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Economic History of Bengal Presidency

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Backdrop

(A) I am extremely grateful to the International Growth Centre (IGC) for inviting me to the South Asian Growth Conference. The conference has deliberated for the last one-and-a-half day on issues in South Asian economic growth. I am sure the conference will come out with tangible outcomes, linking research to policy. I am really honored that I am presenting my paper here in the company of several distinguished policy makers, public figures and academics. In this session on 'Regional Economic Integration', we had the fortune of being treated with a couple of very good presentations. My paper is not really intended to suggest an immediate research agenda, but just to bring 'Bengal Presidency' to the centre stage of a South Asian discourse. In case this idea gets fructified, it would entail going beyond economic and cultural cooperation between Bangladesh and West Bengal. It will be an academically productive experience for me if I could be associated with a comparative study of the growth trajectory of Bihar and Bangladesh, both part of the old Bengal Presidency. An analysis of how both of them defied the baggage of history is certain to attract attention of scholars and policy makers. Incidentally, I have a double identity, as I belong to both these regions. Our family migrated from Bangladesh almost 175 years ago from Kamarkhara village under the Tongipur Thana in the present day Munshiganj district (erstwhile Munshiganj Sub-division & Bikrampur Pargana of Dhaka district) and we are now permanently settled in Bihar.

(B) The celebrated author, Ramchandra Guha, in a recent front page story of The Telegraph, advised the public functionaries of West Bengal to emulate Bangladesh and Bihar, to galvanize its dysfunctional economy and the state system. He further hoped “what Dhaka and Patna are doing today, Calcutta may yet come to do tomorrow”. In the context of present Bengal, whose hegemony had unbridled sway in the united India, this advice of Guha would have tantamounted to sacrilege a couple of decades ago. It seems history has turned full circle. There used to be an adage in the pre-independence period - “what Bengal thinks today, India thinks tomorrow”. In those days, nobody could have conceived that two moffusil towns of former Bengal Presidency could steal the march for governance and growth, over the fancied city of Calcutta which, apart from being the capital of British India, was also the
centre of knowledge efflorescence. However, in the absence of an incentive structure for production, Bengal Presidency had declined over the years, in contrast to Madras and Bombay Presidencies. Both ascended on the national firmament in the realm of finance, economy and governance. The ascendancy of the southern and the western Presidencies, based on their historical advantage, continued even in the post-independent period. In the process, the public discourse in India about provinces to be emulated for development got changed. The Bengal proper, in spite of Satyajit Ray, Amartya Sen and several other luminaries, not to mention of Rabindranath Tagore, was out of reckoning, being replaced by Punjab, Gujarat, Maharashtra or Tamil Nadu. The two progenies of Bengal Presidency - Bangladesh and Bihar - also did not have a good track record; both were considered to be a case of destitution and decay, and beyond improvement. Similarly, the stagnating Bihar also developed a grotesque brand, where the state seemed to have withered away even without a proletarian revolution! In Bangladesh, immediately after the liberation, all 'Biharees' were persona non grata; any one committing any crime or atrocity against the local citizens was associated with this name.

(C) The Bengal Presidency was the largest among all the presidencies in the British India. While other two Presidencies, Madras and Bombay, remained geographically unchanged during the British period, the Bengal Presidency was subjected to repeated divisions. The state of Assam was the first to go out in 1866, to be followed by Bihar in 1912 and Orissa in 1935. In the meantime, Bengal proper was attempted to be divided between its east and west. The division attempt shook India, and galvanized the nation for a protracted movement for independence. East Pakistan was curved out of Bengal, and it was later christened as Bangladesh, as an independent country. Even though Bihar and Orissa became a separate province several years ago, the heritage of Bengal Presidency is still a living reality in these areas. This is because Bengal Presidency was not a 'geographical expression' only. The incentive structure for production that was given to the area as a historical baggage continued to determine for long the development trajectory of all the states that once comprised Bengal Presidency. Only those states which could chart an independent path later have created a niche for themselves, and they now include Bangladesh and Bihar which have defied historical limitations, and both are in the process of scripting their own growth path. In case of Orissa, with strong sub-national cohesion and with the sea front, the attachment with Bengal Presidency was tenuous, but the umbilical cord of Bihar with the Bengal could
not be severed. This paper is not a history of Bengal Presidency, but rather a note on the present structural contour of three of its components — the present Bengal, Bihar, and Bangladesh. In the absence of a sea front, limited sub-nationalism and Bengali population, the cognizance of Bengal Presidency is still a reality here. It is no accident that the ruling party in Bihar, Janata Dal (U) has decided to support Pranab Mukherjee in the Presidential election in Bihar, defying the NDA (National democratic Alliance) mandate.

**Salient Features of Bengal Presidency**

2 (A) The neo-classical economics and rational choice theory assume that each individual is a rationally self-interested utility maximizing agent. In this way, individual is supported in pursuing private benefits and the collection of individual good in turn contributes to public or societal good. Society oscillates around the individual; and the notion of individual action (i.e. private profit seeking) yields a fairly complete formula for government economic policies. This formula, then, provides a basis for assessing the quality of governance for the management of the economy. In the context of Bihar, it was this absence of an incentive (profit) structure, either individual or societal, that was proving to be detrimental for its development, if not proving to be the Waterloo for government policies. Normally, the incentive structure in the society is scripted through either social reform or renaissance movement which, in turn, triggers agricultural or industrial revolution. After all, the 'Spinning Jenny' was invented almost a century before the society with 'an adequate incentive structure' could actually utilize this revolutionary invention for spinning, leading to industrial revolution in England. Accumulation in a society takes place in any case if it has to survive. But the character of this accumulation, whether buccaneering or legitimate, is decided by the incentive structure. The foundation of the incentive structure, in turn, is dependent on who exercises the intellectual, moral and societal legitimacy and entrepreneurship.

(B) In case of Bengal Presidency, the incentive structure that had existed in the region earlier was nearly eclipsed with the arrival of East India Company. Being the first seat of British colonialism, it had to face extreme exploitation, leading to primitive accumulation. It also witnessed one of the worst forms of de-industrialisation. The fate of Dhaka silk, which was part of folklore of textile manufacturing in pre-colonial India, had to decline because of
colonial policy. Not only the flourishing industries like textile, saltpeter, etc. were destroyed, even the artisans and traders were exterminated. The surplus of this area, appropriated by the Company, was used for the war of expedition; in later years, it was also used to meet the budget deficits of Madras and Bombay Presidencies. By the time the Company expanded to South and West India, there was no need for them to destroy the local incentive structure that existed. Thus, the main actors of the indigenous incentive structure, like artisans or traders, survived the Company onslaught there. The incentive structure was so developed there that some nationalist historians believed that the textile manufacturers of Gujarat (Surat) were on the threshold of an industrial revolution when the British came, but colonialism intervened to halt the process. So it is not uncommon in West India to see industrial houses with a few centuries of uninterrupted business. In the South again, the Madras-based Chettiar, went from strength to strength during the colonial period. After independence, they controlled substantial financial resources and exercised considerable political clout. Their moment of glory could be visible when Mr. Chidambaram, from their rank, rose to become the Finance Minister of India and presently Home Minister of India. On the contrary, in Eastern India, the trading house of Subarnabaniks in Calcutta, in spite of their widespread network of trade in East and Far East, went into oblivion due to Company machinations. Eclipse of powerful trading community in Calcutta proper and Bengal Presidency in general, who could compete nationally and internationally, had widespread negative impact in the suburbs of Eastern India. The feudal ethos in Eastern India also put a stigma on the profession of trade. In Gujarat and in many Southern states, trading castes are held in equal reverence with the upper castes.

(C) The second factor which played pivotal role in determining the incentive structure in Bengal Presidency was its land tenure system. Essentially, this system determines the right of collection of land rent, and before independence, constituted the most important source of revenue for the state's coffer. There were several types of land revenue systems, which were made operational by the British. But these tenurial systems could be broadly divided into two categories — one, with intermediaries between the tenant and the state, and the other which operated directly between the two. The tenurial structures had far reaching consequences, in the areas of surplus generation and capital accumulation. In Bengal Presidency, the then Governor General Lord Cornwallis had settled intermediaries permanently in 1793, known as Zamindars, between the state and the tenant. In the process,
the incentive structure for production for the tenant, the main generator of wealth, was aborted; on the contrary, an incentive structure for exploitation by the Zamindars was institutionalised and this crucial fact became part of the heritage of permanent settlement areas. A Report of Bihar Kishan Sabha⁴, a premier organization of the peasants, had identified 48 types of atrocities by the Zamindars in the Southern part of Bihar in the pre-independence period. Thus, the soil of Bengal Presidency with its best natural endowments (abundant ground and river water with alluvial soil) could not become the center of Green Revolution. In contrast, Ryotwari and Mahalbari areas, with no intermediaries to poach the surplus, had experienced massive accumulation, in spite of its land being relatively less fertile. The rise of a rich peasant class in Ryotwari areas is probably attributable to the lack of a stratum of pure renters lording over them. The tenants were further protected in large part of the Ryotwari areas with legislation against transfer of land to non-agriculturist, which tended to limit the power of the pure moneylenders over cultivators. This facilitated some rich peasants gradually entering the industrial sector at a later stage. In the permanent settlement areas, however, entrepreneurs from among the peasant proprietor class could not emerge to enter into business, since it was the moneylenders and Zamindars who would generally skim off surplus of the peasantry to increase their wealth.⁷

(D) Further, the incentive structure of a given area is also sutured by the public investment pattern, which develops the productive forces in the given area. The British felt that there is no need for investment in the Permanent Settlement areas, as the land revenue there did not depend directly or indirectly on the prosperity of the peasant. The Zamindars also did not show any interest in the improvement of agricultural productivity or of the condition of the peasantry in their region. This resulted into decay of minor irrigation and flood control works. The unplanned construction of railway lines for ferrying mineral and human resources created swamps and water logging in many places. This contributed to further soil erosion, bringing down the productivity of the land. In contrast, the agriculture was strengthened in the Ryotwari and Mahalbari areas by introduction of large scale irrigation. After independence, when the 'Green Revolution' was planned, it could trigger only in those areas which had assured irrigation. Even in Bihar, the catchments area of Sone Canal which was constructed by the British in 1875 is still the most prosperous agricultural tract of the state and the home of limited 'Green Revolution' in this part of the country.
The incentive structure of society further gets consolidated with the character of the social movements. Most of the social movements in South and Western India had initially started with the agenda of dismantling the Brahminical social hierarchy. As these movements started much before the independence, they didn't have to contend with the competitive electoral populism. There was no need for major tenurial reform, as there were no intermediaries; the incentive structure for production was embedded in the overall structure of society. This was reflected by the tenor of the academic debate on the growth strategy for the area, which was not around the surplus distribution or consolidation of land; it was rather on the size of the economic holding for maximising production. This debate was indeed irrelevant in the permanent settlement areas. It was felt that consolidation of land could not obviate the evils of scattered holdings, unless the consolidated holding became an economic holding, ensuring continuous agricultural growth. Way back in 1918, when he was being groomed to takeover as the Finance Minister of Baroda Princely State, Dr. B.R. Ambedkar⁸, an economist, Dalit leader, framer of the Indian Constitution, had advocated for one-man rule of succession, with a survey number which would be made to cover a piece of land, large enough to be an ideal economic holding. Thus, the incentive structure of production there was embedded in the cognitive world of even a Dalit intellectual and economist. Subsequently, social movements there traveled from anti-Brahminism to development, simultaneously imbibing an agenda of sub-national identity. In the process, it resulted into industrialization in Madras Presidency, and movement for sugar co-operatives in Bombay Presidency. The sub-nationalism further ensured regional ownership. It was this strong combination of regional ownership (sub-nationalism) by the elite and the incentive for production that together accelerated economic development in those two Presidencies. In the Ryotwari areas, the leaders, the opinion makers, intellectuals had generally engaged themselves with the operational aspects of development. In those areas, political leaders like Kamraj or social reformers like Sahuji Maharaj (King of Kolhapur) or economist like Gadgil had encouraged entrepreneurship and capitalist transformation in agriculture.

In contrast, there was no social movement of consequence in Bihar, a backwater of Bengal Presidency. The unit of movement in Bihar was caste, and there was no multi-caste or region specific movement. In Bihar, it was the intermediaries generally belonging to the upper castes, who determined its social and economic profile. These intermediaries did not occupy
themselves with the incentive structure of production and they had a larger than life presence in the social spectrum of Bihar. They were considered to be the main obstacle to progress in agriculture. Instead of productive accumulation, the intermediaries used to indulge in extravagant habits. They vied with each other in the matter of ostentations; for example, on one occasion, an intermediary purchased a new car to attend the marriage of another intermediary to make sure that he did not feel small by the side of his host. They were never parsimonious. Large sums of money were spent on social occasions, like birth, death or marriage. Thus, a leisured class developed in the permanent settlement areas with no responsibility for promoting economic growth. Apart from archaic agrarian relation, the failure of Sepoy Mutiny in 1857, also reinforced ideological conservatism of the people of Bihar. Since Bihar was subjected to extreme repression after the failure of the revolt, it developed a resistance to all western ideas, including education and modernity.

Divergent Growth Patterns within Bengal Presidency

3 (A) Within Bengal Presidency, Bengal proper did not face the socio-economic stagnation during the colonial period, as was experienced by Bihar. This was primarily because of Bengal’s urban economy; but the rural Bengal was indeed backward until the land reform programme of the eighties. The social base of renaissance movement in Bengal proper was rather limited, as it could not transcend beyond the confines of the Calcutta metropolis. Even Calcutta Bhadraloks had hard time to contend with the sudden entry of print culture and western education. This contact with a culture which conferred superior status to rationality and science often resulted in efforts to use self-legitimised ‘rational’ arguments to defend traditional institutions and ideas. For example, ‘time’ acquired a new meaning and disciplinary notion for the Bengali Bhadraloks through the entry of clocks and watches, and there emerged a new sense of moving forward in consonance with its linear progress of time. Foreign rule, howsoever humiliating, had brought the gift of ‘modern’ culture for the new English-educated literati, who thought its evil could be reduced or eliminated through gradual reform. A premium, consequently, was placed on varied forms of social activism — education, religion, social reform, revivalism, philanthropy, patriotic endeavor and the like. But, unfortunately, they paid no attention to production and productivity in agriculture, as most Bhadraloks were beneficiaries of ‘permanent settlement’, a large section of them being absentee landlords, living far away from the main theatre of production. Instead of
occupying themselves with the question of production, they trekked to Ramkrishna Paramahansa, a spiritual head, who seemed to represent the very opposite of all such valorizations and initiatives. With the Young Bengal movement and advent of Tagore, Bengali renaissance again concerned itself with esoteric questions of life and culture, and failed to build bridges with its rustic hinterland. It is, therefore, not surprising that the Dalit leadership of Bengal proper opted for East Pakistan at the time of independence, rather than staying back in the their home state. Even the 'Swadeshi Movement', which originated in Bengal and advocated for indigenous industrialization, failed to make much headway in the absence of proper avenues of investment and lack of incentive structure. Similarly, East Pakistan, before the formation of Bangladesh, was mainly preoccupied with the agenda of language and nationalism; the all important economic agenda was taken in right earnest, only after the emergence of Bangladesh.

In the backwaters of Bengal Presidency, the tenural relation and social conservatism conditioned the character of the social movement. For one, in spite of the absence of incentive structure and the agenda of development, politics as profession acquired a high priority and legitimacy. All political systems, at least theoretically, grant political equality to all, irrespective of caste, wealth, privilege, etc., and this equality is exercised through voting, contesting elections and other forms of participation. Political equality, as opposed to social and economic equality, opens up opportunities to utilize political democracy for sharing the power and material benefits accruing from it. However, social and economic inequality is an impediment in the way of political equality. Thus, a society which is more unequal and lacks economic incentive structure, has high legitimacy of the political system and the election process. That is the only way of social mobility and political empowerment. It is, therefore, not surprising that countermanding of the first free and fair national parliamentary election in Pakistan, held in December 1970 and January 1971, when Awami League of Muzibur Rahman swept the poll winning 167 seats in a National Assembly of 313 members, led to unprecedented protest and finally formation of separate state of Bangladesh. This demonstrates the sanctity of elections. In most of the South and Western states in India, an effective paradigm shift in the social realm had taken place before independence. In Bihar, however, tenural reform and social empowerment was a post-independent phenomenon. Thus, election and electoral issues always acquired a larger than life form, because all the patronage structure was embedded in the state.
(C) In Bengal, two streams of politics had evolved over the years – elite and subaltern. Both streams revolved around agrarian questions, either reinforcing or changing them. While the landlord section of the upper caste stood in favour of the status quo in the agrarian realm, the tenant section from their rank, mostly middle castes and vast bulk of the backward and the Dalit (untouchable caste), wanted the end of the intermediaries. Though the landowners were 'permanently unsettled' in 1948, it took several years before government could effectively banish the intermediaries. Even after that, it took almost another decade to legislate against land concentration. While there was a very broad possible coalition against intermediaries, irrespective of caste and class, this unity could not last to break the land concentration. The caste-driven society could have still graduated into a class driven one, provided there was an embedded incentive structure for production. Instead, it was the incentive to enter the corridors of political power that was more luring and, thus, the agenda for agricultural growth had to remain almost wholly unattended.

(D) Even during the British period, the hold of the Raj in the Bengal Presidency was limited.\textsuperscript{15} This was not the case in other Presidencies. In the absence of regular survey and settlement operations, the presence of government was not necessary. Even in the post-independence period, the all pervasive might of the state was not felt across the whole of former Bengal Presidency. In the process, the quality of governance suffered. Leaving out East Pakistan, the Nehruvian model of civil society essentially subsumed the epic of 'western modernity'\textsuperscript{16} in India, and it was inextricably linked to the incentive structure of productive base of capitalist society. Despite Gandhian influence, Nehruvian 'hegemony' was fully accepted by the western educated elite, a small section of the overall society. But despite the aura of the national movement and the electoral triumph of the first general election, the social base and reach of these elite remained limited. The situation, however, has changed since the late eighties. In fact, as James Manor opined, the last two decades 'have made India a more genuine democracy than it was in the first phase after Independance.'\textsuperscript{17} The democratization of the polity resulted in a 'large-scale entry of agrarian group into state and national level politics during the 1980s.' The concomitant political impact, according to Sunil Khilnani, was a 'chasm between the elite and vernacular universe of discourse'.\textsuperscript{18} In Bengal proper, in spite of economic democratization through land reform, the hold of the traditional elite continued. In Bangladesh, before independence, the political and social discourse was Pakistan-centric, which got substantially abandoned later.
But the grammar of Nehruvian discourse changed with the emergence of the agrarian interest groups in the states of the Hindi heartland, especially Uttar Pradesh and Bihar. The region, as mentioned earlier, did neither experience any social movement earlier, nor had an effective incentive structure for production. Further, in the absence of a sub-national identity, the limited capitalist transformation in agriculture in the region only resulted in a further consolidation of either caste or religious (Hindu) identity. These changes in the social composition of the population had direct consequences on the power configuration in the state.

Bangladesh after 1980 and Bihar after 2005, the two most important constituents of Bengal Presidency have created an identity for themselves. Feudalism in Bangladesh was abolished by default. Predominantly Hindu Zamindars migrated to India after partition. The then government of East Pakistan promptly took possession of the land and redistributed it among the Muslim peasants. For bulk of its population, access to land has been the key structural asset that has mainly defined their social class. With the change in the ownership pattern of land and emergence as a separate country, Bangladesh was able to increase food production substantially. The economy was diversified by promoting export industries, related to readymade garments and shrimp. There was qualitative change in the social sector governance, particularly education and health. In the process, Bangladesh has emerged as a global icon. Independence from Pakistan also accentuated the economic changes in Bangladesh. In Bihar also, in the last seven years, the society has changed and governance has improved. The non-functioning state has started functioning, and Bihar has emerged as one of the fastest growing region in the country. In contrast, West Bengal, even after successful 'Operation Barga' and the institutional memory of renaissance, has stagnated and the quality of governance has reached its nadir. Ramchandra Guha has essentially encapsulated that contrast between West Bengal at one hand, and Bangladesh and Bihar on the other. In Bangladesh and Bihar, the economic and social evolution is not cyclical, it is rather spiraling. This could be possible only with the development of an incentive structure, preceded by a change in the power structure. The principal constraints relating to tenurial structure of Bengal Presidency have now been overcome in both these regions.

**Lessons from History and Questions Unanswered**

4 (A) Bengal Presidency, as it was two centuries ago at the time of its formation, is no longer there;
it has been divided and sub-divided. Leaving out Assam and Orissa, two constituents of the original Presidency whose relations with Calcutta were rather tenuous, one is still left with three other of its constituents — West Bengal, Bangladesh and Bihar. Notwithstanding a shared history till the independence of India in 1947, these three regions of Bengal Presidency are now experiencing remarkably divergent development dynamics. This divergence should, however, surprise none, since the interplay of social, economic and political forces in a country or region can produce a variety of development or non-development outcomes, defying any tendency of linearity. Indeed, one of the lessons that clearly emerge from the varying development experiences across the erstwhile Bengal Presidency is that the burden of history, howsoever heavy, can indeed be unloaded with right political initiatives. From the history of Bengal Presidency, it also emerges that strategising development requires the policy makers to unleash the productive forces of the economy and not just unquestionably follow a path of industrialisation, as was done by countries which had developed earlier. It is here that one requires directed research to identify policies that best suits the interests of the country.

(B) Parallel to some of the important lessons that one may acquire for the history of Bengal Presidency, there are remain some questions which remain unanswered. For one, it is somewhat intriguing to observe that the pace of agricultural growth in any of the regions of the Bengal Presidency has not been very high. The phenomenon of Green Revolution in north-western region of India had meant an agricultural growth rate of around 5 percent for more than a decade. In these areas the surplus from the agricultural sector was fed into the industrial sector to build a strong economy. One wonders why this phenomenon could not happen in either West Bengal, or Bangladesh or Bihar, even though each of these areas had fertile land and abundant water resources. This question is of enormous importance, since it is still the rural agricultural economy which provides livelihood to the majority of the population in each of these areas.

(C) It has often been underlined that the potential of within region trade in Eastern India and the cross-border trade with Bangladesh has not been fully exploited. This is certainly not attributable to any tariff policy; it has more to do with trading facilities and the transport connectivity across the region. This is particularly so after India has extended duty free and quota free treatment to all manufacturing imports from Bangladesh. India has also
eliminated its negative list under SAFTA, so far as it applies to Bangladesh. Unfortunately, trade policies of India (and possibly Bangladesh too) are focused on advanced countries, overlooking the opportunities that lie just across the border. Studies that could identify the newer goods which could enhance the Indo-Bangladesh trade are probably long overdue.

(D) Finally, one also needs to analyse the social composition of the ruling class in different regions/countries to know what motivates the state to change from being a mere institution of power to become a 'principal agent' for development. As history shows, this transition is not easy, and it often requires political trials and errors to finally arrive at a class or coalition that meets the development aspirations of the people.
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