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EMERGENCE OF NEW SOCIAL ELITES IN BIHAR : CRISIS OR CHANGE*

In the sultry afternoon of June 20, 2004, Laloo Prasad Yadav, the recently appointed railway minister of the union government, flagged off a refrigerated wagon of vegetables to Delhi, the capital of India. The 17-tonne capacity of the van was half empty in its maiden foray to Delhi. Another wagon was kept ready for linking the Patna market with Kolkata, another metropolitan centre at the east. Laloo Prasad enthusiastically announced that the wagons would commute twice a week initially, and its frequency will be increased later.¹ A half empty wagon in its maiden journey was understandable; however, contrary to the expectations, the effort of Laloo Prasad drew lukewarm response at both ends later. In Patna, there was no enthusiasm at the farmers' end to send vegetables to Delhi. The wholesale traders of Delhi also did not respond favourably, in spite of superior quality of vegetables from Bihar, possibly because it could have created new quality benchmark at the Delhi market. When the planned departure schedules could not be maintained in the absence of supply of vegetable, state machinery was activated. The Officers-in-charge of the police stations within the vegetable growing region around Patna were drafted to influence the traders to send vegetables regularly to Delhi.² After all, if the market forces are not operating, the state should intervene to strengthen it. But this effort too failed. Earlier dates of departures were rescheduled several times in anticipation of better response; ultimately the entire project was abandoned.

Is charisma sufficient to activate the market forces? After Laloo Prasad, the maverick leader from the most backward state of Bihar, was catapulted to Union cabinet, it was indeed a moment of reckoning for him. After years of living with the reputation of a non-performer in the development front, he wanted to do something dramatic for the state, by going in for an economic integration with the national market. This would entail promoting a parallel reverse trend, exporting goods from the provincial to the national market. He almost followed a copybook roadmap of an 'economic reformer', graduating

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from a social reformer. If the experiment had succeeded, Laloo Prasad would have been on the threshold to create another history. After liberating the socially deprived from the caste hierarchy, he was now scripting the liberation of the small size provincial market, by integrating it with the much larger national market and then hopefully international market. As a national political figure, he was transcending from social concern to market concern, which is the ultimate measure of economic dynamism in the increasingly market-centric economy. After all, history for a change was on his side. Immediately after independence, the policy of equalization in the freight rates of the railway, in the matter of coal, iron ore/steel and cement, the most important mineral inputs for industrial development, had devastated the untruncated Bihar. Not only Bihar stopped becoming the destination for investment in spite of its locational advantage vis-à-vis mineral resources, it rather subsidized the capitalist industrial transformation of India at its own peril. Laloo Prasad was poised to reverse that history. Unlike mineral resources, the freight equalization now would have worked in favour of agriculture in Bihar, a landlocked state. Even in the absence of freight equalization, the vast channels of railway network and its subsidised freight could have favored the vegetable producers of the state. Whereas Shree Krishna Sinha, the first Chief Minister of Bihar, could not protect the mineral interest of the state and thus promote regional capitalism; Laloo Prasad could ensure local agrarian capitalism with the help of a national market. With Laloo Prasad at the helm, Bihar will no longer feel the disadvantage of a limited market or the absence of a level playing field. However, contrary to the expectations, Laloo Prasad's optimism for reverse market integration proved to be a non-starter. Why this grand effort proved to be a damp squib? Was this only a publicity stunt in view of the impending assembly election? Or was the failure related more to the structural problems of the economy? Is the debate of centre and periphery still relevant? Is it possible that there was no market for the vegetables in Delhi, and exports from Bihar could have created a market glut? Even if there was a market in Delhi, there was possibly no surplus to be sent to Delhi that could have resurged agrarian capitalism in Bihar. Or, the failure could be attributed to lack of simple forward and backward linkages, a necessary precondition for the market economy. To buttress this point, it was reported that the arrival time of the refrigerated wagon in Delhi was not suitable for its onward connection with the local wholesale market which starts from the midnight. In support of the state edifice, in this case the

railways, sufficient for market economy to succeed? Can state institutions succeed in promoting the market economy where it has to go beyond the administered prices? Can gradualism of economic forces be replaced by entrepreneurial ability fostered overnight by the state administrative fiat?

Ironically, Patna and its hinterland, during the last one century were not unconnected to national market. This geographical enclave has developed over the century as a 'vegetable bowl' of the state. This was primarily because of graduation of Patna to a state capital in 1912 of the newly formed state of Bihar (separated from Bengal Presidency) from district town, establishment of military cantonment in its periphery and installation of the railway line connecting Kolkata and eastern Uttar Pradesh. All these created huge market for vegetable and milk capitalism. This also created entrepreneurs from the backward social stocks of Yadav, Koeri or Kurmi agro-capitalist. The refrigerated wagon for vegetable introduced by Laloo Prasad could have further enthused the backward caste entrepreneurs in opening new frontiers of market. Apart from the established agro entrepreneurs, this could have given opportunity to those marginal producers who were still outside the market network and cash nexus. However, this did not happen in Bihar. In contrast, even without any state effort, thousands of refrigerated vans make forays into Bihar with fish from Andhra Pradesh. The fish capitalism has triggered much other food-based entrepreneurship in Andhra Pradesh. Then, why did Bihari entrepreneurs tend to behave differently in case of Patna-Delhi linkage? Is it possible that already established Bihari agro-capitalists from the stock of backward castes, by not supplying adequate vegetable to the refrigerated wagon, wanted Laloo Prasad's efforts to fail as he does not belong to their class? Similarly, truckload of vegetables is also being sent to Ranchi in Jharkhand from Bihar³ itself, with backward and forward linkages operating smoothly. It was rumored that Nitish Kumar⁴, Laloo Prasad's predecessor in the railway ministry, who had actually initiated the plan of the vegetable export through the refrigerated wagon could have succeeded in this effort because he was the organic leader of this class. He was careful, like Charan Singh⁵ that the terms of trade between the industry and agriculture, should always be in favour of the latter. With his administrative ability, he could have ensured backward and forward linkages with the market before initiating the venture. Can Laloo Prasad's failure be attributed to his lack of ability to go into the

details of the market linkages or something else? Was it possible that backward linkages could have put certain social categories on the forefront of market economy? After all, Laloo Prasad has not only effected paradigm shift between the upper and the backwards caste but also effected change between the upper and lower backwards. The Indian railway was planned to be used to promote market democratization by Laloo Prasad, in the way 'Mandal Commission' was used for social democratization. This paper, however, is not an attempt to identify the technical or the anthropological aspects of the futile attempt of vegetable foray, but the political economy of failure of Laloo Prasad to graduate into the market economy and the incapacity of the state to promote the market forces. The first question that arise here is who is Laloo Prasad in sociological terms or whom does he represent? Is his emergence an indication of the emergence of any new social group in the political firmament of India? Does his utter failure in creating a market for vegetable trade, at the pinnacle of his political power, indicative of the limitations of his vision or his social class? Can this class be defined in economic terms? Can Bihar be explained by economic or cultural reductionism or it needs combination of both? To contextualise these questions, it is important to understand the developments that were peculiar to Bihar and which ushered Laloo Prasad in power around 1990 and has subsequently enabled him to maintain his hold over Bihar despite facing several odds.

Backward Caste Upsurge in Bihar : The Rapid Transition From Vernacular to Cockney

The vanguards of the old feudal order, mostly the upper castes, have been driven to the margins in the political discourse of Bihar, signaling a near complete decimation of the Congress. There exists a number of works on how Congress forged a 'coalition of extremes' – between the upper castes, Muslims and the Dalits – to meet the challenges of political democracy, but in essence carried forward the agenda of the traditional elites, the most recent exposition of this argument being the description of Congress by Jaffrelot⁶ on similar lines in north India in the period following 1990s. The demise of Congress, however, was itself a much-protracted phenomenon and an effective challenge to the Congress domination of the political process in Bihar had sprang up as early as the mid-1960s in the form of *Triveni Sangh* - a formidable alliance of Yadavs, Kurmis and

the Koeris – the three major intermediate backward caste groups in Bihar. Although in the initial period it did not appear to be a strong force, it carried the future potential of galvanising the numerically far more superior groups of the backward castes. Most of the writings⁷ that concern itself with the rising graph of backward caste leaders in Bihar are unanimous in tracing its origins, in consonance with the pattern that obtained at the all India level and within the political framework of Indian National Congress. The Congress party, as Myron Weiner⁸ has convincingly shown, had instituted very early an ‘open elite system’, permitting ‘aspiring social groups to gain a share of power within the party’. The Congress leaders accommodated the demand for power by aspiring groups because of the party’s endemic factionalism: the groups which were locked in such struggles willingly included emergent leaders from rising social groups in order to reinforce their own position. But this political pattern was true of south India. In North India, on the other hand, as Jeffrelot⁹ has argued, this tendency of inclusion of new groups in the political system has been noticeably weak because of three factors. First, the high concentration of upper castes in North India in contrast to South India. Secondly, the greater proximity of caste system in the Hindi belt to the *varna* model; in the South, the twice born are seldom ‘complete’ since the warrior and merchant castes are often absent or poorly represented. Thirdly, the North-South contrast is also attributable to the kind of land settlement that the British had introduced in these two areas. While the *Zamindari*¹⁰ system prevailed in North India, the *Rayatwari*¹¹ system was more systematically implemented in the South (a discussion about the pattern of land settlement will follow below). The former ossified the social hierarchy, whereas the latter was more conducive to some form of social equality. The two phenomena — the policy of land settlement and the caste structure — had a cumulative effect in the North since the *zamindars* were often people of higher caste. This agrarian elite’s dominant role was also reinforced because the British thought of its members as forming ‘natural leaders’ and considered them to be their most reliable supporters. Impetus for change in this part of India has primarily come from the affirmative actions of the state through the policy of reservations for the backward classes; over the years, this has resulted in a process of what he calls ‘silent revolution’. This notwithstanding, Ramashray Roy in an earlier essay, traced the rise of the backward castes in the political structure of Bihar to the democratic politics unleashed by the colonial rule and the competition among the upper castes for political power that

necessitated widening of the political circle resulting in the induction of the politically inactive groups into the political process. Veering around the Congress politics and upper caste-class domination, as most of these analyses tend to do, they take away any autonomy that might have existed in the history of backward caste upsurge in Bihar. Most of these analyses, including Jaffrelot's¹² otherwise rather poignant one, also do not seem to take cognizance of the emergence of a wide array of backward caste leaders through their participation in the radical peasant politics dating as far back as 1930s and later in the 1970s through their domination of radical politics in the flaming fields of Bihar.

Definite evidence about an independent assertion of backward caste aspirations for higher social status can be gleaned from the widespread antagonisms that appeared between the lower caste peasants and upper caste *zamindars* all over Bihar¹³. These conflicts that first started between the Yadavs and the Bhumihars across north and south Bihar soon included the Koeris and Kurmis on the side of the Yadavs, while most of the upper castes came out openly on the side of Bhumihars. This widespread contradiction that mainly appeared on the issue of adoption of upper-caste rituals by the backwards had a distinct material basis. It was in essence the refusal of backward caste peasants to do *begari* (unpaid labour) for the zamindars that brought them in direct confrontation with the latter. The importance of this evidence for our present argument is twofold. First, contrary to the widely held belief that the 'silent revolution' that has seen the gradual domination of Indian politics, especially in North India in the 1990s, by the backward caste leaders was heralded by middle caste middle peasantry, the spurt for this movement in Bihar came from the middle castes, but barring a few insignificant pockets, they mostly belonged to the section of 'poor' peasantry. According to a survey report of 1951, only slightly more than 1 percent backwards belonged to the category of landowners in contrast to nearly 89 percent upper castes who were classified as landowners.¹⁴ The situation had changed very little in the 1980s that was revealed in a survey conducted in 12 villages spread across north and south Bihar.¹⁵ Secondly, the commonality between the actual as well as the perceived sense of deprivation among the backward castes and the feeling of dominance among the upper castes, cut across caste barriers and had also a basis of class. This was amply evident in the above cited instance of conflict between the

lower caste peasants and the upper caste *zamindars*, when most of the backward castes chose to side with the Yadavs while the upper castes rallied around the Bhumihars in what was essentially a Yadav-Bhumihar conflict.

The dominance of the upper castes and subjugation of the majority of the backward and other lower castes resulted in a complete polarisation of the two groups and it could not come together even when opportunities arose to transcend the caste-class ties for asserting regional identities. This can be clearly witnessed in the case of Maithili¹⁶ movement within Bihar failing to carve out a separate regional identity for itself¹⁷. Among the several factors that Paul Brass has identified for the failure of this movement, the caste exclusiveness promoted by the upper castes and their rigid adherence to social orthodoxy that in turn prevented the backward castes in aligning in any way with this movement, was one of the most important factor. To comprehend fully what lies behind this early split of caste hierarchy along two broadly distinct classes of oppressors and oppressed, one has to delve in the historical features of the predominantly agrarian society of Bihar. Bihar was part of the Permanent Settlement area where *zamindars* were invested with the power of revenue collection by the colonial state. In the initial stages, the *zamindars* also functioned as the judiciary in the rural areas. For dispensing the two functions, the *zamindars* maintained a huge retinue of armed people. Stories of their past atrocities are still abounding in the rural areas, as are the instances of atrocities by them in the present times. A Report of Bihar Kisan Sabha, a premier organization of the peasants, had listed 48 types of atrocities by the *zamindars* on the mass of the peasantry in South Bihar¹⁸. The conditions of extreme oppression that the *zamindars* had unleashed in the countryside created a fertile ground for the peasantry to retaliate. Bulk of the section of the peasantry who rebelled comprised of the tenant section of the OBCs (the other backward castes as they have been classified in the Backward Classes Commission's Report)¹⁹. It is an irony that the man who first led the organized struggle of the peasants in Bihar, Swami Sahjanand,²⁰ himself belonged to the Bhumihar caste, a powerful component of the upper castes in Bihar. The struggle of the peasants finally led to abolition of *zamindari*. It was this section of the tenant cultivators that also comprised a section of the upper castes that parted ways with the Congress to form the social base of early emergence of Socialist and Communist movement in Bihar. What is noteworthy,

however, in this entire process is that, while on the economic front a broad coalition was formed between the tenant section of the Bhumihars and the OBCs, this coalition could not sustain for long when the social aspirations of the OBCs cropped up. Kisan Sabha movement was, however, significant to the extent that it prepared the ground for the emergence of a strong tradition of Socialist and Communist movement in Bihar. The broader division between the upper and backward castes nevertheless continued unabated. The several transformations that the socialist movement in Bihar underwent and the later emergence of CPI was in several ways indicative of the growing control of Socialist party by the backward caste leaders with the forward caste leaders belonging to the tradition of Kisan Sabha movement finding it more comfortable to align with the CPI. A look at the pattern of leadership of the two traditions²¹ reveals that “the most prominent leaders of the SSP have tended to come from either a middle caste or low caste or an economically deprived background, whereas the most prominent CPI leaders have tended to come from landed or middle class families”.²²

Airing of social aspirations by the OBCs also led to the formation of Triveni Sangh — the political platform of the Kurmi, Koeris and the Yadavs, the three main middle castes of Bihar. This in several senses also marked the beginning of an era of politics based on social identity among the backward castes, a feature that had hitherto been an exclusive preserve of the upper castes. It provided an alternative political platform, independent of the Congress and some other minor political outfits that were dominated by the erstwhile landlord section and other upper caste rural and urban gentry. Thus, whereas the vernacular elite²³ (the social group mainly from OBCs who spearheaded the green revolution) in other parts of north India rose within the parameters of Congress, they were able to carve out an independent niche for themselves in Bihar from a very early stage. Moreover, majority of the middle castes in Bihar, unlike in other parts of north India, also did not belong to the class of agro-capitalist farmers. The other significant factor associated with the upsurge of OBCs in Bihar is that their relative independence from upper caste-class hegemony had clear underpinnings of socialist movement. During crucial moments of their struggle against the upper caste-class, this factor has enabled them to put aside their individual caste feeling to forge a coalition with lower backwards and Dalits. Broad contours of this coalition had started appearing during the Chief

Ministership of Karpoori Thakur²⁴ who belonged to *Nai* (barber) caste, an extremely backward one. He is still remembered for implementing the Mungeri Lal Commission Report in 1978 that provided reservation for the backward castes in general and lower backwards in particular in government jobs. This trend, however, finally fructified during the time of Laloo Prasad Yadav. The left radical movement in south Bihar, in spite of its several limitations, also greatly assisted the rise of the backwards in the political arena, by mobilizing people belonging to the lower classes cutting across the caste barrier at the middle and lower end of the society, in their struggle against the atrocities by erstwhile *zamindars* and other landholders. Because of this presence of a strong component of class identity in anti-feudal social mobilization, Bihar is distinct from rest of the Hindi belt. The pattern of landholding in Bihar (see below) only hastened this process. The initial rise of the vernacular elite and its subsequent transition to the emergence of the ‘cockney’ elite is also attributable to this class identity.

Bihar is not only significantly different from the more conservative states of north India like Rajasthan and MP where the dominance of the traditional elites of conservative character persists, it is also vastly different from Uttar Pradesh (UP),²⁵ another Hindi heartland state, where the ‘Mandalisation’ of polity is a foregone conclusion. The OBCs (Other backward castes) and the Dalits have been exercising power in UP first in alliance and subsequently, alternatively. The process itself has resulted in transforming the very nature of ‘main contradiction’ in the society. From the conflict between the upper and backward castes, the social attrition there is now centered on a conflict between the affluent OBCs and the Dalits. On the other hand, Bihar has managed to retain some degree of cohesion between the OBCs and the Dalits. A look at the ‘chronology of massacres’ in the rural south Bihar shows (as has been pointed out by Gail Omvedt in her foreword to a book by Prakash Louis)²⁶ only a few incidents show that the ‘backward castes’ or ‘upper backwards’ being involved in attacks on SCs —11 out of 90 incidents (plus another 8 cases including those of party cadres which clearly indicate retaliation against the higher castes). This means that roughly only about 10 percent of attacks involved the ‘upper backwards’ attacking Dalits. These data contradict an argument frequently heard now” that the ‘main contradiction’ is necessarily now between ‘affluent OBCs’ and the dalits. It may appear so in some places ... it is not true in Bihar ... the ML

(Marxist Leninist) movement in Bihar seems, whatever its other flaws, to have achieved some unity among ex-Shudras and Dalits.”²⁷ The importance of this cohesion can be further underlined from the fact that it was precisely the growing rupture between the SP (Samajwadi Party of Mulayam Singh Yadav, the current Chief Minister of UP, which is mainly a party representing the interests of agro-capitalist OBC) and BSP (Bahujan Samaj Party, a party primarily catering to the interests of the Dalits) that was evident in the growing number of attacks on the Dalits by members of OBC, because of which the coalition government formed by the two parties was overthrown, making room for BJP to come to power in UP.

The ‘cockney’²⁸ elite that has come to power with the rise of Laloo Prasad is yet to acquire features that can clearly demarcate it from the backward caste segment of the ‘vernacular’ elites. However, some of the social categories that generally comprise the ‘cockney’ can be identified as the proletariat segment of the upper backwards, a substantial section of the lower backwards and a large section of the Dalit population. These lower backward castes together (110 odd castes that find mention in the Annexure I of the Backward Caste Commission Report) constitute 33 percent of Bihar’s population, but individually most of them are in the range of 1-2 percent of the total population.²⁹ Cockney can thus be defined as a convergence point of that section of the ‘vernacular’ which shared the caste identity of a substantial section of the vernacular elites, but in terms of economic status, it was closer to the lowest caste groups in Bihar or the ‘subaltern’. In Bihar, as elsewhere in the Hindi Heartland, there are a number of contradictions between the two segments; however, a tradition of struggle within the general purview of class contradictions has enabled them to forge a political alliance to counter and, as the 1990s has witnessed, even to marginalize the upper caste-class in the political discourse. It is not a coincidence then in spite of belonging to the Yadav caste, Laloo Prasad does not enjoy the political support of the better off section of the Yadavs belonging to the vernacular elites. It is not surprising then that “Laloo’s emergence marginalised established leaders of backward castes on the one hand and old socialist stalwarts on the other.... The ascendancy of Laloo and his aggressive posture endeared him to backward castes and Harijans who had been oppressed, insulted and silenced by Bhumihars and Rajputs for ages. They were happy that some one was paying back their

long time tormenters in the same coin. Laloo or no Laloo, they were going to be in the same economic plight, but socially they could now walk with their heads high.”³⁰. In contrast to the ‘vernacular’ or the agro-capitalist backward castes who became upwardly mobile in the post Green Revolution period, Laloo Prasad is the leader of groups who are at the fringe or even outside the market structure. For all these people, security of life and livelihood is the prime issue; development as understood by the rest of the society (including the vernacular elite or the emerging agro-capitalist) is mere rhetoric for them. To mobilise and galvanise this section of the population, Laloo Prasad neither needs to match the organisational strength of CPM in West Bengal to continue in power, nor deliver effective or ‘good’ governance for their continued support. The noticeable feature about the emergence of the ‘cockney elite’ in Bihar is that their rise is not due to economic leap like that of Kammas in Andhra Pradesh or Jats in north-west India; their preeminent position is because of their numerical strength which has been (i.e., after the emergence of Laloo Prasad) translated into electoral strength. The mobilisation of this class is, however, limited to the electoral battles and the occasional rallies that Laloo Prasad organises, often promising the moon without delivering anything tangible. But after every such ‘victorious’ moment, the weaker sections return with their head still higher. The weapon of election and symbol of Laloo Prasad are potent tools for them to come out of the age-old mental servitude. It is worth recalling here what James Scott has written about this class, “...most subordinate classes, throughout most of history have rarely been afforded the luxury of open, organised, political activity.... (They) are; after all, far less interested in changing the larger structures of the state and the law than in what Hobsbawm has appropriately called ‘working the system ... to their minimum disadvantage’.”³¹

Singling out the cockney element represented by Laloo Prasad for non-development in the state however would be only at the peril of bypassing history. Economic development or more precisely the development of urban economy was never in the agenda of even the traditional elites in Bihar, because of the quasi-feudal set-up in which they operated. The size of the market in Bihar was and remains much smaller as compared to other areas in the Hindi heartland. To comprehend this fully it would be apt here to outline the main

features of Bihar's economy that has resulted in an awful absence of any incentive structure in the state for growth.

Social Determinants of Backwardness

Bihar defies all economic logic to explain its stagnation. The critical factor in this context is not the near collapse of the state or the economic failure or the social conflict that has been endemic for several decades, but the absence of an economic incentive structure, either individual or societal, which could make the economy and the society move. 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 profits and the collection of individual good in turn contribute to public or societal good. The society oscillates around the individual; and the notion of individual action (i.e. private profit seeking) in the neo-classical backdrop 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 any particular economy and for nurturing the economy for affecting long-term changes. In the context of Bihar, it is the absence of such an incentive (profit) structure, either individual or societal, that is proving to be detrimental for development, if not complete waterloo for Government policies. For understanding Bihar society, 'increasing return' view may be less relevant than the new institutional view.³² In the institutionalist view, history matters because history shapes institutions. If the 'increasing returns' were everything, then one time inflow of aid or some other windfall would set the economy on way to prosperity. In case of Bihar, there are several instances where budgeted outlay remains unspent.³³ Accumulation in a society takes place in any case, if it has to survive. But the nature and 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 the institutionalist framework that exercises the intellectual, moral and societal legitimacy and entrepreneurship. In Bihar, it was essentially the land tenorial system in the institutional framework and the absence of a vibrant market in the increasing return framework, which together has conditioned its economic evolution.

Depredations in the Early Colonial Period, Tenurial System and Absence of Economic and Social Incentive Structure

In case of Bihar, the incentive structure that had existed before got nearly eclipsed with the advent of the East India Company creating Bengal Presidency in 1786 of which Bihar was a part. The Gangetic belt of India, which formed substantial part of the Bengal Presidency, witnessed one of the worst forms of de-industrialisation.³⁴ 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 not only for war of expedition, but in later years, the budget deficits of Madras and Bombay Presidency were also met from this area. By the time the Company expanded to South and Western India, there was no need for them to destroy the incentive structure that existed in those regions at that time. Thus the main actors of the indigenous incentive structure, like artisans or traders, survived the Company onslaught there. On the other hand, the powerful trading community in Calcutta who could compete nationally and internationally got eclipsed in Eastern India. Unlike in Western India, the local trading castes (the *Teli* and *Bania*) in Eastern India not only felt handicapped in functioning, particularly in Bihar, but a stigma got associated with their profession, with reinforcement of feudalism. In Gujarat and in many Southern states, trading castes are held in equal reverence with the Brahmins.³⁵

The second factor, which played pivotal role in developing incentive structure in the society, is the land tenurial system. Essentially, this system determines the right of collection of land rent which constituted the most important source of revenue for the state's coffer before independence. There were several types of land revenue systems, which were made operational by the alien ruler. But broadly, two categories of tenurial systems determined the incentive structure — one with intermediaries between the tenant and the state, and other operated directly between the state and the tenant. The tenurial structures had far reaching consequences in the respective areas in the matters of surplus generation and capital accumulation. In the Bengal Presidency, the then Governor General Lord Cornwallis 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* got institutionalised which became part of the folklore of permanent settled area. Thus the soil of Bengal Presidency with best natural endowments (abundant ground and river water with alluvial soil) could not become the center of green revolution. In contrast, in the *Ryotwari* and *Mahalwari* areas, with no intermediaries to poach the surplus, some accumulation was ensured in spite of relatively less fertile land. In the non-permanent settled districts, “25 percent of area has higher proportion of irrigated area, 45 percent higher level of fertilizer use, 25 percent higher proportion of rice under high-yielding varieties. Overall agricultural yields are 16 percent higher, rice yields are 17 percent higher and wheat yields are 23 percent higher.”³⁶ The rise of a rich peasant class at least in *Ryotwari* areas has probably something to do with the lack of a stratum of pure rentiers lording over them. The tenants were further protected in large part of the *Ryotwari* area with legislation against transfer of land to non-agriculturist that further tended to limit the power of the pure moneylenders over cultivators. This resulted into some rich peasants gradually entering the industrial sector at a later stage³⁷. However, their success depended on several factors — the degree of dominance of the region by the European businessman, the integration of the Indian economy in the international industrial grid, the strength of the competing indigenous capitalist groups in a particular region, the size of the internal market as determined by productivity of the land, the degree of colonial exploitation and the degree of poverty or degradation of the lower income groups. In the Permanent Settlement areas, the peasant proprietor class could not emerge strongly to enter into business; here the moneylenders and *Zamindars* would generally skim off surplus of the peasantry to increase their wealth. Moreover, entering into business was difficult as the Europeans were already entrenched there.³⁸

Further, the incentive structure of a given area is sutured by the investment pattern which in turn further develops the productive forces in a given area. The colonial government 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*, therefore, became completely divorced from 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. This contributed to further soil erosion which brought down the productivity of the land.³⁹ Even after independence, the Green Revolution could trigger only in those areas which had assured irrigation. In Bihar, for example, the catchment area of Sone Canal⁴⁰ 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 the society further gets consolidated with the pattern and character of the social movements. Most of the social movements in South and Western India had initially started with the agenda of dismantling the Brahmanical social hierarchy. As these movements started much before the independence, they didn't have to contend with the competitive electoral populism. Secondly, the state was yet to develop its agenda as an institution at the 'commanding height' of the economy. In the absence of rigorous implementation of the directive principles of Indian Constitution, positive discrimination for the socially deprived was not in the offing. There was also no need for major tenurial reform as the regions were already free of rent-seeking intermediaries; the incentive structure in the society was thus embedded in the production and productivity. This could be reflected by the tenor of the social debate⁴¹ in the *Ryotwari* areas where the leaders, opinion makers and intellectuals have often engaged themselves with the operational aspects of development. In those areas, political leaders like Kamraj⁴² or social reformers like Sahuji Maharaj (King of Kolhapur)⁴³ or economist like Gadgil⁴⁴ had encouraged entrepreneurship and capitalist transformation in agriculture. Even the Communist and the peasant movement in Andhra Pradesh had later transcended beyond tenurial question. The substantive surplus generated from agriculture of those regions had laid the foundation for industrial accumulation.

In contrast, in the Permanent Settlement areas, historically the higher inequality of assets has led to higher demand for redistribution which in turn has led to social conflicts.⁴⁵ The group which ranged itself against the authority of the intermediaries was thus concerned more with distribution of land, not so much with the incentive structure operative in the

agricultural economy. In Bihar, the unit of social movement was therefore around caste identity and there was no multi-caste or region specific movement⁴⁶. In fact, it was the intermediaries in Bihar who determined the social and economic profile and had larger than life presence in the social spectrum of Bihar and affected society in a more fundamental way. Intermediaries were considered to be the main obstacle to progress in agriculture. Instead of productive accumulation, the intermediaries were indulging in extravagant habits.⁴⁷ Thus a leisured class developed in the Permanent Settlement areas with no responsibility in the productive process or work. In fact, they became the societal role model to be envied or emulated. Apart from archaic agrarian relation, the failure of Sepoy Mutiny in 1857 further reinforced ideological conservatism. Bihar was subjected to extreme repression after the failure of the revolt. It thus developed an insularity and resistance to ideas relating to science, education, culture and modernity.⁴⁸

Bengal, like Bihar, was also a Permanently Settlement area, but it had not faced the socio-economic stagnation that Bihar had experienced. This was primarily because of Bengal's urban economy; the rural Bengal was indeed backward until the land reform programme of the eighties. The social base of renaissance movement in Bengal proper was limited. It could not transcend effectively beyond the confines of the Calcutta metropolis. Even Bengali *bhadralok* had hard time to contend with the sudden entry of print culture and Western education. Contact with a culture which claimed superior status by virtue of its rationality and science, stimulated efforts to use self-consciously 'rational' arguments to modify or defend institutions and ideas now felt to be traditional. A premium, consequently, was placed on varied forms of social activism — education, religion, social reform, revivalism, philanthropy, patriotic endeavor and the like.⁴⁹ But not on production and productivity, at least in agriculture, as most of *bhadraloks* were beneficiaries of Permanent Settlement. Even amongst them, a large section was absentee landlords, far away from the main theatre of production.⁵⁰

The tenurial relation and social conservatism of the traditional elite thus conditioned social movement in Bihar. In the absence of incentive structure and the agenda of development, politics as profession acquired a high priority and legitimacy. The political system, at least theoretically, grants political equality to all, irrespective of caste, wealth,

privileges etc., which was to be exercised through voting, contesting elections and other forms of participation. Political equality, as opposed to social and economic equality, opens up, in principle, 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 taking advantage of equal political opportunities. Ironically, a society which is more unequal and lacks economic incentive structure, has high legitimacy of the political system. The high legitimacy of the system is acquired through high credibility of the election. That is the only way of social mobility and political empowerment. In most of the South and Western states, effective paradigm shift in the social realm had taken place before independence. In Bihar, social empowerment was a post-independent phenomenon. Thus, election and electoral issues were always of prime importance here, because all the patronage structure was embedded in the state.

State and the Market Dynamics

To what extent states should intervene in markets to promote growth is an old and perennial debate in the development studies. One view promoted that ‘market imperfections’, an impediment for growth, necessitated state intervention. With globalisation and dismantling of the socialist system, the focus shifted to ‘state imperfections’. This view got further legitimacy with the mandate of the ‘Washington consensus’ in 1980’s which entailed “getting prices right, openness and minimal state intervention”.⁵¹ However, this policy had its limit; the issue of ‘market imperfections’ arises only when there is existence of a substantial market. In both the cases of banishing ‘market imperfections’ or ‘macroeconomic stabilization’, there is need for an effective state intervention. With the ushering of reform and the increased role of the market, Central Government in India has already abdicated its role. It is now for the state government to provide an enabling atmosphere to attract domestic and international investments. The enabling mandate of the State Government would entail dismantling some institutions of the state as well as strengthening others. Operationally, it would mean dismantle the flab of the state to make it more market friendly and, at the same time, strengthen organs of the state to entice both national and global investment. Strengthening the organ of the State will depend on the relative size of the tax revenue of

the respective states and the pattern of investment in the key areas of industry, energy, roads and urban development. One of the striking features of Indian States prior to the 1990's is the relative uniformity of development policies across the provinces.⁵² But with the ushering of the reform, the decline of the Central Government was only expected. Along with major public finance crisis, the liberalization entailed that "the Central government is no longer able to direct investment through licensing; the enabling environment provided by a State has become a major determinant of investment flows."⁵³ But both these policy attempts are possible where market, a euphemism for capitalism, has reached certain threshold level. In India, the capitalism at macro level has reached certain level, but it is still not spatially uniform. At one end, there is unevenness in the capitalist transformation and, at the other there is duality in the economy. The duality in the economy, in the last few decades, has meant that "so called 'middle class' (the top five percent of the income scale) has become rich beyond its wildest dreams. It has literally transplanted itself to the first world without even applying for a visa"⁵⁴ In an underdeveloped country like India with its vast geographical expanse, the state intervention is needed not only for equity and social welfare, but also for developing the productive forces uniformly, creating market across the country. The creation of market will bring economic stability and autonomously release the forces of private investment. Table I indicates the proportionate share of the respective States in the national market, which ultimately indicates its real economic strength. The share of the market of the respective States is, however, not necessarily confined to its geographical territory, exports to other States count as much. The proportionate share of the CST (Central Sales Taxes) indicates the share of the export market for the respective States,⁵⁵ and the distribution here is even more skewed than the same for domestic market. From the classification of Indian vis-à-vis their share of population and share of market, indicating their potential for growth, one can easily understand that Bihar is a seriously disadvantaged State (Table II). The phenomenon of unequal market sizes, however, does not stop at State-level. Even within a given State, the sizes of the markets across the districts are also unequally distributed, as indicated by Table III for the districts in Bihar.

Obviously, the States with stronger industrial base have much bigger command over the market. Secondly, the state of the State finances also fetters or facilitates the regional

effort for attracting industrial investment. This would entail strengthening the department of energy, industry, roads and possibly urban affairs. This in turn will depend on the resource base of the respective States. Some States like Maharashtra not only have the larger market share of the country, but its internal resource base is also substantial (Table- I). Over and above, the expenditure pattern of the respective State governments in the departments which concern the investment destinations within the province, will essentially depend on its internal resource base. The States with larger resource base, like Maharashtra, Tamil Nadu, Karnataka and Andhra Pradesh, have invested substantially in the departments related to investment destination. Indeed, the capacity of the State government in Bihar to undertake development-related work has become so limited that it now has to depend on outside agencies even when resources are made available. (Tables IV (a), IV (b) and IV (c)) The recent example of NHPC, a central government undertaking, being entrusted with the responsibility of building rural roads in Bihar also indicates towards its limited capacity for development initiative.⁵⁶ Apart from the resource base of the respective governments, the resource base of the respective municipal corporations of Bombay, Pune, Chennai, Bangalore, Hyderabad, Kolkata plays indirect role in creating the metropolitan and urban ambience, which ultimately attract investments. In fact, they are important centres playing crucial role in forging national and global market connectivity. The knowledge base and urbanity of these centres are much higher, which can build bridges with its counterpart at global level. They are almost like city-state in the Indian context. In the market economy, lack of urban centers and urbanity in a State like Bihar is bane for either investment or development. In the absence of a powerful presence of the municipal corporations, Bihar's urban enclave will not be able to compete with other metropolitan centres of India in attracting investment. This limitation could have been banished in Bihar, possibly with the higher outlay in the urban sectors, but this has not taken place. Further, the investment pattern that has accentuated the duality in India has worked unfavorably for backward states like Bihar. The investment orientations have strong linkages with the market and urban centres. The States with substantial market share and industrial base like Maharashtra, Delhi, Punjab, Haryana, Tamil Nadu, Gujarat and Karnataka have led the capitalist growth in India. The substantial share of the market of Bengal could be attributed to its dramatic agricultural transformation in the last couple of years. On the other hand, its industrial and trading

base have declined over the years.⁵⁷ In the Hindi heartland, in no state other than Rajasthan, the proportion of market has outstripped the proportion of its population. Possibly the market strength of even Rajasthan has more to do with its contiguity with Delhi, rather than with the development of the productive forces within the state.⁵⁸

Attempts of Reform in Bihar

In contrast to the general impression, Bihar's track record in revenue deficit is not bad in relation to other States. Serious fiscal reform was attempted after the division of the State in 2000. The division entailed that Bihar lost 96 percent of the mineral and 78 percent of the forest resources of the State, and much of economic infrastructure, major industries, and technical/training institutions. The State's GSDP thus got reduced from Rs.69, 764 crores in 1999-2000 to Rs.50, 774 crores in 2001-02. The State's own revenue receipt also declined from Rs.4251 crores in 1999-2000 to Rs. 2,606 crores in 2001/2. The "non - plan revenue expenditure declined from Rs.12, 820 crores in 1999-2000 Rs. 10,291.70 crores in 2001/2. This asymmetry in the reduction in revenue receipts and non - plan revenue expenditure has imposed an unbearable burden on the finances of the State."⁵⁹ The fiscal reform acquired urgency because of substantial loss of revenue and delay in the division of liabilities. The loss of Rs.1429 crores as tax revenues and Rs.874 crores as non-tax revenue, led to an increase in the gross fiscal deficit of the State from Rs.1348.02 crores (2.51 percent of GSDP) in 1996-97 to Rs. 5996.05(8.59 percent of GSDP) in the year 1999-2000. Apart from division of the State which took place only in 2000, another cause of the deteriorating fiscal situation of the state has been the fast expansion of expenditure in the revenue account, during preceding years. The substantial increase in salary, pensions and interest payments has led to use of increasing proportion of borrowed funds for meeting current expenditures. The rise in revenue expenditure and decline in tax-GSDP ratio along with fall in non-tax revenue further aggravated the problem. The rise in the size of the debt has increased the debt servicing liability of the State. The interest payments as a proportion to GSDP have increased from 3.61 percent in 1996-97 to 5.18 percent in 2001-01.

The Government of Bihar had signed a Memorandum of Understanding (MOU) with Government of India on Medium Term Fiscal Reform Programme (MTFRP) on 3.9.2004, “under which States are required to achieve a single monitorable target of reduction of five percentage points every year, in the ratio of revenue deficit to revenue receipts. The States which subscribe to the programme and achieve the targets envisaged therein are eligible to receive a grant from the incentive fund”.⁶⁰ Though the MOU with the central government has been signed after the installation of the UPA government in center, the deficit management has been going on for a long time. Table V indicates that the role of Government of Bihar has been exemplary in matters of reduction of deficit between 2000/1 to 2003/4. Except in the last financial year (2003/4), deficit reduction has always been higher than the planned reduction of five percent. The deficit was reduced by widening the tax base and revising the tax rates at one end, and “the revenue expenditure has been compressed through ban on appointment of ad hoc, daily, work-charge and muster-roll workers,”⁶¹ at the other. In 2002/03 tax revenue increased by 19 percent, recovering lost ground from the first year following bifurcation. In undivided Bihar, number of government employees increased from 1.79 lakh in 1961 to 2.75 lakh in 1972. But thereafter, the number doubled from 2.75 lakh to 5.48 lakh by 1981. In comparison, the increase in number of government employees from 1981 to 1997 was a modest 30.5 thousand only.⁶² Even here, most of the recruitments were done before the present regime took over. During different tenures of Jagannath Mishra as the Chief Minister,⁶³ thousands of schools and colleges were taken over by the State government. All the lower and upper primary schools which were functioning under Municipality, Corporation or District Board, were taken over by the government. After the division of the State, number of core government employees in Bihar is nearly 4.51 lakhs. This huge number of employees in Bihar, even after division, is due to high number of field post created in the north and the central part of the undivided state. This was due to fact that the politics of the undivided state was controlled from these parts and creating posts was a major incentive for the political functionaries. In spite of Mugerli Lall Commission Report and Mandal Commission, the social base of the employees and that of the ruling elite are different. Thus, it was not inconvenient politically to prune the employment flab of the State without drawing much adverse electoral reaction. With the same rigour, about 18 state level public sector enterprises were dismantled.⁶⁴ Here also the non-convergence of

social base worked more than the economic logic of reform. However, this helped in pruning the deficit significantly and the deficit is being further managed by keeping the sanctioned post as vacant. Other than pruning of the expenditure, there have not been many authentic attempts at reform of state finances in Bihar. Tables IV(a), IV(b) and IV(c) indicate further that the expenditure by the State in the departments related to in the investment destination has not increased. The outlay on road or industry, so crucial to get investments from outside, is extremely meager. The amount of investment needed to rejuvenate the economy of Bihar is massive.⁶⁵ This amount of investment for Bihar by the Central Government is not expected. In spite of commitment by the UPA government, the central government has not given anything yet to Bihar, as a separate financial package.⁶⁶ Only other alternative is either domestic mobilization of resources or investment from outside. Most of the states where economic development has made breakthrough, have substantial market size and an electoral constituency to politically support any reform agenda. Wherever there was a mismatch between market size and reform attempts, there has been electoral destabilization; in last two years, several States with their ruling parties known for ‘good governance’ and ‘development’ were voted out in the State elections, and the succeeding government embraced the earlier policy of reform without hesitations notwithstanding instances of extreme ‘populism’. In contrast, the size of the market in Bihar is small in proportion to its population. Whatever industrial base it had, it has now gone to its truncated portion. The phenomena of Laloo Prasad, however, remains untarnished and at times even seem to be growing. This contradiction at the general level thus appears to be a result of the uneven development of India that has made social marginalisation an endemic feature of the larger society. The political economy of non-development in Bihar since the nineties, therefore, actually indicates two things. First, how social issues combined with electoral empowerment can create an unprecedented power structure. Nowhere in the country, other than Bihar, could a new social segment in the State be imagined to rise to the helm of political power through the existing democratic institutions. Secondly, the threat of a crisis or the problem of governance here seems to be that this new political mobilization has not taken up multi-class/caste sub-national agenda of economic development. But political development under Laloo Prasad has succeeded in another realm. These developments have helped in a significant manner in freeing the poor people from mental enslavement.

This feat in itself is a tremendous achievement. ‘Cockney’ brand of ‘assertive’ populism, entails abstract values of ‘right’ and ‘dignity’ rather than mere material gains. For the ‘vernacular elite’ from the propertied strata, however, ‘empowerment’ must have a component of material gains, which demand, among other things, good governance.⁶⁷ In the absence of an understanding regarding this subtle difference, one often comes to an erroneous understanding of the phenomenon of Laloo Prasad. To quote Scott again, “for Gramsci, the proletariat is more enslaved at the level of ideas.... The historic task of ‘the party’ is, therefore less to lead a revolution than to break the symbolic miasma that blocks revolutionary thought.”⁶⁸ Given the class base of supporters of Laloo Prasad and their bare minimum expectations, his reign remains unchallenged in spite of the failure of the refrigerated wagon to make forays to Delhi.

Table I : Size of Markets in Selected States of India

States	Size of Markets (2003-04)		Population (2001)		Percent age Share of Revenue from CST (2000 – 02)	States own tax revenue (2001-02)	
	Value (Rs. `000 crore)	Percentage	Number (crore)	Percentage		(Rs. `000 crore)	Percentage
Bihar	106.3	4.8	8.3	8.1	0.6	2.4	2.0
Jharkhand	36.4	1.7	2.7	2.6	1.9	2.0	1.7
West Bengal	178.0	8.1	8.0	7.8	2.6	6.5	5.5
Delhi	74.3	3.4	1.4	1.4		4.9	4.2
Uttar Pradesh	297.8	13.6	16.6	16.2	3.7	10.3	8.7
Uttaranchal	20.9	0.9	0.8	0.8	0.2	0.9	0.8
Madhya Pradesh	99.5	4.5	6.0	5.8	4.7	4.7	4.0
Chhattisgarh	28.3	1.3	2.0	1.9	1.6	1.9	1.6
Rajasthan	135.9	6.2	5.6	5.5	1.3	5.7	4.8
Punjab	68.8	3.1	2.4	2.3	4.2	4.8	4.1
Haryana	60.1	2.7	2.1	2.0	6.9	4.9	4.2
Maharashtra	224.7	10.3	9.7	9.4	15.1	21.2	17.8
Gujarat	128.5	5.9	5.1	5.0	8.6	9.2	7.8
Goa	5.9	0.3	0.1	0.1	0.2	0.6	0.5
Andhra Pradesh	149.9	6.9	7.6	7.4	5.7	12.6	10.7
Karnataka	126.9	5.8	5.3	5.2	5.9	9.8	8.3
Tamil Nadu	159.5	7.3	6.2	6.0	10.3	12.2	10.3
India	2186.0	100.0	102.7	100.0	100.0	118.0	100.0

(Source : The Market Skyline of India – District Profile 2004 – Indicus Analytics, New Delhi)

Table II : Share in Size of Domestic Market

Share of Revenue from CST (denoting export)	Much less than share of population	Close to share of population	Much above share of population
Much less than share of population	Bihar, Jharkhand, Madhya Pradesh	West Bengal, Uttar Pradesh, Rajasthan, Uttaranchal	
Close to share of population	Chhattisgarh	Andhra Pradesh, Karnataka	Goa
Much above share of population		Gujarat, Tamil Nadu	Delhi, Punjab, Haryana, Maharashtra

Table III : Size of Markets in the Districts of Bihar

Districts	Size of Market(03-04)		Population 2001		Percentage of population (India)	Percentage of national market size
	Value (Rs. '000 crore)	Percentage	Number (crore)	Percentage		
Patna	7.6	7.15	0.47	5.67	0.46	0.35
Nalanda	2.5	2.35	0.24	2.86	0.23	0.11
Rohtas	2.6	2.45	0.25	2.95	0.24	0.12
Kaimur	1.9	1.79	0.13	1.54	0.12	0.09
Bhojpur	3.0	2.82	0.22	2.69	0.22	0.14
Buxar	1.2	1.13	0.14	1.69	0.14	0.05
Gaya	4.7	4.42	0.35	4.17	0.34	0.22
Jehanabad	1.8	1.69	0.15	1.82	0.15	0.08
Nawada	2.7	2.54	0.18	2.18	0.18	0.12
Aurangabad	2.9	2.73	0.20	2.41	0.19	0.13
Saran	4.6	4.33	0.33	3.92	0.32	0.21
Siwan	4.8	4.52	0.27	3.25	0.26	0.22
Goplaganj	3.5	3.29	0.22	2.59	0.21	0.16
Darbhanga	1.8	1.69	0.33	3.95	0.32	0.08
Madhubani	4.1	3.86	0.36	4.30	0.35	0.19
Samastipur	3.0	2.82	0.34	4.11	0.33	0.14
Saharsa	1.8	1.69	0.15	1.81	0.15	0.08
Supaul	2.3	2.16	0.17	2.10	0.17	0.11
Madhepura	1.5	1.41	0.15	1.83	0.15	0.07
Purnia	2.7	2.54	0.25	3.06	0.25	0.12
Araria	3.0	2.82	0.21	2.55	0.21	0.14
Kishanganj	1.8	1.69	0.13	1.55	0.13	0.08
Katihar	3.1	2.92	0.24	2.88	0.23	0.14
Bhagalpur	3.9	3.67	0.24	2.93	0.24	0.18
Banka	2.8	2.63	0.17	2.04	0.16	0.13
Muzaffarpur	4.7	4.42	0.37	4.51	0.36	0.22
Sitamarhi	2.4	2.26	0.27	3.22	0.26	0.11
Sheohar	0.5	0.47	0.05	0.61	0.05	0.02
East Champaran	5.1	4.80	0.39	4.73	0.38	0.23
West Champaran	4.3	4.05	0.30	3.66	0.30	0.20
Vaishali	3.5	3.29	0.27	3.27	0.26	0.16
Munger	1.3	1.22	0.11	1.36	0.11	0.06
Lakhisarai	0.9	0.85	0.08	0.96	0.08	0.04
Shekhpura	0.6	0.56	0.05	0.63	0.05	0.03
Jamui	1.7	1.60	0.14	1.69	0.14	0.08
Khagaria	1.7	1.60	0.13	1.54	0.12	0.08
Begusarai	1.8	1.69	0.23	2.82	0.23	0.08
All Districts	106.3	100	8.3	100	8.1	4.86
All India	2186.0		102.7		100	100

(Source : The Market Skyline of India – District Profile 2004 – Indicus Analytics, New Delhi)

Table IV (a) : States own Revenue and Expenditure Pattern 2001 – 02

States	Total Expenditure	Expenditure					Total Dev. Expenditure	
		Urban Dev	Energy	Industry + Mineral	Road & Bridge	Science & Technology	Amount (Rs. cror)	As per of Tot Exp.
Bihar	14869.29	58.61	NA	45.96	282.04	NA	7312.16	49.18
Jharkhand	7933.75	54.82	33	114.29	329.74	NA	5007.94	63.12
West Bengal	28078.79	989.01	101.85	410.06	714.83	1.42	13108.76	46.69
Delhi	8630.72	500.87	966.72	32.91	295.53	9.22	4086.19	47.34
Uttar Pradesh	38103.75	115.84	1091.36	33.17	749.86	6.99	18113.65	47.54
Uttaranchal	3297.76	16.75	21.56	10.28	181.08	1.8	2032.36	61.63
Madhya Pradesh	17319.68	104.65	2209.79	60.94	474.74	2.11	10395.24	60.02
Chattisgarh	5623.89	60.14	82.43	38.14	215.21	0.02	3520.61	62.60
Rajasthan	18994.72	474.54	651.7	52.82	341.42	3.2	10544.34	55.51
Punjab	15692.05	67.52	575.85	23.58	283.29	4.11	5938.73	37.85
Haryana	10728.47	43.75	829.54	24.82	683.92	3.45	6556.05	61.11
Maharashtra	42479.58	270.3	1006.28	146.33	653.53	0.84	22922.25	53.96
Gujarat	25650.77	226.09	3502.66	376.43	368.26	3.31	17225.28	67.15
Goa	2352.49	17.02	410.55	17.7	67.33	0.33	1198.38	50.94
Andhra Pradesh	31074.36	345.12	2328.45	212.91	1232.95	5.24	18179.73	58.50
Karnataka	21937.61	98.35	2353.58	351.19	622.04	8.31	13880.72	63.27
Tamil Nadu	24818.18	188.32	134.63	153.98	520.23	5.95	13546.72	54.58
India	377311.62	3988.4	17966.35	3009.53	10019.43	94.36	204515.55	54.20

(RBI, 2004 – Handbook of Statistics on State Government Finances, Mumbai)

Table IV (b) : Expenditure as percentage of Total Dev. Expenditure

States	Road & Bridge	Energy	Industry + Mineral	Urban Dev	Science & Technology
Bihar	3.86	NA	0.63	0.80	NA
Jharkhand	6.58	0.66	2.28	1.09	NA
West Bengal	5.45	0.78	3.13	7.54	0.01
Delhi	7.23	23.66	0.81	12.26	0.23
Uttar Pradesh	4.14	6.03	0.18	0.64	0.04
Uttanchal	8.91	1.06	0.51	0.82	0.09
Madhya Pradesh	4.57	21.26	0.59	1.01	0.02
Chattisgarh	6.11	2.34	1.08	1.71	NA
Rajasthan	3.24	6.18	0.50	4.50	0.03
Punjab	4.77	9.70	0.40	1.14	0.07
Haryana	10.43	12.65	0.38	0.67	0.05
Maharashtra	2.85	4.39	0.64	1.18	NA
Gujarat	2.14	20.33	2.19	1.31	0.02
Goa	5.62	34.26	1.48	1.42	0.03
Andhra Pradesh	6.78	12.81	1.17	1.90	0.03
Karnataka	4.48	16.96	2.53	0.71	0.06
Tamil Nadu	3.84	0.99	1.14	1.39	0.04
India	4.90	8.78	1.47	1.95	0.05

(RBI, 2004 – Handbook of Statistics on State Government Finances, Mumbai)

Table IV (C) : Expenditure as percentage of Total Expenditure

States	Urban Dev	Energy	Industry + Miniral	Road & Bridge	Science & Technology
Bihar	0.39	NA	0.31	1.90	NA
Jharkhand	0.69	0.42	1.44	4.16	NA
West Bengal	3.52	0.36	1.46	2.55	0.01
Delhi	5.80	11.20	0.38	3.42	0.11
Uttar Pradesh	0.30	2.86	0.09	1.97	0.02
Uttranchal	0.51	0.65	0.31	5.49	0.05
Madhya Pradesh	0.60	12.76	0.35	2.74	0.01
Chattisgarh	1.07	1.47	0.68	3.83	NA
Rajasthan	2.50	3.43	0.28	1.80	0.02
Punjab	0.43	3.67	0.15	1.81	0.03
Haryana	0.41	7.73	0.23	6.37	0.03
Maharashtra	0.64	2.37	0.34	1.54	NA
Gujarat	0.88	13.66	1.47	1.44	0.01
Goa	0.72	17.45	0.75	2.86	0.01
Andhra Pradesh	1.11	7.49	0.69	3.97	0.02
Karnataka	0.45	10.73	1.60	2.84	0.04
Tamil Nadu	0.76	0.54	0.62	2.10	0.02
India	1.06	4.76	0.80	2.66	0.03

(RBI, 2004 – Handbook of Statistics on State Government Finances, Mumbai)

Table V : Progress under Medium Term Fiscal Reform Programme by Bihar

Year	Revenue deficit as percentage of revenue receipts Target (MTFRP)	Revenue deficit as percentage of revenue receipts achieved
1999-00 (Act)	34.74	34.74
2000-01 (Act)	29.74	20.84
2001-02 (Act)	24.74	13.42
2002-03 (Act)	19.74	11.73
2003-04 (Pre Act)	14.74	11.45
2004-05 (B.E.)	9.74	0.04

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- ⁶. Jaffrelot, Christophe, *India’s Silent Revolution : The Rise of Low Caste in North Indian Politics*, Permanent Black, Delhi, 2003.
- ⁷. Ramashray Roy, ‘Caste and Political Recruitment in Bihar’ in Rajni Kothari and Ramashray Roy (ed.), **Caste in India Politics**. Orient Longman, New Delhi. pp. 228-258.
- ⁸. Myron Weiner, *Party Building in a New Nation – The Indian National Congress*, University of Chicago Press, 1967. p. 470
- ⁹. Jaffrelot, Chiristophe, op.cit, Ibid, pp. 5-10
- ¹⁰. In the landlord areas, there was a landlord in charge of the revenue collection, and the British administration had no direct dealings with the cultivating peasants. Landlords were in effect given property rights on the land, though some measures for protecting the rights of tenants and sub-proprietors were introduced in later years. Landlord systems were established mainly in Bengal, Bihar, Orissa, the Central Provinces (modern Madhya Pradesh states). In some of these areas, the British declared the landlords’ revenue commitments to the government to be fixed in perpetuity (the “Permanent Settlement” of 1793). In other areas, a “temporary” settlement was implemented.
- ¹¹. In most areas of Madras and Bombay Presidencies and also in Assam, the individual cultivator *rayatwari* system was adopted in which the revenue settlement was made directly with the *raiyyat* or cultivator. In these areas, an extensive cadastral survey of the land was done and a detailed record-of-rights was prepared, which served as the legal title to the land for the cultivator. Revenue rates were calculated as the money value of a share of the estimated average annual output. This share typically varied from place to place, was different for different soil types and was also adjusted in response to changes in the productivity of the land.
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- ¹⁴. All India Agricultural Labour Enquiry, Rural Manpower and Occupational Structure, pp. 55-57, as cited in Ramashray Roy, op.cit., pp.231.
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- ¹⁹. *Report of The Backward Classes Commission (Volumes I & II)*, Government of India, 1980.
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- ²¹. Brass, Paul R. 'Radical Parties of the Left in Bihar : A comparison of the CSP & CPI' in Radical Politics in South Asia, Edited by Paul R. Brass & Marcus F. Franda, pp 395
- ²². Ibid.
- ²³. The term Vernacular elite here has been used to classify the class of agro-capitalists who first appeared in the non-Permanent Settlement areas. They mostly belonged to the dominant class of the middle castes. Girilal Jain first used the term in the columns of the Times of India. For its most recent use see Ashish Nandy, Times of India, 4 December 2004.
- ²⁴. He was one of the most powerful leaders of the socialist movement. Laloo Prasad succeeded him as a leader of the opposition in Bihar Assembly in 1988.
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(b) Chandra, Kanchan, Why Ethnic Parties succeed : Patronage & Ethnic Head Counts in India, Cambridge University Press, 2004.

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- ²⁷. Gail Omvedt, *ibid.* – pp – VII - X
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- ³⁷. Bagchi, A.K., *Private Investment in India – 1900 – 1939*, Orient Longman, New Delhi, 1972, pp. 134-46
- ³⁸. Bagchi, A. K., *Ibid.*
- ³⁹. In contrast, the agriculture was strengthened in the Ryotwari and Mahalwari area by introduction of large-scale irrigation, and agricultural production was further reinforced by civil society organizations that organized rural co-operative movement for providing agricultural credit and input. In Maharastra, this group was to play a decisive role after independence in sugar co-operative movement, and politics of the state.

- ⁴⁰. Sone Canal is one of the oldest irrigation system, ensuring 'Green Revolution' in Several South Bihar districts.
- ⁴¹. The debate among the academic circle was not around the surplus distribution or consolidation of land, rather on the size of the economic holding for optimum production. This debate was indeed irrelevant in a permanent settled area. It was felt that consolidation could not obviate the evils of scattered holding, untill and unless the consolidated holding was an economic holding, which is essentially an enterprise of production. Way back in 1918, when he was being groomed to takeover as the Finance Minister of Baroda Princely State, Dr. B.R. Ambedkar, an economist, Dalit leader, framer of Indian Constitution had advocated for one-man rule of succession, with a survey number, which would be made to cover a piece of land that would be of the size for the ideal economic holding. Thus incentive structure of production and productivity was embedded in the cognitive world of even a Dalit intellectual and economist. Subsequently, social movements there traveled from anti Brhamanism to development, while imbibing the subnational and regional identity agenda. In the process, it resulted into industrialization in Madras Presidency, and in Bombay Presidency, it ushered into movement for sugar co-operatives. The subnationalism further ensured regional ownership. It was this strong combination of regional ownership (subnationalism) by the elite and the incentive for production that accelerated economic development.
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- ⁵⁰. Instead of occupying themselves with the question of production, they trekked to a man (Ramkrishna Paramahansa -1836-86) in the 1870s and early 1880s who seemed to represent the very opposite of all such valorizations and initiatives. With the Young Bengal movement and advent of Tagore, Bengali renaissance concerned itself with esoteric question of life and culture and failed to build bridges with its rustic hinterland. 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. (Sarkar, Sumit – op.cit – 284)
- ⁵¹. Kohli, Atul, Moon, Chung & Sorensan, Georg, Georg (Edited) States, 'Introduction' — States, Markets & Just Growth : Development in the Twenty-first-century, United Nation University Press, New York & Rawat Publications, Jaipur & New Delhi – 2004, p.51
- ⁵². The role of the states was to implement Central Government policies without many variations. The Indian Constitution, following the Government of India Act (1935), is famous for dividing the responsibilities between the center and the states; and there were hardly any occasion when a province took a tangential stand even in the matter of state list.
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- ⁵⁴. Dreze, Jean, 'Employment as a Social Responsibility', The Hindu, Delhi Edition, November, 22,2004.
- ⁵⁵. Generally the sale figure of the CST indicates trading figure of traders or small industrialist, who do not operate through their formal sale network. But in case of the bigger industrial houses or manufacturing concern, they trade their inventory through 'transfer of stock', for saving to pay CST. So these transactions do not get reflected in the market size of the state of the respective industrial location or in the figure of CST.
56. (a) Extensive vacancies, and an imbalance in the staffing mix in several departments, creates capacity constraints for the processing and implementation of projects. Around one-third of Bihar's 533 blocks lack Block Development Officers, generally an important post for project preparation and implementation. Shortages of engineers and DDCs at the Zilla Parishad level is also serious, particularly for Rural Development schemes, for which engineer staff fail to reach even one-third of the staffing norm. Senior staff shortages also result from delays in promotions in several Departments, apparently arising from court cases.
- (b) "In the Cabinet meeting of Government of Bihar on August, 25, 2004 it was decided to handover the renovation and strengthening work of the state highways to the central agencies The state cabinet while approving the proposal also cleared the decks for Mou that will be signed between the state government, center and the central agencies." (The Economic Times, Calcutta, 27th August, 2004).

- ⁵⁷. Now it is endearing itself to the corporate world bringing the sobriety of “Country’s best Chief Minister, who has inspired business confidence across corporate India” (Economic Times, 20th November, 2004) from Azim Premji, Chairman of Wipro and one of Forbes’ ten most powerful billionaires world wide. Apart from Premji, even Mukesh Ambani, the powerful CEO of Reliance Industry is going to make its presence felt in the city with massive investment. Calcutta’s municipal corporation, run by Trinumool Congress, NDA outfit, is not playing less decisive role in creating investment ambience. It has not only innovated strategies for raising resources, for investment in the water supply system, it resurrected a heritage cinema hall which got burnt down in the accidental fire. It almost compete with the left wing state government in entering the intellectual space of the city, which in turn makes it an attractive destination.
- ⁵⁸. In Andhra Pradesh and Madhya Pradesh the duality of the economy was more pronounced than expansion of the market. Over and above, possibly the reform attempts were disproportionate to its market size. Though both the state have created some industrial and trading base, which gets reflected through their CST collection.
- ⁵⁹. Memorandum of Understanding (Mou) of Bihar with Government of India on Medium Term Fiscal Reform Programme (MTFRD).
- ⁶⁰. Mou of Bihar & Govt. of India – Ibid.
- ⁶¹. Mou of Bihar & Govt. of India – Ibid.
- ⁶². Sundaram, Pachampet, ‘Issues In Governance Reform in Bihar’ – unpublished World Bank Report .
- ⁶³. Mishra Dr. Jagannath was Chief Minister of Bihar thrice.
- ⁶⁴. Memorandum to the Twelfth Finance Commission, Government of Bihar, 2004.
- ⁶⁵. To achieve the national SDP growth of 8 percent per annum, Bihar has to grow at the rate of 15 percent for the next 15 years. This growth would entail investment of Rs. 38,500 crores annually – This was mentioned in the Joint Memorandum to The Twelfth Finance Commission For Bihar by several political parties, business & industrial organizations & research organizations.
- ⁶⁶. Common Minimum Programme of the United Progressive Alliance.
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The Asian Development Research Institute (ADRI) Society was established and registered by a group of social scientists in 1991. The motivation for starting yet another Institute in Patna was not merely to expand social science research, but to lend it a distinct development orientation and deliver all research output to its potential users in a demystified form. In this research perspective, the broad objectives of ADRI Society are:

- ✎ to undertake academic research of direct relevance to development efforts made by an individual or a group or the community itself;
- ✎ to broaden the database of research as also of its end use by involving as many classes of persons and institutions as possible;
- ✎ to offer research results in a more innovative, demystified and useworthy form; and finally
- ✎ to restore man to his central position in social research in totality and with full dignity.