

Has Bengal fallen behind India? Yes. And no

West Bengal lags behind India in nominal income, but inflation-adjusted data tell a subtler story: real incomes broadly kept pace. The state did not simply decline; it grew in lower-priced sectors, especially agriculture, while missing faster-growing industry and services

A commonly held belief about West Bengal's economy is that it has steadily declined in size and importance relative to the national economy since Independence. A closer look at the data over the past six decades suggests that what appears to be a linear story of steady economic decline may be partly driven by movements in prices rather than by real income. This does not let the state off the hook for its less-than-stellar economic performance, but it does allow us to probe deeper than the familiar story of lost past glory. Once we adjust for differences in inflation across states, West Bengal's trajectory looks far less dramatic, and the story that emerges is much more nuanced.

While there are many metrics by which relative economic performance can be measured, per capita NSDP (net state domestic product) is an obvious one. We put together a series of NSDP data from 1961 to 2024 and used a method of deflation that gives us a comparable long time series of state-level data on per capita NSDP, allowing us to compare West Bengal's economic trajectory with that of the rest of India as well as with those of the leading and lagging states.

To create a consistent long-run real income series, we stitch together multiple official NSDP datasets published with different base years and use overlapping years in these series to create deflators that convert earlier data into a common price base (2004-05). We chose 2005 because it is the latest available base year before the national income accounting method changed, but our conclusions are not sensitive to the choice of base year.

Much of the pessimism about West Bengal's economy stems from trends in nominal per capita income. By this measure, the state has indeed steadily fallen behind the rest of India since the 1960s, as we can see in Figure 1; its ranking among major states has slipped significantly. But nominal income tells only part of the story. It reflects both the quantity of goods and services produced and the prices at which they are valued. If prices evolve differently across states, nominal comparisons can be misleading. When we adjust for inflation using state-specific price indices, the picture changes dramatically, and the relative trajectory of West Bengal is much flatter, as the figure shows.

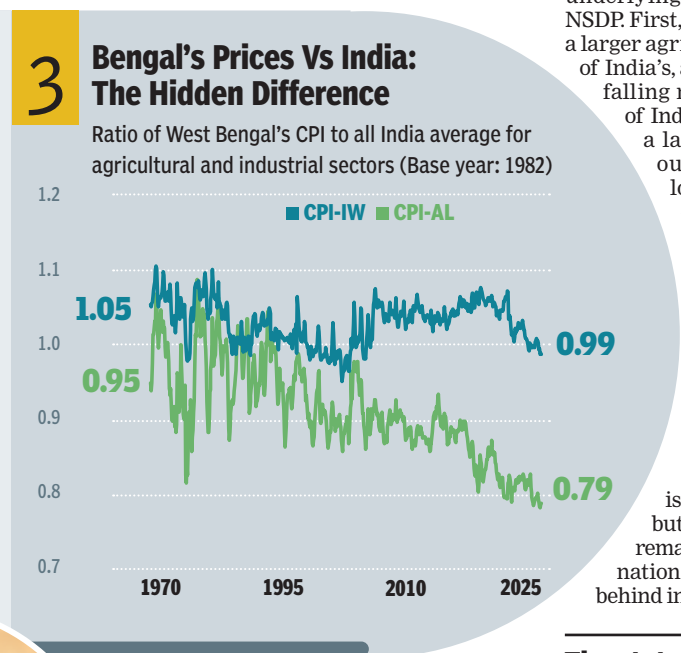
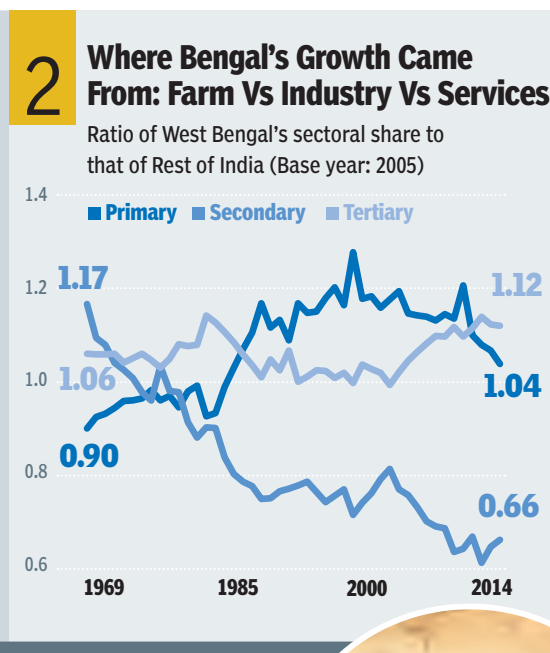
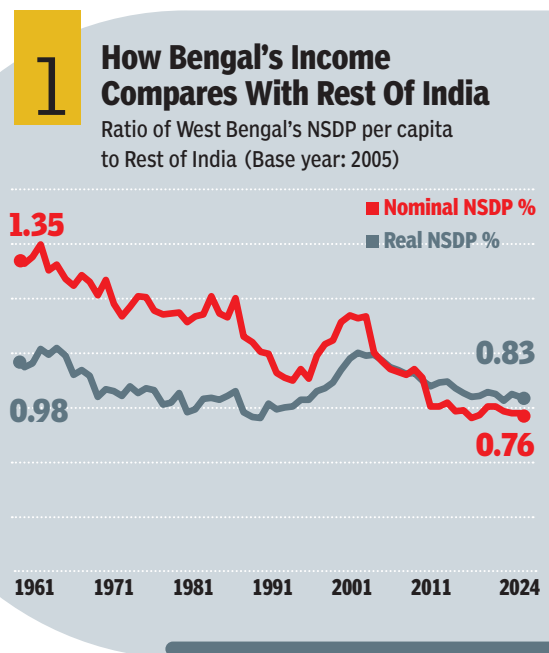
Indeed, real (inflation-adjusted) per capita income in West Bengal has grown at roughly the same pace as the national average between 1961 and 2024. In other words, while West Bengal appears to have fallen behind in nominal terms, its real income has broadly kept pace with that of the rest of the country.

The key to understanding this diver-

gence lies in inflation. West Bengal experienced lower inflation than most other states over more than 60 years. In the 1960s, West Bengal was a relatively expensive state. High prices eroded much of its apparent income advantage,

so differently? The answer lies in its pattern of structural transformation—the way its economy shifted across agriculture, manufacturing, and services—relative to the rest of India. Owing to data limitations, we examine sectoral data for the period from 1969 to 2014. We plot the ratio of West Bengal's sectoral share to the corresponding ratio for the rest of India in Figure 2. We can see that from the 1980s through the 2000s, the agricultural sector in West Bengal grew faster than the national average. Agrarian reforms, the diffusion of high-yielding varieties, and related changes boosted agricultural output.

At its peak in the early 2000s, this agricultural strength even pushed the state's real income temporarily above the national average. At the same time, the state underperformed in manufacturing in every sub-period over the past five decades. The underperformance of the manufacturing sector



came relatively late, mainly from the 1980s onward. By then, India's growth engine had already begun shifting away from agriculture toward industry and services, a transition that accelerated after the 1991 economic reforms. In earlier decades, agricultural success could drive overall growth, as it did in Punjab and Haryana during the Green Revolution. But by the 1990s and 2000s, the economy had changed. The most dynamic states were those that combined industrial expansion with rapid growth in services. States like Gujarat, Maharashtra, Tamil Nadu, and Karnataka rode this wave of structural transformation. West Bengal, by contrast, remained anchored in agriculture. As a result, it missed the sectors in which the highest prices were concentrated.

Two factors amplified the price effect underlying the steep fall in nominal NSDP. First, West Bengal's economy had a larger agricultural share than the rest of India's, and agricultural prices were falling relative to those in the rest

of India. Together, this meant that a larger portion of the state's output was being valued at lower prices. This mechanically depressed nominal income, even when real output was growing. West Bengal was producing more of the kinds of goods whose prices were rising slowly—or even falling. This is why nominal income figures understate the evolution of living standards in the state.

What the evidence shows is not a simple story of decline, but one of divergence. The state remained broadly in step with the nation in real terms, even as it fell behind in the sectors that matter most

The state fell behind in the sectors that matter most for modern growth. West Bengal's problem is not that it stopped growing, but that it grew in the wrong sectors at the wrong time. This doesn't make its challenges less real, but it changes how we understand them

for modern growth. West Bengal's problem is not that it stopped growing. It is that it grew in the wrong sectors at the wrong time.

The broader lesson from our analysis is that economic narratives are often shaped by the choice of measurement. In West Bengal's case, relying on nominal income alone has led to an exaggerated perception of decline. Once we adjust for prices, a more balanced picture emerges. This does not make West Bengal's challenges any less real, but it does change how we understand them.

BY INVITATION



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From the 1980s through the 2000s, the agricultural sector in Bengal grew faster than the national average. At its peak in the 2000s, this agricultural strength even pushed the state's real income temporarily above the national average. At the same time, the state underperformed in manufacturing

set in early and persisted throughout the period, indicating a deeper structural problem rather than shifts in political regimes. While the service sector expanded, especially after the 1990s, it was not fast enough to compensate for manufacturing weakness. The result was a skewed economic structure: strong agriculture and weak industry.

This structural pattern had important implications for prices. Agriculture, by its nature, tends to put downward pressure on prices when productivity rises. In West Bengal, rapid agricultural growth increased supply and lowered food prices relative to the rest of India. At the same time, industrial prices did not fall significantly. Costs in manufacturing remained broadly in line with national trends, perhaps because of wage rigidities and institutional factors. In the absence of data on implicit deflators in the NSDP series, we use CPI data for agriculture and industry as a proxy.

Finally, if agriculture was doing so well, why did it not translate into broader economic success? The answer lies in timing. West Bengal's agricultural boom