 attempted to harmonise the state’s policy with the standards laid down in the LAA 1894 (Government of Gujarat 1963). The Gujarat Land Revenues Act of 1972 laid down provisions for codification of revenue from

land, wherein while it did not mention land acquisition directly, it underlined certain categories of lands whose ownership rights could be easily transferable to the state (Government of Gujarat 1972).

In 1995, the government amended the Bombay Land Revenue Act, removing the existing restrictions on conversion of agricultural lands for industrial development, which had limited it to 10 hectares of a farmland unit. Therefore, it removed the necessity to seek permission from revenue officials for land conversion (Sud 2014). Moving further on this new trajectory, it adopted the New Land Policy in 1996, which allowed for the conversion of newly tenured land into old tenure for sale in agricultural market. Until the institution of this policy, all land was mandated to be under the category of 'new tenure'. After 2003, the provision was relaxed furthermore to allow for the automatic conversion of all new tenure land to old tenure land. This meant that there was no requirement for permission for land conversion and sales, for both agricultural and non-agricultural purposes (Shah and Sah 2002). These provisions were extensively used throughout this period to institute significant changes in land-ownership and land-use. At the same time, there has been very little organised opposition to the changes in the land governance landscape, which is shown through the short-lived nature of conflicts over land in Gujarat (Chakravorty 2013).

Finally, in 2016, the Gujarat Land Acquisition Bill¹⁹ received Presidential assent, reaching the full degree of land liberalisation in Gujarat. Despite the dilution of several of the provisions mandated in the LARR 2013, the law was justified by the Gujarat government using the concerted successes of Gujarat in its land acquisition experience. The newly appointed revenue minister argued that "the new Act will help in attracting investments in industrial and infrastructure projects in the state" (The Hindu 2016). These developments show that Gujarat

¹⁹ Fully known as 'Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement (Gujarat Amendment) Bill 2016.'

has attempted to manage the twin goals of investment attraction and revenue generation from land conversion. However, the disregard for adequate compensatory standards and the circumvention of central legislation has spurred renewed series of contestations in the state in recent years.

5.3 West Bengal: Protectionist Land Regulation to Partial Deregulation

The case of West Bengal provides a sharp contrast to the Gujarati experience, owing to bigger political constraints over time. Between 2002 and 2013, the state received significantly lower private industrial investment – at 6.99% of total inflows into India, covering around 3000 projects at INR 6112.98 billion (Sud 2014). The land issue in West Bengal has been particularly explosive due to three main factors: a) high population density compared to other states, b) successful land reform and land redistribution, and c) high population of small peasantry and landless labourers (World Bank 2014). West Bengal also had the longest serving Communist government under the Communist Party of India-Marxist (CPI-M) from 1969 to 2011. During its reign, the party had been committed to the popular slogan ‘land to the tiller’ and had been against any measure of land liberalisation (Mallick 1992).

However, owing to the competitive pressures, it tried to attract capital through incremental modifications in land governance policy. First came an attempt to modify the West Bengal Land Reforms Act of 1955 under which even a private company was designated as a *raiyat* or tiller, and the ceiling limit for conversion of land was 7 hectares (Government of West Bengal 1999). This attempt was blocked by the Politburo of the CPI-M as it did not wish to transform its image with respect to farmers’ protection (Mallick 1992). Another failed modification attempted during the 1990s was to allow for landholdings above the ceiling limit to be directly vested by the state and be leased out for housing factories and industrial complexes (Government of West Bengal 1999). After this first attempt by the Communist government to relax the provisions in the Land Reforms Act, there was another failed attempt in 2006, due to

rising pressures from business associations, particularly in IT and industrial sectors, and some flexible measures were adopted allowing for relaxation of land ceiling measures for industrial use (Sud 2014).

Thereafter, the major transformation came with the formation of the new Trinamool Congress government in 2011 which passed the Bengal Land Reforms (Amendment) Bill in 2012, expanding the list of land conversions exempted from ceiling limits. These now included tourism, educational institutions, biotechnology hubs, and a host of other infrastructural projects. Furthermore, a public-private partnership company with 51% government ownership could hold land to any limit and gain revenues from leasing (Ghatak et al. 2013).

The experience of West Bengal shows that owing to a long history of higher political constraints there have been slow changes in land conversion policies. At the same time, with this historical experience of land redistribution, even small changes were felt more drastically. The presence of a sizeable political opposition from the CPI-M basing itself on the issue of land security means that the conflicts in West Bengal have managed to remain relevant for long time. West Bengal's attempt at partial land deregulation owing to the competitive pressures reflects a shift to a business-friendly approach. However, the significance of opposition has translated to many entry-barriers, and thus more explosive land conflicts over time. The state has been unable to liberalise the land market more broadly owing to political constraints, and thus has to resort to leasing public land, showing a collusion with private capital and business-friendly measures.

5.4 Rethinking the Subnational State

The picture painted above suggests that the subnational state has achieved enhanced manoeuvrability over the years. Thereafter, their attempts at mediation of interests of capital and interests of voters have produced divergent outcomes. Despite the presence of fiscal

imbalances both horizontally and vertically, the two states have adopted different developmental models, and the central and state governments frequently come into contestation. Competing imperatives of land governance have made the national legislations LAA 1894 and LARR 2013 a bastion of debate on conflicting interests. From the above two case studies we can see the emergence of two dilemmas. The case of Gujarat shows clearly the ready acceptance of the claims of private enterprise where the subnational state attempts to create a regulatory framework which enables market compensation and a functional property rights regime. The case of West Bengal shows acquiescence to concerns of displacement and re-marginalisation of users of land. However, in both cases show that there have been some failures in both strategies of land liberalisation. While on average Gujarat has had less conflicts as compared to West Bengal, conflicts over land have remained persistent over the years.

The question of retaining the delicate federal balance of power becomes more relevant in the two cases as they exhibit the utilisation of political and fiscal autonomy to circumvent the pressures stemming from the federal legislation. This is shown through the emergence of contradictory state frameworks. The new subnational contexts under which the old law LAA 1894 was utilised sparked these debates and have affected the potential effectiveness of the LARR 2013. The current trend seems to be that states which have had historical experience of higher autonomy – politically or fiscally – have not attempted to harmonise with the federal legislation and continue to remain on the policy trajectories hitherto seen, albeit with few modifications. The ‘successful’ attempts at land liberalisation have occurred through downgrading of compensatory standards, without consideration of individual property rights or community rights. These divergences show that the subnational state’s approach to land governance work through an accumulation of policy choices made over time. These contradictions may not allow for the emergence of a substantial reform coalition which sets the debate on justice in land-use change to rest by achieving harmonisation of regulatory standards.

6 Conclusion

The thesis set out to assess the impact of the changing dynamics in the Indian federation involving conflicts over land-use change. It began with a broad question: How do changes in interjurisdictional competition in India affect the liberalisation of land markets, and in turn contribute to conflict occurrence? It further asks: How does dependency on FDI and land leasing in turn contribute to land-use change and conflict occurrence? Given the lack of systematic focus on the within-case variation in terms of land conflicts, the thesis uses the subnational comparative method to uncover the mechanisms which drive these conflicts. It tests existing theories on an under-studied case which can serve as the basis of further theorising on policy change in asymmetric federations. By conducting a two-layered analysis, the thesis finds that using the national scale can substantially alter the analysis. The *whole-nation bias* obscures the politics of neoliberal reforms through the attribution of national aggregates to test and derive hypotheses on regulatory processes which are carried out in hugely different institutional contexts subnationally (Snyder 2001). By conducting a disaggregated subnational analysis and a detailed paired-comparison, it shows that the substantial within-case variation is a function of the subnational fiscal capacities which pushes subnational units to adopt different land-liberalisation strategies as a result. The findings add to the conceptual case for focusing on the subnational scale, thus serving as basis for further theory-building by underlining the divergent experiences in land governance and conflicts.

The findings show that increases in commercial pressures on land interact with intensification of interjurisdictional competition in the Indian federation to produce a wide variation of land-liberalisation policy trajectories. Over time, increase in interjurisdictional competition is shown through the increase in subnational revenue raising capacities, alongside declining progressivity of intergovernmental transfers. This means that subnational governments must bolster their fiscal positions through other channels. The increasing commercial pressures on

land have contributed to state governments utilising two main strategies of land liberalisation, i.e., hosting FDI through land, and land leasing to private actors. The gradual shift towards liberalisation of land markets have meant that there have been some short-term economic gains for state governments. However, in the long-run, the rapid changes in land liberalisation have generated instability by not mitigating the pressures of displacement through insufficient property rights recognition, and sizeable expropriations. Evidence also shows that the structural landscape of land markets in India prior to the reforms in the 1990s have dictated the trajectories of competition through land liberalisation. Preference for hosting FDI through land seems to be dependent on the availability of alternative through short-term land-leasing to domestic actors.

The changes in the division of power between the centre and states have fuelled the highly fragmented political debate on land governance and land reform. However, the intensified competition for land has not produced a clear race-to-the-bottom, as is shown through the subnational differences in levels of contestations over the years. The thesis demonstrates that there are several divergences in modalities of land-use change, which impacts the long-term conflict outcomes. The key finding is that diversification of land-liberalisation tends to produce lower levels of contestation on average. However, the absence of proper institutionalisation of adequate compensation and rehabilitation standards has continued to further social dislocations due to land-use change, and hence produce higher several conflicts in the long run, even in cases which initially remained relatively successful in liberalising their land markets.

Land is a critical resource for developmental activity which also serves as the locus of several interests in terms of ownership, usage, investment, and security. The thesis highlights two key imperatives of land markets and institutional frameworks which govern it, namely, the *jurisdictional* (refining the legal bases of land acquisitions, allocations, transfers, and conflict resolution) and the *fiscal* (the consolidation of economic benefits from land through

investments and revenue generation). Attempts to improve land markets in the Indian case have largely not adequately resolved these competing imperatives. While there has been a lot of discussion on making land markets more efficient whilst dealing with the claims of ownership, settlement and rehabilitation, the progress towards these goals has been insufficient. In the absence of accurate and comprehensive land titling which marks changes in land ownership and use, any claims of legal recognition in the aftermath of acquisitions for developmental purposes aggravates the insecurities of stakeholders involved, thus spurring prolonged conflicts. Stalled projects and land conflicts are frequently cited as the biggest hurdle in infrastructural development (IDFC 2009). Recent studies have begun to show the growing importance of non-agricultural land for acquisitions (Görge et al. 2009). Thus, new research has to focus on the importance of multiple uses of land, and move away from the conventional discourse on ‘land grabbing’ (Edelman, Oya, and Borras Jr. 2013). The emergence and the future effectiveness of the federal law Land Acquisition, Rehabilitation, and Resettlement Act (LARR) 2013 in harmonising land governance standards needs to be seen through the lens of subnational governments’ interests, which must balance out the competing claims of local demands, economic growth, and also manage centre-state relations.

There are several avenues for future research based on the findings, focusing on the differentiated political outcomes of land-deals and land-use change. First, there is substantial variation in groups affected by acquisitions, the degrees of project implementation, and political reactions and contestations warrant a refined study. Second, divergent outcomes can potentially stem from the extent of displacement, benefits through creation of local employment, or whether investors and leasers follow through on projects. Conflicts on land-use change can be complicated due to multiple agendas, i.e., whether they are against expulsion, against exploitation, concentration of land or seeking formal property recognition. The expulsion-resistance argument is not systematically demonstrated and therefore local

reactions to different kinds of land deals needs to be further investigated (See also: Edelman, Oya, and Borrás Jr. 2013, 9). This thesis represents a wide range of conflict actions; however, further research needs to examine the complex configurations of contestations on land-use change. Furthermore, collection on data which explicitly deals with determinants of land prices and rents accruing to state governments as a result is required (Chakravorty 2013, 140-166). Another strand of emerging research deals with determining how commercial pressures on land can be used as drivers of sustainable land-use change through institutional engineering which mitigates the threats from marginalisation and re-marginalisation. This strand of work can focus on identifying the conditions under which community-investor partnerships emerge and their successes (Taylor and Bending 2009).

The thesis contributes to the broader field of comparative federalism, through a focus on the political economy of fiscal federalism and land-use change. I develop this on both the macro and micro levels, arguing that the key defining factor in producing different land-liberalisation strategies are the differences in states' fiscal capacities stemming from intensified fiscal competition. The trends that were seen immediately in the aftermath of economic liberalisation continue to hold in present day. The cumulative effects of policy changes hold very strongly across states, with very few indicators of harmonisation. It also demonstrates the utility of the subnational scale as an important unit of analysis in federalism studies, showing the growing manoeuvrability achieved by subnational governments. While the changes in federal power division has fragmented the political debate over regulatory reform broadly speaking, the presence of inter-state competition has not produced a clear race-to-the-bottom. As has been demonstrated, there are several divergences in modalities of land acquisitions and land use-change. Existing studies which attempted to answer the differences in land governance through the lens of subnational politics, do not situate it in the broader logics that were perpetuated through the adoption of fiscal decentralisation that occurred in the wake of economic

liberalisation reforms in the 1990s. To the limited extent that they addressed this issue theoretically, they posited a clear decline in regulatory standards over time (and as a corollary, a general rise in conflicts across all jurisdictions). It remained unclear why states which experience the same level of accumulation of commercial pressures on land reacted very differently.

The findings presented in the thesis have shown that states deal with commercial pressures on land based on their own fiscal positions. While diversified land liberalisation strategies have mitigated the necessity for aggressive land-use change to some degree and have created differences in conflict levels across subnational units, the persistence of conflicts shown through no decline in conflict levels in any case means that institutionalisation of compensatory standards and rehabilitation frameworks remains inadequate. Land market liberalisation can be efficient when the process is grounded in institutional frameworks which recognise property rights, importance of independent social impact assessments, and impartial dispute mitigation.

Appendix: State Land Regulations in India (Some Examples)

Sources: Compiled from IDFC (2009, 51-61); Goswami (2016), Singh (2016)

The differences in procedural requirements between federal law and state laws have empowered project-affected persons in some cases, and project proponents in others. These differences can impact the magnitude of conflicts.

Notification of Acquisition: Federal law specifies notification to be released in local gazette with no time mandate. Andhra Pradesh mandated it at 40 minutes.

Land Survey: Federal law does not mandate any survey before acquisition. States of Gujarat and Andhra Pradesh made amendments to provide for assessment of feasibility before release of notification.

Public Purpose: Federal law excludes acquisition of land for companies from the definition of public purpose. Karnataka amended it to include land acquisition for constructions which “are likely to prove substantially useful to the public.” Madhya Pradesh includes acquisitions for agricultural activity. Uttar Pradesh includes acquisitions for resettlement of weaker sections of the populace.

Market Value: Federal law sets the criterion of market value calculation from the date of publication of the notification. West Bengal calculates it from the date of possession of land. Federal law does not specify land use criteria. Most state governments have specified that land use will be assessed on the date of calculation. Bihar specifies it as market value of land use of previous 5 years.

Compensation (agricultural users): Federal law focuses exclusively on rights of landowners. West Bengal recognised a gamut of users of agricultural land, including landless labourers, sharecroppers, and tenants.

Dispute Resolution: Federal law mandates referral of conflicts to special courts within six weeks of acquisitions. Bihar excludes areas counted as slums from this requirement. Uttar Pradesh allows companies which acquire lands through the state to file claims against high compensation rates based on the approval of the district Collector.

Compensation (general): Federal law mandates that total compensation should not be lower than rents accrued to the Department of Land. In Uttar Pradesh, compensation rates can be set a reduced rate if it is deemed excessive by Department of Land.

Social Impact Assessment (SIA) and Consent: Federal law mandates SIA from project-affected persons within 6 months to clearly establish the public purpose and that acquisition meets stated purpose. Gujarat remove the SIA requirement for a wide range of projects involving defense, infrastructure, industrial corridors etc. Tamil Nadu exempts its state laws from following the consent provisions of the federal laws.

Rehabilitation and Resettlement (R&R): The federal law has largely envisaged resettlement through compensation for project-affected persons through formal land titling, and leaves landless persons affected by land-use change outside its purview. The recent recognition of R&R as a right which goes beyond the understanding as mere policy practice has mandated it both for governments as well as private companies. It mandates that no change in land-use be instituted until the completion of R&R. However, it leaves the states to decide on a cut-off point for land size which can trigger comprehensive R&R. States are still in the process of adapting to the requirement of a rights-based approach to R&R.

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