

Kolkata: Mother Teresa's Haunt

by Ramtanu Maitra

A recent visit to Kolkata—which was earlier known as Calcutta—makes it amply clear what went wrong with India's development over the last three decades in particular. Teeming with millions of poor, unskilled people, many of whom are living on the decayed pavements of the city, Kolkata epitomizes the negligence of its leaders and the acceptance of poverty by the people in general. The most striking feature of Kolkata is its dilapidated look. Huge brick buildings, which were once built with great architectural care, have long lost their shine. Then wide and sturdy walls have become the home of plants and trees. It is only a matter of time before these once magnificent buildings come down in rubble.

But the most astonishing thing about this city—founded by the British East India Company and dubbed by India's first Prime Minister, Jawaharlal Nehru, as a "Dead City" in the 1950s—is that no one really cares. People eat, sleep, and live their entire lives on the city's dirty pavements, and few take notice of them. The state government of West Bengal (Kolkata is the state capital) had long been the single most important bastion of the Communist Party of India-Marxist (CPI-M), and yet, poverty in Kolkata grows by leaps and bounds. It is evident that the West Bengal Communists, much like the Communists of the rest of India, have little interest in anything but to hone the mechanisms that would enable them to manipulate the system to stay in power. And, the CPI-M has proven that it has mastered the art of winning elections. It has been in power since 1977, and is seemingly in full control.

A Not-So-Old Town

In 1690, Job Charnock, an agent of the British East India Company, came to the bank of the Ganga River, known as the Hooghly River before it falls into the Bay of Bengal, to set up a commercial outlet for the company. Enticing the ruling Mughal nawab of the undivided province of Bengal, Bihar, and Orissa with the alleged financial benefits of doing commerce with the British, Charnock secured a site that was protected by the Hooghly River on the West, a creek to the north, and a lake (currently called the Salt Lake) a few miles to the east. He also took lease of three villages—Sutanuti, Govindapur, and Kalikata—with the aim of establishing a trading post of the British East India Company.

Subsequently, the town built around those three villages became a bone of contention between the Mughals and the British East India Company. Mughal Nawab Siraj-Ud-Dul-lah, the last independent nawab of Bengal, captured the city in 1756. A year later the British recaptured the city with a military force under the leadership of an East India Company clerk, Robert Clive. Thereafter, Gen. Warren Hastings was chosen as the first Governor General of India, and Calcutta, as the British named the city, became the capital of British India in 1772.

Calcutta continued to be the center of British control in India. The city prospered, as it became the conduit through which India's wealth was exported to strengthen the British Empire. Bengal supported the colonials, providing them initially with the clerks who served the British trading firms, then the lenders of capital, and finally, with a host of British-educated Bengali academics who welcomed the British education, judiciary, and culture. The Bengalis vied with each other for the attention of the ruling British.

Later, a section of the nationalist Bengali academics and social reformers gave leadership to the anti-British political forces. But by the mid-1930s, the leadership for the independence of India had slipped out of the hands of the Bengalis and was firmly in the hands of Mohandas Gandhi, Motilal and Jawaharlal Nehru, Sardar Vallabhbhai Patel, et al. Long before this time, in 1912, the Empire had moved the British Raj capital to Delhi, probably with an eye to secure India's western borders with Afghanistan, as well as the northern borders of the princely state of Jammu and Kashmir.

But, during the entire period from 1757 to 1912, when the colonial British power dominated the region, Calcutta remained the Empire's leading seat of power in Asia.

Calcutta, with its port, had been a major source of support for British operations in Southeast Asia. In those days, Calcutta had the best education system in India (Calcutta University, at one time, extended from Rangoon in Burma in the east to Lucknow, in the United Province—now Uttar Pradesh, in the west—a span of more than 1,000 miles), and it also provided the British with a well-developed engineering capability. With tea gardens in the north, engineering facilities, the capability to fabricate and build bridges and railroads in and around Calcutta, and jute mills up the Hooghly River, Calcutta was the hub of industrial activities in the British Raj.

The Bloody Partition

The partition of India by the departing British rulers in 1947, and the Hindu-Muslim riots which broke out in a most vicious form, first in Calcutta a year before, had perhaps the single most adverse impact on the city. The eastern half of Bengal became East Pakistan, and in 1971 it became the independent nation of Bangladesh, with its capital at Dhaka. Calcutta became the capital of West Bengal. As millions poured in from East Pakistan to the truncated Bengal, now



The Communist Party whose government has run Kolkata (Calcutta) for 25 years, holds a mass demonstration there in January. The Party's grip on the original British East India Company city in India remains tight, while poverty is its actual ruler. Once magnificent buildings have gone back to nature.

known as West Bengal, the refugees travelled by railroad en masse to Calcutta. The city, ill-prepared to absorb the influx, did not provide the needy refugees adequate shelter and homes. It was then that the refugees began to spread themselves all over the city's railroad stations and the surrounding streets.

The failure of the Congress Party, then in control of the state, to restore dignity to the hapless, uprooted families, led to the steady erosion of its political power in the state, and consolidated a more militant Communist party. The CPI-M, a breakaway from the Communist Party of India, took control of the state power in 1977, and has not loosened its grip since.

The poverty began to show in its most abject form following the partition. As the refugees poured in from East Pakistan, Calcutta's infrastructure fell apart. Meanwhile, the neglect of rural Bengal by the Congress Party leaders brought in a wave of new migrants, displaced farm families and laborers, into the already-crowded city. Another wave of migrants were the poor Bangladeshis, who began to come to West Bengal beginning in the 1980s. These Bangladeshis, however, did not converge in Calcutta, but moved west of West Bengal. Many settled in the Muslim-majority districts of West Bengal along the India-Bangladesh border.

The poverty of Calcutta got major international attention through the social work of Mother Teresa. In 1948, then-Sister Teresa, born and raised in Macedonia's Catholic Albanian community, came across a half-dead woman lying in front of a Calcutta hospital. From that point on, she dedicated her life to helping the poorest of the poor in Calcutta, thus

earning her the name "Saint of the Gutters." In 1952, she founded the order called the Missionaries of Charity in Calcutta, dedicated to serving the poor. That devotion toward the poor won Mother Teresa worldwide respect and the Nobel Peace Prize in 1979.

What Further Damage Was Done

The CPI-M, which came to power in West Bengal backed by the rural poor and the refugees from East Pakistan, saw little advantage in helping to rebuild Calcutta. Instead, it concentrated on propping up the poor agricultural community. Its objective, based mostly on electoral calculations, was to stay in power, and it calculated, correctly, that it would do so by investing in rural areas. The CPI-M also took a leaf out of China's Cultural Revolution (1967-78), and adopted an anti-intellectual posture. As a result, Calcutta University was undermined and the facilities that used to generate capital were also weakened. However, long before the CPI-M came to power in 1977, it had been, during 1969-72, a part of a coalition government, the United Front, and West Bengal's engineering industries were already in deep trouble. The rise of a militant Communist movement, and the welcome mat laid out to the businessmen and the manufacturers by other Indian states, prompted capital flight from West Bengal. The Congress Party, which had degenerated by the end of the 1950s, did little to stem the rot, and worsened the political environment by blaming the Communists for all the state's problems.

A 2001-02 study prepared by a group of economists based on 1997-98 data, indicates the source of West Bengal's, as well as Kolkata's, growing poverty. The study points out that

the facts of the last 20 years about the relative position of West Bengal industry, were self-evident. In 1980-81, West Bengal produced 9.8% of India's industrial output. In 1997-98, the share was 5.1%, up from a low of 4.7% in 1995-96. Organized sector employment actually declined in West Bengal during 1980-97; in particular, employment in the organized private sector went down from 1.084 million to 0.799 million.

A similar pattern shows up in West Bengal's contribution to foreign trade. In 1985-86, the Kolkata airport and port handled about 10% of the imports and exports from the country, while in 1998-99 that fraction was around 4%. Or, to take a measure of the vibrancy of trade, in 1999-2000 the value of checks cleared in Kolkata was just 6% of the value in Mumbai (formerly Bombay), compared to 38% in 1980-81. Even in the mid-1960s, West Bengal was the second most industrialized of the larger states. By 1995-96, in terms of the share of industry output, West Bengal was a long way down in the list, behind such smaller states as Karnataka and just ahead of Uttar Pradesh, another economically backward large state. Moreover, the significance of low-productivity manufacturing activities is diminishing, because of fierce competition from cheap imports. Small and medium-sized enterprises are going through tough times, and only a few are investing in new projects. The attraction of "greenfield" investments is waning, and, lacking interest on the government's part to change the trend, mergers and acquisitions are emerging as an attractive investment route.

What makes these numbers even more striking is the fact that this industrial meltdown happened during a period of relative peace and political stability in the state after the turbulent 1960s and the unstable 1970s. According to a report on "Crime In India 1997," West Bengal was 30th among 32 states and union territories in terms of the India Penal Code (IPC) crime (this category includes almost all crimes against persons and private property), and Kolkata was 23rd among the 23 largest cities. Moreover, this was a period when incomes and, therefore, demand, were growing throughout India. In West Bengal, per-capita gross state domestic product grew at 2.6% per annum in the 1980s and an impressive 5% in the 1990s. Most remarkably, all this happened in a period when the industrial growth rate in the country as a whole accelerated. The growth of industry value added in India was 7% in the 1980s and 6.7% in 1990s, compared to 5.5% in the 1960s and 1970s.

Inheriting a Problem and Doing Nothing

West Bengal's problems are many. To begin with, it was straddled with very old manufacturing companies at the time the CPI-M came to power. The state was already hampered with poor infrastructure. A recent study puts West Bengal 14th among Indian states in 1997-98 in an index of infrastructure, as compared to its No. 4 position in 1971-72. The index comprises (a) roads, railways, ports, (b) irrigation, (c) elec-

tricity, (d) telephone, (e) loan-deposit ratios of banks, and (f) tax collection of the state government. In each of these categories, West Bengal has fallen below the national average, whereas in 1964-65 it was first or second.

These facts suggest that the poor infrastructure has been a key factor in the decline of West Bengal's industrial performance relative to the rest of the country. Poor roads delay shipments and raise transport costs. Delays in getting perishable goods to market can make production entirely worthless. A case study about a failed mini-steel plant in Purulia in a recent look at industrial problems in eastern India, by Sudip Choudhury and Anindya Sen, says that each year the plant paid an additional 2.5-3.0 million rupees for transportation. The liquidation value of the plant itself was only 8.2 million rupees. West Bengal's road density per capita is far below India's average.

Electricity is another key input to production. The report mentions that many production centers in West Bengal became unviable simply because they got less than the promised amount of electricity from the West Bengal State Electricity Board. Some claim that the power situation in West Bengal is now less dire, but much of the apparent improvement is a result of de-industrialization. Moreover, the power situation is reportedly much worse outside the metropolitan district of Kolkata.

The third area of infrastructure is communications. While in the past this had been a major bottleneck, there are indications that the authorities are ready to pay adequate attention to this sub-sector.

This brings us to the last of the factors emphasized in a World Bank-Confederation of Indian Industry (CII) study—the availability of skilled personnel. During the last two decades, West Bengal has fallen behind a number of other states in educating the young. In 1993-94, the West Bengal primary school enrollment for children aged 5-9 was 51.7%, below the national average of 52.1%, and it ranked 10th among the 15 major states. A recent central government report puts West Bengal third, after Sikkim and Bihar, among all states in percentage of students who drop out before reaching the secondary school level.

There are, of course, many relevant measures of labor skill. Exact statistics are hard to come by, but a very large fraction of Kolkata's middle-class families now have one or more children living outside of West Bengal. There is ample evidence which shows that a large fraction of graduating students in West Bengal leave the state and look for employment elsewhere.

Another view is given by looking at the data on migration. A striking fact about the last two decades is that migration into Kolkata has slowed to a trickle, when migration into Delhi and other cities has exploded. There was a time when young engineers and other professionals from southern India would come to Kolkata for better opportunities. That trend, however, has entirely reversed.



Close to 3 million of Kolkata's inhabitants dwell on its sidewalks without homes, with only a few feet of space for all activities of life. On the left, a family's "home"; on the right, laborers from rural areas of West Bengal, who live on the sidewalks for a part of each year.

A Bankrupt State

The years of non-activity and running down of the old manufacturing facilities and infrastructure have affected the state's economy. West Bengal is now a bankrupt state. Recent newspaper reports suggest that West Bengal's expenditures in three areas—salaries, pensions, and interest payments on past loans—in the current fiscal year alone amounted to 110% of its total revenue. As a result, the government will have to borrow not only to fund any development programs, but also, according to a report in the British *Daily Telegraph* on May 30, 2002, to pay its wage and pension bills. West Bengal has resorted to overdrafts with the Reserve Bank of India central bank—as many as 134 times during 2000-01. During the past year, only the states of Bihar, Kerala, Manipur, Orissa, and Uttar Pradesh had to resort to more overdrafts.

The underlying reason for West Bengal's financial distress is that it has created a retarded economy, in which revenues are increasingly falling short of operating expenditures. The revenue deficit (that is, the gap between operating expenditures and revenues) in West Bengal rose from 3.0% to 6.7% of net state domestic product (NSDP) between 1990-91 and 1999-2000. By contrast, the corresponding ratio of aggregate revenue deficits to the aggregate NSDP across all Indian states was 0.9% in 1990-91, and 2.9% in 1999-2000. Moreover, West Bengal had the single largest revenue deficit among all states in 1999-2000.

As a result of the growing revenue deficit, the corresponding fiscal deficit (which adds loans and capital expenditures to the revenue deficit) in West Bengal has risen from 4.9% in 1990-91 to 9% of NSDP in 1999-2000 (whereas the average of all states went from 3.3% to 4.8% during this period). It is becoming clearer every day that the state of West Bengal will soon run out of lenders. Unless the state invests to rebuild its manufacturing and infrastructure, the poverty visible on the pavements of Kolkata will soon swamp the state.

The danger signals have already been raised, but the

government in West Bengal has ignored them. CPI-M's strength, and a large part of the state's economic growth over the last decade, was driven by the expansion of rice production based on the use of high-yield varieties and availability of water for irrigation. But now, most places suited for the high-yield rice varieties have already made the switch, and there is clear evidence that at least in some agricultural zones, the process has probably gone too far. In these zones, measures have not been taken to replenish the water table. In essence, the scope for further expansion of diesel tube-wells and canal irrigation seems to be relatively limited. The state has had occasion to buy extra water from Bihar over the last years. The switch to high-yield varieties can continue for a few more years, but with 60-70% of acreage already converted, it will not be for long. It is therefore no surprise that the growth rate in rice production has slowed significantly. Cereal production rose by 28% in the five planting seasons between 1985-86 and 1990-91, but in the two successive five-year periods that followed, this growth rate fell to 14% and 11%, respectively. Similarly, the growth of total agricultural output in West Bengal fell from a high of 15% and 16% (during 1985-86 to 1990-91, and 1990-91 to 1995-96, respectively) to 9% during in the five years between 1995-96 and 2000-01. Indeed one might expect, in the absence of further innovations, that agricultural growth in West Bengal is heading where other successful states, such as Punjab and Haryana, have ended up—on a plateau of close to zero growth.

That is not to say that there is no further scope for improvements in rice productivity. Rice yields in West Bengal are still considerably below those in some other rice-producing states, such as Andhra Pradesh and Tamil Nadu. They are also low compared to neighboring countries. For example, the rice yield per hectare in West Bengal in 1999-2000 was about 2.2 tons, while China's was 4.1 tons, Indonesia's was 2.9 tons, and Taiwan's and Vietnam's was each 2.8 tons.