

West Bengal's Economy

Beyond the Narrative of Decline

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The commonplace narrative on the development trajectory of West Bengal suggests that the state was industrially and socially much ahead of other states at the time of independence, that the post-independence story is largely one of relative decline as a good number of states have since moved ahead, that a large number of new entrants to the labour market are being “forced” by circumstances to look for job opportunities outside the state, and so on. One encounters this narrative in several forms, but they all point in the same direction: decline. The reasons behind the alleged decline that are usually put forward are varied, among which a few loom large in the popular psyche. Whether it was the huge influx of people from East Pakistan (later Bangladesh), the policies adopted by the Union government earlier that discriminated against the state, or the so-called “labour militancy” during the Left Front rule, or the governance failure of successive state governments in reversing the flight of capital, the grip of the narrative of decline lingers on. As is often the case with a unidirectional narrative of this kind, it is not entirely supported by the facts. The facts, however, if processed and interpreted with analytical rigour, tell a more nuanced story, like the one that emerges from the studies included in this special issue of the *Economic & Political Weekly (EPW)*.

A West Bengal ‘Model’?

Can one identify a distinct West Bengal “model,” cutting across the political regimes, in the same vein as the “Kerala model” (Chakraborty 2005), the “Gujarat model” (Bhagwati and Panagariya 2012) or the “Dravidian model” (Kalaiyarasam and Vijayabaskar 2021)? Generally, for good reason, many of us would hesitate to put the development experience of a sub-national state into the mould of a model. This is even more so in the case of West Bengal, as its development experience is rather mixed, which will be revealed as we proceed. The primary aim of this special issue on West Bengal is to go beyond a superficial understanding based on a set of selectively chosen facts. Of course, it can hardly be denied that implicit in any description is an element of choice (Sen 1980). However, the point is whether the descriptions in question make good sense or not, and whether they stand on closer scrutiny. The eight articles included in this issue have striven to maintain a shared standard of rigour.

The last time *EPW* put together a set of essays on West Bengal was nearly three decades ago, with Amiya Kumar Bagchi as guest editor (Bagchi 1998). Bagchi opened by identifying two

obstacles to understanding the state’s trajectory: the belief that West Bengal was industrially and socially developed at independence, and the supposition that industry was doing well until labour militancy deterred investors. Both remain in circulation. His counterclaim that the state began with a vulnerable industrial structure and a largely illiterate population is consistent with the trends established with interstate data going back to the early 1960s by one of the papers in this special issue. Bagchi also recorded the extent of land poverty in the state, noting that average operational holdings had fallen from 1.2 to 0.9 hectares between 1970–71 and 1990–91. The fragmentation this reflects long predates the Left Front, though its reforms deepened it, and this issue would resurface a decade later when land acquisition for industry would become a major issue.

Bagchi also listed what his collection could not cover: women’s welfare and empowerment; education and literacy; differential access to education, health and economic well-being among Dalits, Adivasis, and minorities; and demographic change arising from natural growth and migration. He expressed confidence that others would take up the task. We are pleased to report that the papers in this issue address all four issues. On education, the continuity is particularly striking. Bagchi’s own overview documented West Bengal slipping from second among major states in literacy in 1951 to being overtaken by Gujarat, Maharashtra, and Tamil Nadu within a decade, and never closing the gap thereafter. This is a diagnosis that one of the papers here confirms, in a different form, nearly three decades later.

A second stocktaking followed four years later. Reviewing the state’s economy on the 25th anniversary of the Left Front rule, Banerjee et al (2002) drew a sharp contrast between the state’s rural record and its performance in industry, higher education and public finance. Agriculture had gone from being a laggard in the 1970s to making West Bengal the fastest-growing state in the 1980s, and panchayati raj had been instituted 15 years before the constitutional amendments that made it mandatory nationally. By contrast, industry, higher education, and public finance had steadily deteriorated relative to other states. Much of what the paper identified has proved durable. It found that the state’s fiscal problem lay in

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revenue generation rather than expenditure or inherited debt; that the conventional explanation of industrial decline in terms of labour militancy sat uneasily with the evidence, since West Bengal recorded the fewest strikes of any major state in 1996 while leading the country in lockouts; and that West Bengal already led India in the proportion of students receiving private tuition. Readers of the present collection will recognise all three findings.

Turning to this special issue, we approached the selection of papers keeping in mind broad development indicators to assess the state's performance relative to the rest of the country, as well as certain aspects of the evolution of the state's economy in terms of its sectoral pattern of growth and employment generation, and fiscal capacity of the state. From the point of view of measures of development, the papers take up per capita income, average consumption levels, and poverty (Tanika Chakraborty, Maitreesh Ghatak, Prateet Jain, and Dilip Mookherjee, p 37), health and education (Achin Chakraborty and Dibyendu Biswas, p 82), and the disaggregation of outcomes by gender (Sanchari Roy, p 93; Simantini Mukhopadhyay, Achin Chakraborty, and Pintu Kabiraj, p 114), caste and religion (Pushkar Maitra, p 102). From the point of view of the underlying processes, Chakraborty et al examine sectoral composition and structural change; Sukanta Bhattacharya and Anirban Mukherjee (p 50) examine the organisation and profitability of agriculture; Maitreesh Ghatak and Tamoghna Halder (p 62) the labour market and the migration it generates; and Pinaki Chakraborty, Kaushik K Bhadra (p 74) the fiscal capacity of the state.

Past the Familiar Story

The individual papers approach this larger question from different angles. Chakraborty et al examine West Bengal's overall economic performance relative to the rest of the country over as long a horizon as the data permit and go well beyond the familiar story of past glory and steady decline. They show that it matters a great deal whether one works with nominal or real figures; that the sectoral pattern of growth reveals a structural transformation, which does not quite follow the classical sequence, owing in part to the agrarian reforms under the Left Front; and they relate these findings to consumption and poverty, with particular attention to the contrast between rural and urban areas.

Bhattacharya and Mukherjee examine the performance of the agricultural sector, which throws light on the non-standard pattern of structural change highlighted by the previous paper. They examine the trajectory of West Bengal's agriculture relative to the rest of the country from the 1970s to the present, focusing on productivity, profitability, and organisation. One of the most interesting aspects of their analysis is to show that productivity growth—which gave the state a temporary recovery relative to the rest of the country from the 1990s to the mid-2000s—conceals a less uplifting story about profitability. Surplus family labour played an important role, and once the imputed cost of this labour is accounted for, the old question of surplus labour in the Lewis sense re-emerges. Tenancy

reform raised agricultural productivity, an effect that has been documented Banerjee, Gertler, and Ghatak (2002). This makes the question sharper: Why has the transition out of agriculture not proceeded faster; and did the agrarian reforms of the Left Front prove a pyrrhic victory?

Ghatak and Halder turn to the labour market, with particular attention to migration, connecting directly to the previous paper: if the transition out of agriculture has not proceeded as expected within the state, one must ask where the workers go instead. Drawing on the e-Shram registry alongside the standard labour force surveys, they examine who leaves West Bengal, where they go, and what they do when they arrive—and, less obviously, who arrives in the state in return. The asymmetry between the two flows is where their analysis is most suggestive, and it raises the question of what kind of labour market reorganises itself around the absence of an industrial base without generating an alternative.

If workers are leaving and the industrial base is not being rebuilt, what capacity does the state itself have to act? Chakraborty and Bhadra take up the fiscal question, examining West Bengal's revenues, expenditures and debt over the past three and a half decades. Their analysis locates the problem not in profligacy but in a revenue effort that has remained stagnant even as demands on the state have grown. They trace the consequences for what is left once salaries, pensions and interest have been paid. The paper also examines the trend in central transfers and asks what the growing dependence on the Union means for a state whose entitlement under successive finance commissions is partly determined by how far behind it has fallen.

Health and education are where the state's record has most often been thought to diverge from its economic performance, and Chakraborty and Biswas ask whether that divergence survives scrutiny. They examine outcomes alongside the public provision meant to produce them and find the two harder to reconcile than expected—credible results in one domain sustained by means other than public spending, and in the other, a public system that households appear to be compensating for at considerable private cost. Their evidence on the allocation of teachers across schools is the sharpest illustration of what they take to be an institutional, rather than a budgetary problem.

Distribution of Outcomes

Two papers turn from aggregates to the distribution of outcomes across groups. Maitra tracks education, fertility and child health by religion and caste across three rounds of the National Family Health Survey, while Roy follows women's outcomes across the life cycle from birth to adulthood. Approaching the question from different directions, both find that progress has been markedly uneven across dimensions, and neither treats that unevenness as incidental. Why some outcomes have converged across groups while others have stagnated, or reversed, is the question their evidence poses most insistently.

The highest rate of early marriage among all major Indian states, unchanged across the two most recent survey rounds

despite a flagship scheme designed to reduce it, is a fact that demands explanation. Mukhopadhyay et al provide one, and it connects this issue's demographic material back to its labour-market findings in a way we had not anticipated when commissioning the papers. Their argument runs through the schooling of boys rather than of girls, and through the marriage market rather than through poverty or preference directly. They also raise, more tentatively, the possibility that West Bengal's comparatively liberal norms around marriage may affect what the statistic itself is measuring.

Three questions that seemed worth asking are not taken up by any of the papers, and we report our own attempts at them here, with the caveat that they have not had the scrutiny the papers themselves have received.

The first concerns human development relative to income. A state's raw human development index (HDI) rank confounds two things: how rich it is, and how effectively that income is converted into health and education outcomes. If we compare a state's rank on per capita income with its rank on HDI directly using subnational HDI estimates (Global Data Lab 2024) and state domestic product data (MOSPI, various years) for 19 major states and union territories in 2022, the picture that emerges is not one of West Bengal at either extreme. It ranks 14th on HDI and 11th on per capita income. On HDI specifically, it sits just behind Andhra Pradesh and Gujarat and just ahead of Assam and Madhya Pradesh—squarely in the lower-middle of the table rather than at either end. More striking than West Bengal's own position is what has happened to the relationship between HDI and per capita income itself: the rank correlation across these 19 states rose through the 1990s to a peak of 0.88 in 2003 but has since fallen to about 0.6 by 2022. In other words, income and social development, once closely aligned across states, have pulled apart. Kerala and Gujarat became shorthand for two ways of pairing growth with welfare: Kerala ranks first on HDI but sixth on income, while Gujarat is second on income but 13th on HDI (although, it should be noted, that the gap between Gujarat's position in these two dimensions has widened in recent years—its HDI rank sat closer to the middle of the table, not far from West Bengal's own, as recently as 2010).

The second concerns inequality, which none of the papers takes up directly. Using the ratio of the 90th to the 10th percentile of real consumption expenditure, drawn from successive National Sample Survey consumption expenditure surveys up to the most recent rounds, rural West Bengal has had lower inequality than the rest of India in every survey round since 1988. Urban West Bengal has not: it converged on the national level by the mid-1990s and exceeded it between 2005 and 2012. The rural-strong, urban-weak contrast that runs through the sectoral, consumption, and poverty records appears in the distribution as well. Both series have fallen sharply after 2012, which should be read against the unresolved difficulty of reconciling the 2011–12 rounds with the surveys that followed, rather than as a finding about inequality.

The third is a simple exercise with a direct bearing on the question we turn to next. The most recent consumption surveys

(National Statistics Office 2024, 2025) report expenditure both with and without the imputed value of goods received free from government schemes, and the gap between the two measures the weight of in-kind transfers in household consumption. West Bengal's gap was the largest of any major state in 2022–23—more than twice the all-India rural figure and over three times the urban—and the second largest in 2023–24. Whatever else may be said about the state's welfare architecture, its reach is not in doubt.

Taking Stock

We return to the question with which we began. The evidence assembled here does not support the idea of such a model, in either a flattering or an unflattering sense. The state has not stagnated: measured in real terms, income and consumption have kept pace with the national average over six decades, and poverty has fallen. But nor has it found a distinctive and durable route to prosperity or welfare that would justify the term. A model implies a strategy that others might follow. What these papers describe is not that. Land reform succeeded, and in succeeding, left the state with holdings too fragmented to assemble for industry. Agriculture grew, and in growing, absorbed labour that industry never came to claim. Panchayati raj arrived 15 years before the constitutional amendments required it. Operation Barga registered sharecroppers on a large scale and, in terms of distribution of surplus land, the state's record is impressive. In-kind transfers now reach households at a scale that makes West Bengal a leading state in this respect. Whether it is the reliance on local governments on the part of the Left Front or the bureaucracy on the part of the Trinamool Congress, these are positive achievements. Yet, redistribution and transfers are not sufficient to restart the economic engine that provides sustained improvements in standards of living. Indeed, a key limitation of an economic policy centring on transfers is that they consume revenue that might otherwise have gone into the schools and infrastructure that would, over time, make them less necessary. That this trade-off persists is unsurprising if one accepts that direct benefits carry a political appeal that public investments with slow and diffuse returns do not. With the change of government in May 2026, these trade-offs are again in question, and the papers in this issue describe the conditions the new dispensation inherits rather than anything it has yet done.

The constraints interact with one another. Industry stays away because land cannot readily be assembled; land cannot be assembled because so much depends on it; so much depends on it because industry stays away. The land market frictions in this chain now have some cross-state evidence backing them (Das et al 2025). Something similar may be said of the state's relative affordability, which has cushioned real living standards while reducing the urgency of transformation. Escaping this configuration is West Bengal's central challenge (Ghatak and Chakraborty 2026).

The issues taken up here are limited in number, and the reader will notice some conspicuous absences. For example, environment, social safety nets, safety, security and rights

enjoyed by people clearly matter for overall well-being and a broader notion of development. In terms of a fuller understanding of the economic forces at play, notable omissions include manufacturing, especially given that several papers identify industrial weakness as the binding constraint on the state's trajectory. There are other topics that are relevant in this respect. These include the spatial aspects of the growth process, paying attention to the contrast between rural and urban areas as well as regional disparities. Remittances are an important topic, since the state domestic product excludes them, and this issue establishes that West Bengal is a substantial net exporter of labour, and so, the welfare picture is somewhat incomplete. Capital and credit markets deserve a thorough treatment like land and labour, which do receive attention here. Infrastructure is another topic whose importance cannot be exaggerated. Institutions and governance,

the service sector, and higher education are all topics that deserve a fuller treatment. An edited volume rather than a journal special issue would be a more appropriate platform for a more comprehensive review of the economic trajectory of West Bengal, and we hope the present collection makes the case for one.

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