

Bangladesh: Partitions, Nationalisms and Legacies for State-Building

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Executive Summary

The political economy of developing countries is characterized by the clientelist organization of politics. This perspective gives us a theoretical model of a clientelist political settlement as a framework for analysing the interaction between politics and economics in developing countries. We look at the emergence of Bangladesh out of two violent partitions in 1947 and 1971 through this lens to address a number of puzzles. Why did these particular nationalisms emerge when they did when there was no prior history of Bengali Muslim nationalism in this area before the 1930s? Why did the achievement of the most religiously and ethnically homogenous state in South Asia not result in stability in 1971? And what is the source of the persistent failure of modern Bangladeshi political parties to achieve credible elections?

The interaction between a clientelist organization of politics and changing economic opportunities and challenges provide a coherent and systematic set of answers to these and other questions. While the organization of clientelist politics had many standard features in East Bengal, a number of specific characteristics forced clientelist factions to unite against intransigent dominant classes unwilling to make distributive compromises in time. Some of the contemporary 'no-compromise' attitudes of Bangladeshi political factions can be directly traced to this historical experience. This analysis directs attention away from good governance reforms as a way of addressing political crises in Bangladesh. Many good governance goals are not implementable in a clientelist political settlement. The reform experiment in Bangladesh over 2007-2009 confirms the futility of attempting to implement this agenda in countries like Bangladesh.

A more limited and yet difficult set of challenges are identified. The first is to establish a shared understanding between political coalitions that live-and-let-live compromises are the only way forward in the competitive clientelism that has emerged. The significant differences between present problems and past experiences of mass movements need to be widely understood by the political players themselves. Here the dissemination of arguments and analysis is important. Secondly, the prospects for sustaining growth depend on the enforcement capabilities of agencies that can assist with the adoption and learning of new technologies. The experience of Bangladesh with its garments industry shows that these processes can be assisted even in the context of a clientelist political settlement.

Finally, the analysis of clientelism and nationalism has implications for some critical issues in regional relations. Bangladesh sits at the heart of a potential geo-political flashpoint that involves India, China and separatist states in India's North-East. The partition of Bengal and the intensification of Hindu-Muslim animosity spurred India to build the longest fence in the world around Bangladesh to prevent 'Bangladeshi infiltration' into India. At the same time, India desperately wants transit routes through Bangladesh to access its North-East. One implication of our analysis and the history of nationalism in Bangladesh is that the concession of Indian rights to travel through a fenced-in Bangladesh while Bangladeshis remain subject to strict Indian immigration controls is exactly the type of asymmetry in rights that resulted in significant nationalist reactions in the past. The analysis tells us that it would be dangerous to ignore the likely responses of political organizers in Bangladesh and a new form of nationalist backlash can easily emerge as a result of this political agenda. This would be seriously detrimental to both India and Bangladesh.

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1. Introduction

Bangladesh was created out of two violent partitions. The first in 1947 partitioned Bengal into a largely Muslim east, which became East Pakistan (later Bangladesh), and a largely Hindu west, which became the state of West Bengal in India (first map in Figure 1). When the Pakistan state failed to meet the aspirations of East Pakistani elites, a second violent partition in 1971 led to the secession of East Pakistan, which became Bangladesh (second map in Figure 1).

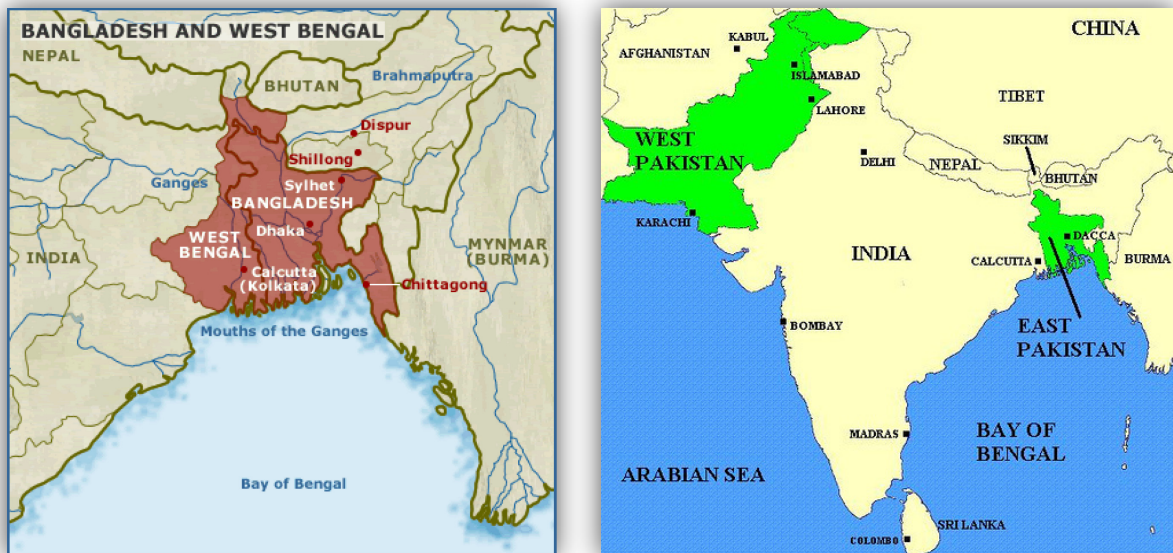


Figure 1 Bengal's partition of 1947 and Pakistan's partition of 1971

Sources: National Maritime Museum, <http://www.portcities.org.uk/london/server/show/conMediaFile.4845/Map-of-Bangladesh-and-West-Bengal.html> and <http://princefino.files.wordpress.com/2008/12/east-and-west-pakistan.jpg>

The outcome was a country with significantly greater linguistic and religious homogeneity compared to the other major subcontinental countries. Yet far from creating a stable state and a society with a clear sense of national identity, Bangladesh continues to be riven by conflict and dissent over what constitutes the fundamentals of its nationhood. While some forms of ethnic and communal conflict have indeed become muted as a result of the physical absence of some obvious “others”, there is no evidence that overall political stability has increased. New political disputes over nationhood have simply replaced old ones.

While these sequential partitions created a Muslim Bengali state, there had been no significant history of political movements that had imagined such a nation before

1947. Rather, both partitions were driven by conflicts between established and upwardly mobile elites attempting to solve distributive conflicts through patron-client mobilizations. In 1947, the conflict was primarily between an upwardly mobile Muslim Bengali elite based on the rich and middle peasantry and more established Hindu Bengali elites consisting of landlords, bureaucrats and professionals. Demography favoured the Muslims who constituted the majority in Bengal but they were economically less prosperous. They had no intention of partitioning their province and the mobilizations led by Bengali Muslim faction leaders from the rich peasant classes in the 1930s were entirely about achieving a bigger share of power and resources through the electoral process. The failure of these two competing sets of elites to agree on a distribution of power and privilege that was satisfactory to both sides was not foreordained. But failure led to the violent partition of Bengal in 1947.

The conflict of 1971 was also about the distribution of power and privilege, this time between the elites of East and West Pakistan. The fact that the partition of Bengal in 1947 was not the result of a long political mobilization which had struggled for the creation of Pakistan meant that the Muslims of Bengal, Punjab, and the other areas constituting Pakistan had not created a consistent or shared national ideology that predated the creation of Pakistan as a Muslim homeland. Yet when Pakistan was born, many Bengali Muslim elites tried for a long time to make Pakistan work in their interest. But with economic, military and political power firmly based in the West, upwardly mobile Bengali Muslims again felt hemmed in even within East Pakistan. They now faced a new dominant group: the West Pakistani military and bureaucratic elite based in Karachi a thousand miles away. The new state nurtured an emerging capitalist class based almost entirely in the West. But once again demography favoured the Bengalis in East Pakistan who were more numerous than all of West Pakistan's population put together. This resulted in constitutional crises from the outset as democracy threatened to reflect a distribution of political power that was out of line with the distribution of economic and military power. After twenty three years of failed constitutional experiments to marry democracy with the protection of the economic and political privileges of elites based in the West, the crisis came to a head with the elections of 1970. The Western elites refused to accept the results of an election that put East Pakistanis in charge of all of Pakistan. In the violent crisis that ensued, East Pakistan split off in 1971 in a second and even bloodier partition to become Bangladesh.

The emergence of Bangladesh in 1971 did not achieve internal peace. Instead, there was more violence, an attempted imposition of a one-party state, the assassinations of two heads of state, long periods of military rule and finally in 2000, the emergence of a vulnerable democracy. Even by the standards of developing countries, its emerging democracy was characterized by high levels of political corruption and insufficient attention to institution-building or developmental policy. Nevertheless, despite its apparently dysfunctional governance, Bangladesh emerged in the 1980s as a relatively high-growth developing country with a significant base in manufacturing based on the garments and textile industries.

What drove the successive national movements in Bangladesh, and why have none of the answers provided economic and political stability? The claim that the inhabitants of this part of India had always imagined a Muslim Bengali nation is an argument that is difficult to sustain. Muslim representatives in the Bengal Legislative Assembly in

the 1930s had wanted greater autonomy for Bengal, or even an independent Bengal that included both East and West, but not the East Pakistan that actually emerged. When East Pakistan was born, there was a growing dissatisfaction with the Bengali exclusion from the centres of power in Pakistan, but many key Bengali politicians, like Suhrawardy and Muhammad Ali Bogra served as prime ministers of Pakistan and were at the forefront of constitutional discussions in the 1950s that attempted to make Pakistan a workable proposition. The military takeover of 1958 suspended these discussions and the polarization gradually increased after that. Disagreements about the distribution of power and privilege rather than an imagined community that needed a state were therefore at the heart of both partitions, though alternative communities and states were rapidly imagined when negotiations began to break down. There is nothing new in this. Economic interests have also been important elsewhere in driving groups to define the “nation” and of course to define themselves as its representatives. But economic interests can be structured in different ways, and these differences matter for understanding subsequent developments.

A number of different ways in which economic interests may have driven the evolution of nationalism have been suggested in the literature. First, there is a Marxist-inspired literature that has explained nationalist conflicts in terms of underlying class conflicts. The problem this literature has to address is the following. While economic classes like peasants, landlords, capitalists and workers have lined up in different ways in these struggles, the nationalist struggles were conflicts between more amorphous coalitions of classes. The eventual conflicts were between *factions* composed of various classes, led by members of the “intermediate classes” such as the petty bourgeoisie and rich peasants. Moreover, the most significant beneficiaries of these conflicts were not peasants or workers (even when the factions they supported won) but much smaller groups from within the intermediate classes. The Bangladeshi peasant or worker today is no better off than their colleagues in neighbouring South Asian countries. The Marxist literature has responded by explaining these features in terms of leaders from the intermediate classes exploiting broader class grievances for their own ends (Umar 1980b, 1980a; A. Rahman and Azad 1990; Hashmi 1994). This does seem to explain why both capitalist accumulation and the real incomes of workers and poor peasants have not improved, and indeed often suffered following these conflicts.

A weakness in the simplistic Marxist analysis is that too much depends on the susceptibility of the masses to “false consciousness”. What enables the political leadership to exploit class grievances and exploitation in this way, not just once or even twice in a single generation but repeatedly? Secondly, while political entrepreneurs from these intermediate classes have clearly dominated politics in Bangladesh, these entrepreneurs have not represented the class interests of their own (intermediate) class once they get to power. The rich peasant or petty bourgeois politician who represents their class interest systematically is the exception rather than the rule. More typically, political leaders have represented *factional* interests, usually with negative effects for institution-building and economic growth.

The role of factions is central to a second set of explanations that draws on the Weberian sociological tradition. In Bangladesh, as elsewhere in the Indian subcontinent, political action has *not* normally been organized by class organizations even though class conflicts have been intense in different periods. Rather, political

conflicts have been predominantly between rival multi-class factions. The approach adopted by sociologists in the Weberian tradition has focussed on the role of patron-client networks and patrimonialism in defining political agendas (S. I. Khan, et al. 1996). This approach suggests that charismatic but arbitrary leaders mobilized people in their own narrow interest, and continue to control the “neo-patrimonial” state in Bangladesh. The competition between factions headed by charismatic leaders with different ideological agendas explains the intense political instability that we observe.

The problem with this approach is that while national conflicts have clearly been dominated by competing patron-client networks, this patron-client approach is divorced from an analysis of the economic interests of the participants. It does not explain why patron-client networks have been able to exercise such power and have been able to define the contours of major social conflicts. In Weber's original story, charismatic leaders were able to play such a role in pre-modern societies because they enjoyed traditional legitimacy. It is difficult to argue that Bangladeshi leaders in recent history have enjoyed such a tradition-based legitimacy. Rather, their limited and fragile legitimacy has been conditional on the economic benefits they have offered their followers.

We argue that the problems of democracy and of institution-building have to be seen in the context of a *clientelist political settlement* that in general characterizes developing countries in general, but is differently structured across countries (M. H. Khan 2010). The organization of politics along the lines of patron-client factions is a structural feature of developing countries according to our analysis because of economic and political characteristics of these societies, *not* related to traditional authority or the absence of democracy. This makes our analysis of clientelism very different from the analysis of neo-patrimonialism in the neo-Weberian tradition (Médard 2002). In advanced capitalist countries, the groups that have political power and economic power are likely to be significantly overlapping for a number of structural reasons. But developing countries face significant structural imbalances between economic and political power. This is why patron-client politics plays a significant role in developing countries as a mechanism for managing redistributive demands in contexts where fiscal resources are insufficient and social democratic states are not feasible. Political stability is typically achieved through the allocation of resources to powerful political organizers operating patron-client networks (M. H. Khan 2010). These structural features explain why the ‘Weberian states’ of advanced countries are nowhere in evidence in the developing world. The significant differences in the structure of the political economy of developing and advanced country states is one reason why a direct comparison with the latter does not necessarily help us to identify weaknesses in particular developing countries (see also North, et al. 2007).

If developing countries could construct modern Weberian states, the homogenous ethnic and religious structure of Bangladesh may have been an advantage. If politics were organized along interest representation and welfarist fiscal policy, the absence of religious and ethnic cleavages may have simplified the construction of a cohesive society. Perhaps in the future, when countries like Bangladesh are closer to constructing modern Weberian states, this may yet turn out to be an advantage for Bangladesh. But in a low-income developing country, the organization of a clientelist political settlement is of primary importance, and ethnicity is only one of a number of

determinants of how a clientelist polity is organized. If anything, the violent history of partitions followed by violent processes of constructing new (clientelist) political settlements disrupted the normal development of patron-client politics in Bangladesh. When factions use violence, the stakes become much higher, and strong animosities can develop that are justified by ideologies that may have little bearing on the actual interests that are at stake. But these factors do affect the evolution of informal norms regulating the conflict between competing factions. Patron-client politics therefore faced significant difficulties in achieving viable forms in Bangladesh even compared to other parts of India. This can help to explain why democracy took relatively long to establish after independence. It can also help to explain why the competition between factional political groupings in Bangladesh continues to take zero-sum forms. By looking at the major crises of partitions and nation-building through the lens of patron-client politics we can explain both what was different about these events compared to the normal politics of South Asia, but also what was strikingly similar. The analytical frame of clientelist politics helps to explain some of the crises that emerged in Bengal over the last century, and also why politics and state-building in Bangladesh turned out to be more fragile compared to India despite Bangladesh eventually emerging as a far more homogenous country than its larger neighbour.

Democracy in Bangladesh, as in other developing countries, is a competition between clientelist factions and the process can be described as competitive clientelism. But competitive clientelism has specific requirements for its smooth operation. In particular it requires a distribution of power between factions that makes it credible that the ruling coalition will not use administrative power too heavily to fix elections and prolong its tenure. The history and structure of factions and how they relate to productive processes differs across countries and over time. Some of the most important problems with institutionalizing democratic processes in Bangladesh can be better understood if we go behind the rhetoric of nationalism as a driver of state formation and focus instead on the organizational power of the clientelist factions that have driven historical change in the past, often positively, but sometimes negatively. If some major contemporary problems are located in the structure of its clientelist organizations, it may be that political entrepreneurs in Bangladesh have to consider further fundamental changes in the organization of its clientelist politics. This may be necessary to address issues of institution-building and economic development.

Though the organization of clientelist politics in Bangladesh has many similarities with India, there are also relevant differences. Paradoxically, the diversity of India's factions based on different coalitions of castes, ethnicities and religious identities has enabled its patron-client politics to operate in more stable ways compared to both Pakistan and Bangladesh. In India, no faction was big or strong enough to imagine that it could dominate the others (except during the brief period of Indira Gandhi's Emergency of 1975-77). In contrast, smaller countries with homogenous populations or a small number of ethnic groups can suffer from polarizations in their patron-client politics that obstruct the operation of democratic politics in clientelist polities (M. H. Khan 2005). The result can be frequent electoral crises and occasional military governments. While the creation of Bangladesh was undoubtedly beneficial for the rapid expansion of the Bengali-Muslim middle class and for the emergence of its own capitalist class, a better understanding of the constraints facing state-building in Bangladesh is required to respond to ongoing political and economic challenges.

The partitions that created Bangladesh have also left deep legacies and geo-political problems for the region. The Bengalis, who today constitute around 250 million people, are split between the independent state of Bangladesh with a population of 150 million and the Indian state of West Bengal with a population of 80 million. A significant number of the remainder are in several neighbouring North-eastern Indian states, in particular Assam. But so deep were the roots of the partition of 1947 that no significant political movement on either side of the border has since seriously challenged that partition or espoused reunification even as a distant objective. These borders now have an appearance of permanence, cutting across historic trade and migration routes and rivers. The water problem is particularly acute in downstream Bangladesh whose river flows are now determined in India with insufficient regard to Bangladeshi agricultural requirements.

For India too, the Bangladesh border created significant problems. The partition of Bengal converted the Hindu-Muslim conflict into a significant cleavage in the politics of a number of Indian states with a significant Muslim presence, including the neighbouring state of Assam. India's regional politics has been driven by the fear that the demographic balance in neighbouring Indian states is again shifting in the direction of a significant Muslim presence. Contemporary West Bengal has a 25 per cent Muslim minority and Assam a 31 per cent Muslim minority, second only to the Muslim-majority Indian state of Jammu and Kashmir. Tensions between Hindus and Muslims are frequently intense in Assam. Responding to its own internal politics, India has almost finished constructing a 4000km fence around Bangladesh. The fence itself has created new problems for India. If India simply needed to construct a fence, Bangladesh would have no option but to live with it. But India also needs to have pathways for itself through the fence, and this has made the politics of the region potentially explosive.

India's problem is that the 1947 partition almost entirely blocked its access to its troubled North-East. There are seven Indian states on the other side of Bangladesh, tenuously connected to India by a narrow strip of hilly land, the Shiliguri Corridor, which is barely 20km wide at its narrowest point. Transportation and access have become more and more important as there are frequent insurgencies and tensions in the North-Eastern states which have significant separatist movements of their own. To make matters even more fraught, large areas are also disputed by China. The disastrous 1962 war with China was fought in this region. To deal with insurgencies and economic backwardness in its North-East, India has persistently demanded transit rights through Bangladesh. This was difficult enough in the past, but now with Bangladesh effectively fenced in, it has become an even more difficult proposition to sell within Bangladesh. It is possible to envisage Bangladesh living with the fence (it can do very little on its own to reverse it) and it is also possible to envisage a more open border with greater inter-connectivity across the region. But a Bangladeshi government that accepts India's right to travel through its country while accepting that it will otherwise be fenced in is likely to rapidly lose domestic support. If Indian pressure forces a Bangladeshi government to proceed in this direction, there is also a significant risk of new nationalist responses within Bangladesh. Yet, successive Bangladeshi governments have been under intense pressure from India to concede exactly this.

2. A Theoretical Framework for Analysing Clientelist Development

To analyse the political and economic instability that characterized Pakistan and Bangladesh after independence we need an analytical framework that can capture the relationship between economics and politics in developing countries. The new states in Pakistan and India did not have the rule-following characteristics of Weberian states, nor did they reflect dominant class interests in the way a simplistic Marxist analysis may suggest. To analyse the political economy dynamics driving the partitions that created Bangladesh and the subsequent institutional performance of the country, we use our framework of '*political settlements*' developed in Khan (2010). This framework provides a way of looking at the interaction between economics and politics in developing countries through the lens of power and institutions. We will not reproduce the full analysis here, but only outline the critical features which are necessary for following this specific analysis of clientelism in Pakistan and later Bangladesh.

Economic and political activity takes place in a context defined by formal and informal 'rules'. Rules are institutions, which can be formal if they are enforced by the state; or informal if they are based on non-state enforcement or if they are voluntarily adhered to. In developing countries, formal rules like property rights or the operation of democratic processes are in reality often implemented in ways that are quite different from what their legal description says. In these cases, the formal rules have a large element of informality and we need to explain why and how formal rules are modified in particular ways. This is a critical part of any explanation of economic and political performance in developing countries because a major part of their difference from advanced countries, and indeed from each other, lies in the particular informal ways in which formal rules are applied and implemented. Informal rules also describe the activity of significant parts of the economy and polity that are entirely outside the 'formal' economy.

The Ubiquity of Patron-Client Politics

In developing countries, the informal networks used by powerful groups to generate and protect benefits can be generically described as 'patron-client networks'. Any informal relationship or organization that involves individuals with different degrees of power can be broadly described as some variant of a patron-client relationship. There are systematic hierarchies and exchanges in these relationships but they are 'personalized' because they are not formal contracts that can be enforced by the application of a 'rule of law'. Patron-client relationships can clearly include a wide variety of relationships through which power is exercised. The goals of patrons and clients, their relative power, and the distribution of benefits they achieve can all vary widely. These networks can operate directly as informal networks or within formal organizations like political parties. As mechanisms through which power is exercised, the typical patron-client network involves a patron as an organizer of power organizing groups of clients who offer their organizational support in exchange for benefits that the patron offers. The organizational power that this type of patron-client network can deploy is an important explanation of why they are able to capture and sustain significant rents in developing countries, often through their involvement in the protection and operation of formal institutions.

Patron-client networks that are deployed to preserve informal distributions of benefits are typically organized as factions or collections of factions. Bigger factions are

typically coalitions of smaller factions organized by a higher-level patron. Both factions and coalitions of factions are organized as pyramids. At the lowest level, a faction in many developing countries consists of a patron with a group of followers who are locally powerful individuals. Collectively, they appropriate a share of benefits from the local economy by engaging in local enforcement and dispute resolution activities. Sometimes this also crosses the line into expropriation and the extraction of protection money. More significant patron-client organizations are typically pyramidal organizations of lower-level factions. Here patrons at higher levels organize factions or clients below them to provide them with bargaining power in contests with other groups or factions for more significant rents. For instance, bigger factions may be constructed to participate in electoral contests or to gain entry into other formal organizations that provide access to rents.

Patrons are therefore typically more enterprising or powerful political entrepreneurs at each level who can mobilize significant groups of clients below them to capture rents and resources for their particular factions at that level. Clients lower down the factional ladder provide the organizational muscle to patrons higher up the pyramid for a share of the rents distributed downwards within the faction. The modern patron-client faction is therefore constructed on the basis of a rational calculation of interests by both patrons and clients and has little to do with traditional deference or cultural values. The class identity of patrons and clients can vary significantly across societies as can the organization of factions and the distribution of power within them. Finally, the ideological symbols that are used to mobilize people and distinguish factions from each other obviously also vary significantly. The fact that factions are often distinguished using traditional cultural symbols like caste, religion or tribe can serve to confuse the fact that these are typically opportunistic arrangements. Patrons are typically unable to keep their factions together unless they are successful in generating rents that they can distribute down the network, and clients are always ready to redefine their allegiances if other factions offer them higher rewards.

Differences in the organization and structure of patron-client networks are likely to reflect differences in the productive organization of societies, differences in their organizational and political histories and differences in their colonial histories. Dominant political organizers in different countries may come from various economic backgrounds and mobilize groups from different backgrounds and organized around a range of signposts. Factions can be organized along ethnic, religious, tribal, caste or ideological lines; they can be large or small, centralized or fragmented, with strong or weak patrons and so on. The number of competing factions can also differ, affecting the competitive structure in politics and the possibility of coordination across factions. All these variations have important consequences for the ways in which conflicts over rents are organized in different societies and we will summarize some of these differences and the likely effects later.

A number of features of the political competition in developing countries can help to contextualize the rapidly changing but sustained ideological conflicts that often characterize them. First, political parties in developing countries are typically multi-class organizations that bring together a large number of patron-client networks in a pyramidal structure. Secondly, members of the “intermediate” classes dominate the organizational leadership of these factions. It is widely noted, for instance, that the major parties in Bangladesh represent quite similar multi-class interests, that they

routinely split and re-form along factions led by strong personalities, and that these factions are themselves loose coalitions of smaller or primary factions which are to be found at all levels of society (Siddiqui 1984; S. A. Khan 1989; Riaz 1994; Wood 1994; S. I. Khan, et al. 1996) But recognizing this process raises an obvious question that deserves analytical attention. Why is it that formal organized politics has been dominated by the conflicts between these multi-class patron-client factions rather than by the conflict between classes which clearly also exist?

Looking from the bottom up, the basic component of any party or coalition, however large, is a myriad of basic patron-client factions. Each of these is organized around a single or small group of leaders. These basic patron-client factions are ubiquitous and range from neighbourhood groups led by petty mafia bosses known in Bangladesh as *mastans* to village factions led by somewhat more respectable *matabbars*, *dalals* and *upazilla* chairmen. Looking from the top down, factions at lower levels are too small to wield any real bargaining power vis-à-vis factions organized at higher levels or vis-à-vis the state. Bargaining power depends on the number of people who can be occasionally mobilized by the faction for elections but more generally for maintaining local level enforcement networks, organizing civil protests, demonstrations, enforcing general strikes, and other forms of activity which aim to inflict costs on those who refuse to make deals or offer payoffs to that faction.

Since bargaining power is greater when the faction is bigger, there is a strong incentive for coalitions of factions to start coalescing in a pyramidal fashion. The more serious the conflict, the bigger the coalition that will form to fight it, with the payoffs from victory being distributed in varying proportions down the pyramid. Success in redistributive contests depends on each faction being able to field more organizational holding power than its rivals. This is as true of the lowest level factions fighting over disputed land in villages as of national level factions competing for control of the state. The payoffs targeted by a faction depends on the economy and the dominant types of rents that political power can be used to allocate through formal and informal mechanisms. The valuable resources at stake can include licenses, loans from state banks, control over local state organs such as the police that allows land grabbing, and jobs in public sector enterprises, to give just a few examples. The national factions are, of course, constructed out of primary factions. If they are successful, members of the intermediate classes in leadership positions at different levels of the faction can become quite well off and may make a transition to the asset owning class.

Higher-level faction leaders deal with lower level faction leaders, adding or removing them as conditions change. At the same time, lower level faction leaders join or exit from the coalition depending on what they are being offered by the coalition compared to others. The leader of a major party is the leader of a relatively small number of factions at the highest level, but if we follow each of these factions down the pyramid, a vast number of factions will be found at the lowest levels. The ability of any particular primary faction to get included at any level in a bigger faction depends on its perceived ability to deliver organizational power at least cost for the higher leadership. The organizational power of a faction depends on its ability to field its supporters, from mobilizing them for local elections to bringing them out to impose costs on opponents, in many cases through organized violence. At each level including the highest, leaders want to have the maximum number of the most

powerful factions under them, but not without limit, because the more factions they incorporate, the more thinly will they have to distribute the resources they eventually hope to capture.

Primary factions can be excluded if the leadership of a higher level faction feels that the economic cost of including it is too high for achieving its redistributive agenda or, (if the higher level faction already has access to resources), the political cost of excluding the lower level group is acceptable. The strategy of excluded groups in turn is to shift their political positions from being simply troublesome to being totally incompatible with the ruling group depending on their assessment of whether accommodation is still possible or not. This ensures that factions never become truly encompassing, and when they do become too big they start to fragment because an increasing number of lower-level factions become dissatisfied with what higher levels are then able to give them. Thus, the paradox of many clientelist systems with a large number of factions or with rapidly increasing numbers is that neither full inclusion of all factions nor the exclusion of too many is a stable equilibrium. Rather, stability in these contexts depends on a continual negotiation of insiders and outsiders to achieve a sustainable combination of economic and political viability.

The ubiquity and often vagueness of the notion of the faction in the Indian subcontinent has led some to question its usefulness (Hardiman 1982). Interestingly, the Bengali word for faction, *dol*, is the same word that now means party. But is Hardiman right to question all analysis that focuses on the faction? First, he argues that not all political leaders operate through factions. Some are activists who directly engage in agitational (for which we can read class) politics. The existence of such exceptional individuals does not, of course, preclude the usefulness of the notion of faction if we observe, as we do, that many important political issues are contested between factions.

A second critique is that higher-level leaders are often observed to fail in forcing their decisions on lower level clients. This too does not rule out the importance of factions, it simply says that the bargaining power between patrons and clients within factions can vary greatly. Not only is this true, the rapid formation and dissolution of big coalitions testifies to the ability of lower level clients to opt out of the coalition as conditions change or as better offers are made by competing coalitions.

A more significant criticism offered by Hardiman is that clients often have strong class organizations of their own which can over-ride their loyalties to their patrons. This criticism is really directed against those who present factions and other economic interests as mutually exclusive categories such that collective action is only of one type or the other. Hardiman's critique of factional analysis that ignores class entirely is totally justified. But as individuals can and do operate within both class and factional organizations, we have to explain why the most important political battles in South Asia and across developing countries continue to be between factional organizations.

Finally, Hardiman points out that there is little evidence of factions operating at the national level with tentacles spreading right down to the village. He reviews the classic works on factions by F.G. Bailey, Ralph Nicholas and Paul Brass amongst others to show that their work does not support the claim that the day-to-day operation

of village factions is dominated by loyalty to patrons outside the village. This criticism is levelled against an anthropological notion of faction based on loyalty. If factions were indeed based on loyalty then a faction once established would be fairly immutable and we would see traces of its existence even when no immediate conflicts were going on. However, we would argue that most factions and factional alliances are rationally made pragmatic alliances based on what the lower level faction can offer the higher level one and vice versa. The coalition that would form during an election would be different from the coalition that would form during a land dispute.

Shakeeb Adnan Khan (1989) provides an account of the operation of village-level factions in Bangladesh from a Marxist perspective. He describes in rich detail how patron-client factions compete vigorously at the village level for access to state distributed resources like irrigation pumps or Food for Works contracts, or to settle land disputes where mobilizations of rival forces by the contestants plays a critical role. Successful patrons not only have to be more successful in organizing locally, they also have to be successful in forging flexible alignments with parties and factions at higher levels controlling the state. The clients of village patrons, the small and middle peasants who benefit from the resources which village-level patrons can distribute, are not only *not* upset by their patrons changing their party allegiances as power shifts in Dhaka, they *expect* them to do so (S. A. Khan 1989: 91-125). Thus here too, Hardiman's critique is relevant but only when directed against analysts for whom factions are based on pre-rational loyalties to caste or kin. Such factions are very rare, and when coalitions are constructed on the basis of primordial loyalties such as religion they rapidly break down once their immediate objectives have been achieved. The experience of caste-based coalitions in India has been very similar.

The second point which is worthy of note is that not only are factions ubiquitous, they are organized and led by political organizers who typically come from the "intermediate" classes. Factions are very rarely *led* by capitalists and almost never by workers, the landless or poor peasants. The poor are numerous but are too poor to organize politics on their own. The emerging capitalists and capitalist landlords may be rich as individuals and occasionally organize their own factions but they are too few in numbers and collective wealth to set the political agenda. Classes that occupy an intermediate position in society, often collectively described as the intermediate classes, dominate factional leadership positions. The term was popularized by Kalecki (1972) who noted that the urban petty bourgeoisie, rich peasants and state bureaucrats politically dominated post-independence India.

Our use of the term differs somewhat from Kalecki. *We include a broader group of classes in the category of intermediate classes, which we treat as a residual to describe classes that are not capitalist, or working class (including the unemployed) or poor peasant (who are at, or close to, subsistence levels).* Nor do we want to say, like Kalecki, that these classes have some shared interest in non-capitalist development that the intermediate regime promotes. Rather, our intention in identifying these classes is simply to point out that the polar classes do not dominate organizational politics in developing countries. On the other hand, the intermediate classes too do not act as classes. They simply provide tens of thousands of recruits for leading and organizing factional politics at different levels of society. The economic policies the state follows cannot simply be read off from this fact, and here we differ from Kalecki. The tension between the redistributive demands coming from factional

politics and the imperative of ensuring economic growth largely through the capitalist sector has resulted in sharp shifts in state policy. The state has sometimes followed dramatically pro-capitalist policies, and at other times (as in the early seventies) it has almost destroyed capitalism.

Our broader definition of the intermediate classes includes rich peasants, middle peasants, the urban petty-bourgeoisie and the educated “middle class”, both employed and unemployed. While these classes have different interests, it is not surprising that they should have collectively provided a significant proportion of the political entrepreneurs of recent history. Compared to workers, poor peasants and the illiterate unemployed, they have a relatively high degree of organizational ability based on their *relatively* high levels of education and wealth. Secondly, though still a relatively small fraction of the population, they are far more numerous than capitalists and large landlords whose numbers are insignificant in developing countries like Bangladesh, and who therefore do not play a central organizational role in politics. Nor is capitalism so developed that the capitalist class can dominate politics indirectly by exercising their purchasing power.

The important point is that while political entrepreneurs *from* the intermediate classes play a key role in political organization, it is not the case that the intermediate classes dominate the political scene *as classes*. Thus the political dominance of the intermediate classes reflects an incomplete transition to capitalism.

For Weber too, pre-capitalist societies were characterized by variants of patron-client relationships, but for very different reasons. Weber contrasted the “rational” bureaucratic form of governance seen in modern capitalism with traditional forms of authority in pre-capitalist societies. Patrimonial rule was identified as one of the most important of these pre-capitalist forms of governance, where allegiance to a leader was based on personal loyalty and traditional legitimacy (Weber 1978: 1006-110). What we describe as informality is explained in Weber’s framework by the importance in patrimonial societies of authority exercised by “charismatic” leaders. As charisma entails allegiance to a person and not to an office, by definition, the exercise of power in these societies has to be informal.

While Weber has inspired contemporary sociologists to look for personalized authority exercised through patron-client networks, the patron-client networks we observe in contemporary developing countries are typically not based on traditional legitimacy or charismatic authority. On the contrary, the “contract” between patrons and clients is often surprisingly modern and rational. It is based on an exchange of organizational muscle for material benefits and is readily re-negotiated if clients (or indeed entire factions) are offered better terms by other patrons. Neo-Weberians recognize that modern patron-client relationships are based on the exchange of favours and rewards, and are no longer typically based on charisma or traditional authority. However, they explain the persistence of personalized power in neo-patrimonial models in terms of the weakness of formal structures of democracy that allows patrons to maintain their privileged access to power and rents (Médard 2002).

Weber’s analysis is also different from ours in its underlying analysis of the economy. What interests Weber is the arbitrary and unpredictable nature of patrimonial rule, which he contrasts with the formal and predictable nature of bureaucratic rule.

Capitalism, he argues, requires the rule-governed predictability of bureaucratic governance. The arbitrariness of patrimonialism stifles capitalism by lowering investment and preventing long-term planning by capitalists. It also encourages patrimonial rulers to arbitrarily favour their clients by granting them monopolies. Since this description has an uncanny resemblance to features of governance in contemporary developing countries, Weber's analysis of patrimonialism has informed a new interest in the deleterious effects of patron-client networks and of 'poor governance'.

Despite its apparent fit with some observations of the governance problem in developing countries, Weber's analysis is misleading because it conflates the functional requirements of advanced capitalism with an analysis of the constraints and requirements of the period of transition during which capitalism is being created and institutionalized in developing countries. No advanced country organized this process of transition by first successfully institutionalizing a bureaucracy that would pass the test of impersonality and modernity at a time when its productive sectors were still based primarily on, say, peasant or handicraft production. Nor has any country succeeded in institutionalizing an effective rule of law protecting all property rights and contracts without significant incomes generated by a formal modern sector that are sufficient to pay for the enforcement of a general rule of law as a public good. Most developing countries are far away from meeting these entry conditions to formality. Periods of transition between the collapse of formal pre-capitalist systems and the emergence of a modern capitalist economy have always been characterized by significant levels of 'personalized' or informal interventions and institutions despite the presence of pockets of modern capitalist economies. The relevant question is why these arbitrary processes (in the sense of not being strictly rule-following) have led to the growth of capitalist sectors and eventually a successful transition to a rule of law economy in a few countries but not in many others.

There is, however, an important paradox that we must address. Why do the masses persistently collude in being "fooled" by factional politics since this pattern of politics has been around long enough for everybody to realize what is going on? Even though the intermediate classes dominate in leadership positions, parties can only succeed if they can bring out mass support at critical times and, of course, at elections. The mass supporters of parties do not in the end get substantial economic payoffs or payoffs in the form of their preferred ideological positions being realized. Nevertheless there seems to be a widespread collusion in the acceptance of the meaningfulness of the claims made by parties, and alternative movements or parties that could in theory reflect mass aspirations better do not replace them. Two types of answer have been provided. The first comes from a narrowly defined class analysis and the second from a neo-Weberian analysis of the patrimonial state, but neither is satisfactory on its own.

The conventional class approach relies on either "false consciousness" or betrayal by the leadership to explain how the genuine grievances of poor and middle peasants or of urban workers get translated into a political language and agenda which in the end offers them little. While such explanations often have a factual description at their core, they are not fully satisfactory for several reasons. First, a false consciousness and/or betrayal explanation may be convincing once or twice, but if a country persists with clientelist politics for decades on end, something else is going on. When anyone actually bothers to ask the poor about their opinions and beliefs there is very little

evidence of false consciousness. Unfortunately, representative surveys do not exist for the earlier periods but increasingly such studies are being conducted to test popular perceptions. Banu (1992) is an example of a nation-wide survey of contemporary attitudes. In the eighties when mainstream clientelist parties in Bangladesh were fighting a battle defined by secularism on one side and Islamic values on the other, this survey found that only 6.4% of rural respondents were proud of national independence and only 1% of the War of Liberation, the most potent symbols of the commitment to secularism. At the same time, barely 9% of the respondents reported that they were proud of Islam. This hardly suggests the kind of deeply felt primordial commitments that could explain a century of strife. The mass of Bangladesh's working people seem to have little time for the fine ideological debates of the intermediate classes, a fact which should hardly be surprising. But it does leave unexplained the ability of parties and factions to mobilize the masses ostensibly on such issues rather than on the basis of the economic interests of the poor.

Instead of false consciousness, it may be that individuals at the bottom of the pyramid behave as they do because what little they can potentially get through the success of their faction is greater than the expected payoffs from class action. The poor do get some benefits from factional politics although the benefits are pitifully small. They may range from the patron's offer of protection through the mobilization of the faction during disputes over land and resources, the offer of credit at less than usurious interest rates, or in the case of more active foot soldiers, a regular retainer. A *rational* rejection of class policies by the poor may be based on a number of considerations. First, there may be a justifiable perception that class action to change society is unlikely to succeed unless a very significant degree of class unity was to emerge. If the poor perceive that they are fragmented, and that the rich and the intermediate classes will most likely succeed in dividing them, then following class politics is irrational. The widely observed preference of the poor to support factional patrons rather than class organizations (Jansen 1987; S. A. Khan 1989) may then be based not on false consciousness but rather on a rational calculation about which strategy is likely to make any difference in the actual class context in which the poor find themselves.

A more fundamental problem may be that the poor (and indeed their leaders) may not be able to visualize a credible change in the productive system that could make *everyone* who was poor better off. Like fragmentation, the absence of credible strategies to increase the size of the pie through inclusive politics is not necessarily an unalterable fact. Nevertheless, in the absence of credible strategies to increase the size of the pie, upward mobility through the political process has elements of a zero-sum game. There may then be a trade-off between the size of the group one belongs to and the payoff one gets. More specifically, there may be an "inverse-U-shaped" relationship between the size of the group and the payoff. If the group is too small, its bargaining power is negligible and the payoff it gets is zero. If it is too big, involving for instance all the poor, the payoff is again very small because the payoff has to be widely distributed, given that no convincing programme exists for increasing production through class action. The typical patron-client faction may offer the best payoff to the individual poor person, providing that he or she succeeds in selecting a winning faction. Belonging to a faction and participating in this type of politics may then be attractive given the very limited alternatives as perceived by the poor themselves.

Political Settlements and Growth-Stability Trade-offs

The analytical frame of a 'political settlement' allows us to identify and analyse these differences. A key theoretical concept in this framework is that of organizational power, which we relate to the game theoretic concept of 'holding power'. Holding power measures the ability of a group to hold out against other groups in conflicts over distribution. It can be based on economic capabilities since conflicts have economic costs and the group with greater economic resources has an advantage in holding out. But economic advantage is not necessarily decisive because poorer groups can often win conflicts. Holding power can also be based on organizational, ideological and other characteristics that enable groups to inflict and absorb pain during conflicts.

The relationship between institutions and the distribution of power arises because adhering to any rule implies a specific distribution of benefits for the different parties that are subject to the rule. If a rule implies a distribution of benefits that powerful groups do not accept, enforcing that rule results in resistance and contestation. The result may be a *partial* enforcement of the rule, or a decline in political stability as the rule is enforced, or some combination of the two. The partial enforcement of many formal rights often means that the distribution of benefits is changed through informal mechanisms such as payments to mafias or political parties for informal enforcement. As a result, the final distribution corresponds more closely to the distribution of power. Thus, even where formal institutions exist in developing countries, their operation has significant elements of 'informality' which is another way of describing partial enforcement. These insights lead us to define a political settlement as a *combination of a social distribution of power with formal and informal institutions that is compatible and sustainable* (M. H. Khan 2010). Compatibility refers to the fact that the mix of formal and informal institutions has to be compatible with the distribution of power, and sustainability refers to the fact that for the society to reproduce itself a minimum level of political stability and economic performance has to be achieved, though the minimum that is sustainable can itself vary across societies. These interdependencies are summarized in Figure 2.

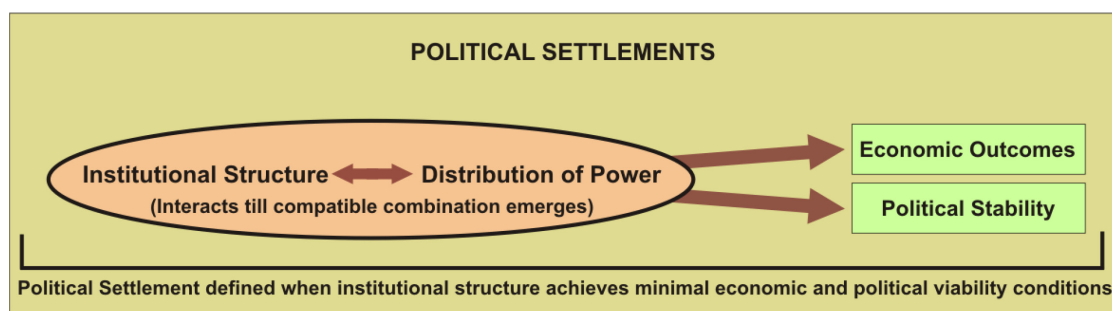


Figure 2 Political Settlements

Source: (M. H. Khan 2010: Figure 5)

A number of significant analytical implications follow. First, if significant holding power is based on informal capabilities of organizers to organize, these informal sources of power are likely to be eventually reflected in informal institutional arrangements that sustain them. This is the two-way interaction between institutions and the distribution of power shown in Figure 2. The eventual combination of formal institutions and informal modifications or entirely informal institutions is important

for explaining political and economic dynamics. This analytical approach can explain why political organizations and relationships between state and society are often organized through largely informal patron-client organizations, and this exercise of power in turn affects the enforcement of formal rules in significant ways. Thus, in our analysis, the structure of patron-client organizations and their relationship with the state has a significant effect on economic and political outcomes.

A second implication is that the full enforcement of formal institutions that could notionally improve economic performance may result in an unacceptable decline in political stability if powerful groups contest the distribution of incomes that would follow. Depending on the distribution of organizational power in that society, and the initial configuration of institutions and economic capabilities, there is a growth-stability trade-off as the ruling coalition in control of the state tries to improve the enforcement of formal rules in particular directions. This provides an explanation for the differences in the enforcement of formal institutions in developing countries, because the organization of patron-client politics can affect the nature of the trade-off. The essential argument is summarized in Figure 3. Stability is 'measured' by the ranking of different situations according to the costs of political resistance and instability faced by the ruling coalition. There is a minimum sustainable level of stability beyond which the political settlement is no longer viable and conflicts break out to renegotiate the settlement.

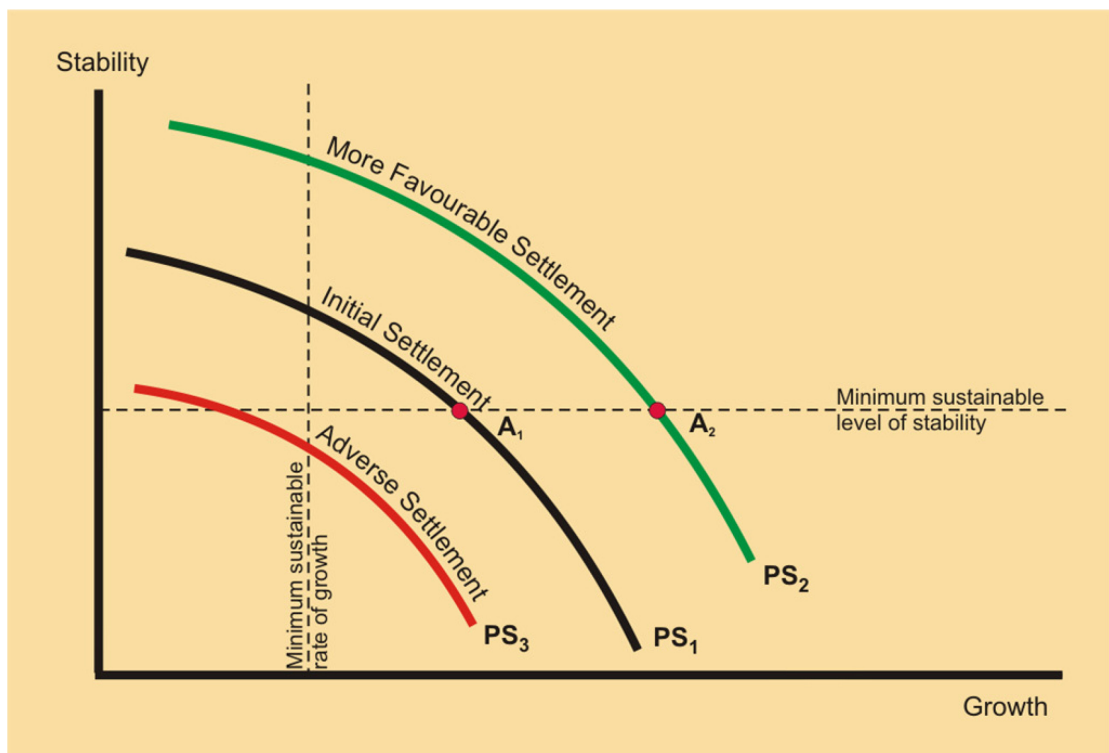


Figure 3 The Growth Stability Trade-off

Source: (M. H. Khan 2010: Figure 11)

Depending on the particular political settlement, and the initial institutional situation, incremental improvements in institutions or their degree of enforcement to enhance economic outcomes is likely to face increasing resistance from adversely affected groups. This is because any institutional change or change in the degree of

enforcement has implications for the distribution of benefits between affected parties. If we make the realistic assumption that strengthening the enforcement of formal rights is likely to negatively impact the incomes of informal coalitions who may have been involved in their (informal) enforcement or in otherwise determining institutional outcomes, we can expect these groups to organize increasing resistance to progress in these directions.

The minimum sustainable level of stability defines the limits to which developmental agendas can be pushed in different contexts. Whether this limit is reached depends on the leadership and interests within the ruling coalition. Nevertheless, the distribution of power described by the political settlement describes by the shape of the trade-off between growth and stability and therefore the limits to growth. Compared to a baseline political settlement with a trade-off that is described by PS_1 , changes in the construction of the political settlement can shift the trade-off favourably to PS_2 or adversely to PS_3 . In the more favourable configuration, the organization of interests within the ruling coalition is more closely aligned with growth *and* it is able to push through growth-enhancing changes to a greater extent. In contrast, in the adverse political settlement PS_3 , attempts to improve growth result either in conflicts within the ruling coalition or opposition from powerful factions outside. In the extreme case shown in Figure 3 as PS_3 , the ruling coalition is unable to achieve the minimum sustainable economic conditions without descending below the minimum tolerable stability. This political settlement is therefore unviable and is likely to collapse into crisis and violence.

The effective enforcement of formal institutions in advanced countries (and therefore the Weberian quality of their states) is explicable from this analytical perspective. In advanced countries, a broad-based productive sector exists and the rights of the different parties engaged in these activities are defined by formal rules. The beneficiaries of these rights enjoy significant income flows supported by these rights. These incomes provide a distribution of holding power that is consistent with the protection of the formal structure of rights. In other words, in advanced countries important formal rights are both valuable and numerous. Those possessing these rights are rich and therefore collectively powerful, and this power can be deployed to protect and enforce formal rights. The protection of formal rights is therefore not intensely contested nor does the state suffer a decline in political stability to enforce these rights. We describe this combination of formal institutions and power as a ‘capitalist’ political settlement. Of course, in reality technologies and market opportunities are evolving, as are the organizational capabilities of different groups, and so at the margin contestation and challenges to existing institutions are always taking place. This is simply the process through which incremental changes in institutions and the distribution of power takes place in all societies.

There is, however, a qualitative difference between the political settlements in advanced and developing countries. These differences explain why the formal institutions of advanced countries cannot be replicated in developing countries nor do they have the same economic and political effects when they *are* formally introduced. In contrast to the capitalist political settlement, the clientelist political settlement in developing countries is defined as one where significant holding power is based on sources *outside* the incomes generated by formal institutions. In particular, ‘intermediate class’ elites like the rich peasants of Bengal, and in general, coalitions

of urban professionals, the urban educated classes, rich and middle peasants and other intermediate class groups have played a critical role as political organizers. Individuals from these classes may have relatively small incomes based on their formal rights, but they have significant organizational capabilities in developing countries and can organize clients with significant holding power. This explains why informal organizations based on patron-client networks have been important and they set critical limits on the operation of evolving formal institutions.

These observations are in general true for all developing countries. Most developing countries have many of the formal features of advanced countries: they have property rights, they have courts enforcing these rights through a rule of law, and they often have institutions of democracy. But formal institutions here do not *behave* in the expected ways nor are they impersonally implemented in *any* developing country. Existing formal institutions are either not enforced or are only partially enforced and many relevant formal institutions may be entirely absent. The general observation about developing countries is systematic and cuts across differences in culture, history and economic structure. Nevertheless, there are important differences in the organization of power in different developing countries and therefore *between* different types of clientelist political settlements. We focus on the construction of the ruling coalition by different combinations of patron-client factions as a critical variable determining the type of clientelist political settlement in a developing country. Other important variables are initial institutions and the initial conditions describing the development of the capitalist sector in terms of its extent and technological capabilities (M. H. Khan 2010). Together, these characteristics of the political settlement can help to explain differences in the performance of specific institutions and the growth-stability trade-offs facing their development and enforcement.

We describe political settlements in developing countries as clientelist because of the dominance of ‘personalized’ or informal exercises of *power* in these countries. Our use of the term ‘clientelist’ should be distinguished from existing usages in a number of ways. First, many standard explanations of personalized power in developing countries refer to primordial loyalties or deference supported by culture, the insecurity of the poor, or the absence of democracy (Eisenstadt 1973; Engerman and Sokoloff 2002; Médard 2002; Barbone, et al. 2006). Instead, our definition of a clientelist political settlement is a general definition that looks for *a mismatch between existing distributions of holding power and the structure of formal institutions*. Our explanation of the informality that emerges in these contexts can incorporate a wide variety of exercises of power in developing countries that are responsible for the gap between the expected operation of formal rules and their actual operation. This is potentially an advantage because narrower explanations of personalized transactions cannot explain the general observation of some variant of personalized or non-formal power in *all* developing countries regardless of their political institutions, cultures and social histories. However, the specific social, cultural and economic characteristics of societies can of course explain important differences in the *manifestations* of personalized power.

Secondly, we do *not* use the term ‘clientelist political settlement’ to describe any particular institutional structure or form of government or any specific set of outcomes. The group of countries that could be characterized as having clientelist

political settlements is very diverse and ranges from military dictatorships to party-based democracies. They also include high growth converging countries operating variants of industrial policy and countries with very stagnant economic performance. Pakistan and Bangladesh evolved a range of political institutions to deal with the dual challenges of managing their clientelist politics while maintaining economic viability. These experiments were not always successful and some experiments and periods were more vulnerable than others. Bangladesh initially had poor economic performance but in the last two decades it has emerged as a relatively high growth developing country based on its strong garment industry. Yet, contemporary Bangladesh remains vulnerable in significant ways because the competition between its clientelist factions has not yet achieved the kind of stability that allows elites to carry out the long-term planning that is required for sustained economic development.

The Organization of the Ruling Coalition and Variations in the Political Settlement

An important set of variations in the type of clientelist political settlement can be related to the organization of the ruling coalition. We will use a classification of clientelist political settlements based on characteristics of the ruling coalition based on the analysis in Khan (2010). The classification in Figure 4 distinguishes between two dimensions along which a ruling coalition can be classified. First, we look at the power of factions excluded from the ruling coalition relative to the ruling coalition. Secondly, we look at the internal distribution of power within the factions that constitute the ruling coalition, in particular between higher and lower levels. These dimensions are important for understanding the likely time horizon of the ruling coalition and its implementation capacities. These ‘political’ differences may be more important than differences in formal political institutions. Clearly, formal political institutions like the institutions of democracy and representation are important. However, a focus on formal institutions can often hide more significant differences in the informal distributions of power affecting the ruling coalition, with more significant effects on the enforcement and operation of formal institutions.

Returning to our two dimensions of interest in the ruling coalition, the first is the ‘horizontal distribution of power’. This describes the power of excluded coalitions relative to the ruling coalition. If excluded coalitions are weak, the ruling coalition is likely to feel secure and act with a longer time horizon. This means that the interests of the ruling coalition are more likely to be aligned with growth and development. Clearly, there is a range of variation possible here, with the power of excluded coalitions ranging from very weak to being almost as powerful as the ruling coalition. At its limit, if excluded coalitions become more powerful than the ruling coalition, the latter is unlikely to survive. Relative strength can be assessed by looking at the organization and strategies of excluded organizations, the success with which they have engaged in conflicts and the informal and formal distributions of benefits that they have been able to achieve. Excluded coalitions can be weak for different reasons. The most benign possibility is that all or almost all powerful coalitions have been incorporated within the ruling coalition. It could also be that the distribution of power across factions was unequal and factions within the ruling coalition are significantly more powerful because of legitimacy, organizational capabilities or other characteristics. Finally, excluded groups could be potentially strong but temporarily repressed by the ruling coalition. The latter is obviously less sustainable over time.

The second dimension describing the structure of the ruling coalition is the ‘vertical distribution of power’. This describes the relative power of higher compared to lower level factions within the ruling coalition. The greater the relative power of higher over lower levels within the ruling coalition, the greater the implementation and enforcement capacities of the coalition. This is because given the pyramidal structure of patron-client organizations, the more powerful lower level factions become, the greater the number of points at which the enforcement of particular rules can be blocked. Enforcement and implementation now requires much greater collective action and the distribution of rents to many or all lower-level factions to ensure their cooperation. Otherwise, those who are adversely affected by a rule simply have to buy in a small number of lower-level factions to block its implementation. By definition, lower levels in a patron-client hierarchy are always weaker and to some extent dependent on higher levels. But this too can vary from a situation where lower-level factions have little bargaining power to one where they can effectively block or limit implementation if their demands are not met. The first case would correspond to a situation where lower level clients have little holding power and higher level patrons can pick clients without great cost to themselves. The second describes a situation where lower level factions have significant holding power and can impose serious costs on patrons.

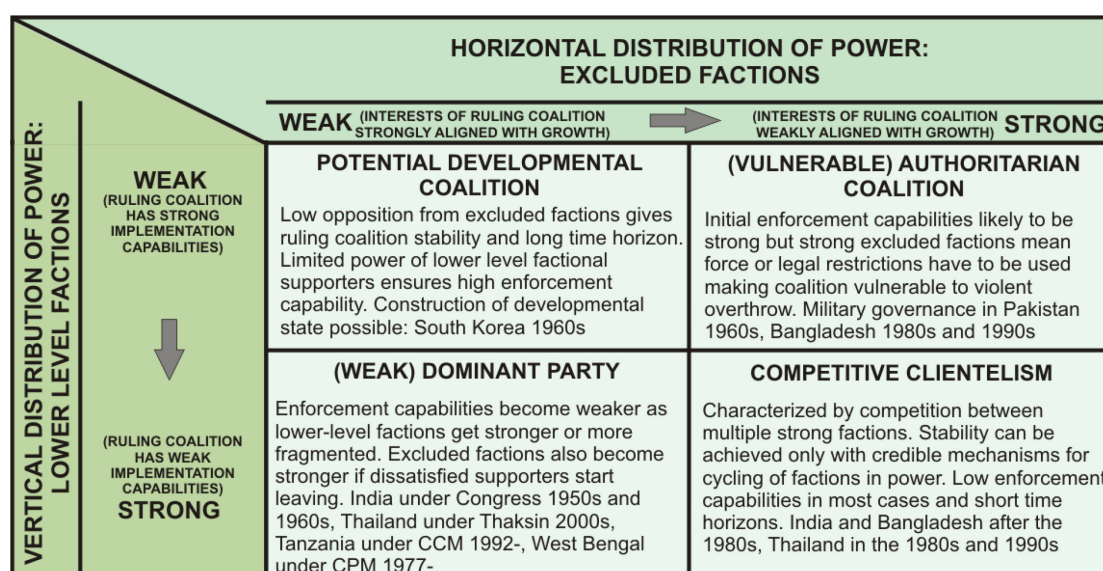


Figure 4 Patron-Client Factions and the Structure of the Ruling Coalition

Source: (M. H. Khan 2010: Figure 17)

These two dimensions range along a scale but the polar limits define four possible structures of the ruling coalition in Figure 4. The most favourable combination is at the top left-hand corner, which we describe as a ‘potential developmental coalition’. Here the ruling coalition has a long time horizon and therefore its interests are aligned with development *and* it has effective implementation capabilities. In terms of the growth-stability trade-off described in Figure 3, this variant of the clientelist political settlement has the most favourable trade-off. Distributions of power that are further to the right or lower down have relatively more adverse growth-stability trade-offs. The bottom right hand corner has the most adverse growth-stability trade-off, but may remain viable because of other characteristics of the economy determining the position of the trade-off relative to minimum viability conditions. The ruling coalition described in the top left-hand corner is a *potential* developmental coalition because

these are necessary but not sufficient conditions for a developmental state. The emergence of the latter of course requires other conditions, including the emergence of an appropriate developmental leadership, as well as minimal technological capabilities within the country. The ruling coalition in South Korea from the 1960s to the 1980s approximated these characteristics.

A second type of ruling coalition is shown in the top right-hand corner, which we describe as an authoritarian coalition. Here the ruling coalition faces moderate to strong excluded coalitions but lower-level factions are relatively weak. As excluded factions get stronger, the ruling coalition becomes more vulnerable. By definition, if there are powerful, some institutional mechanisms for controlling excluded groups are necessary. These include legal or constitutional measures banning political activity outside the coalition, implicitly backed by the threat of force. The weaker the ruling coalition of this type, the more likely it is to have to regularly use force. Paradoxically, stronger authoritarian coalitions are less likely to have to use violence. For instance, Tanzania's one-party state under TANU in the 1960s faced very little resistance from excluded factions, but organizational rights were limited in a pre-emptive way to prevent resistance developing. The military controlled ruling coalition in Pakistan/Bangladesh in the 1960s was initially strong but became weaker and more violent over time as excluded coalitions became stronger. It was eventually overthrown by a mass uprising in 1969. The ill-fated BAKSAL one-party authoritarian experiment in Bangladesh in 1975 did not even take off. The distribution of power facing the ruling coalition included significant excluded coalitions (in particular the army) but also strong lower-level factions within the ruling party. In this case, the one-party system was very short-lived as internal factions conspired with excluded factions in the army to assassinate the President.

Authoritarianism is typically overthrown when excluded factions become too strong. But the strength of excluded factions also depends to a large extent on whether the ruling coalition can keep its own supporters satisfied within it. After a critical point, the strength of excluded factions can set off a cumulative decline that undermines the authoritarian coalition. The strength of external factions provides bargaining power to internal factions as they can threaten to leave, and if the leadership is unwilling or unable to pay the price, some do leave, further strengthening the excluded factions and further increasing the bargaining power of remaining lower level factions. As a result, authoritarianism is difficult to sustain for long in most clientelist political settlements unless there are special factors like natural resource rents or external military support. Like the developmental coalition, enforcement capabilities within the authoritarian coalition can be relatively good, but time horizons are likely to be poorer given the vulnerability of the leadership. Moreover, the presence of strong excluded factions is likely to increase the bargaining power of lower-level faction leaders over time. Thus, the capacity to enforce decisions within the coalition is likely to get poorer over time. As authoritarianism collapses, and has to deal with increasingly powerful lower-level factions, it can acquire hybrid qualities, as we will see in the case of the militaristic clientelism of Bangladesh in the 1980s and 1990s where authoritarianism adopted methods of competitive clientelism. Authoritarianism can have a variety of growth-stability trade-offs ranging from reasonably good (but likely to be short-lived) to fairly adverse depending on the time horizon of the ruling coalition. If the threat of force or other mechanisms used to exclude outside factions is credible, the ruling coalition can have a long-term horizon, but as this becomes less

credible, the time horizon can collapse. If implementation capacities are also becoming weak as lower-level factions become powerful, the growth-stability trade-off can collapse even faster.

The third type of ruling coalition is the dominant party that is 'dominant' to varying extents and could sometimes be quite weak. Here, excluded factions are weak either because all or most powerful factions have been included within the dominant party or because excluded factions are very internally fragmented. The characteristic feature that distinguishes it from authoritarian arrangements is that a dominant party does not have to use administrative or military power to exclude others, and could win formal contested elections. The result is once again a somewhat poorer growth-stability trade-off compared to the developmental coalition because in this case the inclusion of many factions can make the implementation of policies difficult as it is likely to be blocked by factions that are powerful but lower in the hierarchy of the ruling coalition. Moreover, as excluded factions become stronger, the time horizon of the ruling coalition can also collapse.

If excluded factions are weak, the ruling coalition is likely to opt for competitive elections to boost its legitimacy. Like authoritarianism, the dominant party also faces a structural dilemma. If it includes all powerful factions within it, it can remove powerful factions outside that can challenge it. But this makes it likely that the ruling coalition has too many powerful factions within it that are likely to block the implementation of almost anything. Excessive inclusion also means that the distribution of rents within the party will be thinner and leave many factions dissatisfied. On the other hand, leaving powerful factions outside results in the likelihood of external challenges and the possibility that lower-level factions will be induced by the excluded coalitions to leave and join them.

Sooner or later, once dissatisfied internal factions start joining excluded factions or new groups organize outside that cannot be included, the process of cumulative decline begins. Thus, dominant parties are likely to have longer time horizons but weaker implementation capabilities compared to authoritarian systems, but both are likely to decline over time. Thus, initially reasonable growth-stability trade-offs are likely to get more adverse over time. India under the Congress Party in the 1950s and 1960s, Tanzania under the CCM, West Bengal under the CPM, Thaksin's Thai Rak Thai in the 2000s were all variants of dominant party coalitions enjoying different levels of vulnerability and weakness. Bangladesh never evolved a sustainable dominant party. The early Awami League from 1972 to 1975 was a weak and short-lived dominant party that began to fall apart very rapidly. Mujib's attempt to create a one-party state by constitutional amendment in 1975 was an attempt to create one-party authoritarianism but it was misconceived because the distribution of power was not consistent for its survival.

This brings us to the fourth and final variant which in some ways describes the state of entropy of the clientelist political settlement. This is competitive clientelism, where the number of potential factions is so great or they are so fragmented that the inclusion of all of them in a ruling coalition would not work but neither would a strategy of keeping excluded groups out by legal or military mechanisms. When cumulative decline undermines a dominant party or an authoritarian coalition, competitive clientelism typically emerges as the default organizational structure of

clientelist political settlement. In this variant, the ruling coalition is formed by a leadership of political entrepreneurs that seeks to bring together enough factions to be able to rule but at the lowest price for themselves. The excluded are technically free to organize, restructure and entice some factions currently included in the ruling coalition to leave and join with them to attempt to form a new coalition. Elections in this system provide a mechanism for testing the organizational power of competing coalitions, and elections are successful if they reflect the balance of organizational power on the ground and if there is an implicit rule of law amongst the competing coalitions that ensures that losers accept the outcomes of these contests without descending into open warfare. Competitive clientelism can provide comparative stability when the underlying factional structure is very fragmented and attempting to construct authoritarian or dominant party solutions would not immediately work. But by its structure, the ruling coalition here has a short time horizon and weak implementation and enforcement capabilities.

The competitive clientelist system is only stable over time if credible mechanisms allow the ruling coalition to be replaced by an alternative coalition which can demonstrate greater organizational power during elections. Voting in these systems is a test of relative factional strength. However, the possibility that the ruling coalition can use administrative and police powers to excessively tilt the balance of the voting outcome can cause a breakdown of the electoral process. In a context of substantive informality, the temptation on the part of the ruling coalition to use administrative powers to target even a few of the informal activities of the opposition is often sufficient to make an impact on the electoral outcome. Once this type of intervention interferes with the establishment of the balance of forces on the ground, the competition between factions can break out in violence. India's competitive clientelism is significantly different from other developing countries in that it has successfully allowed a cycling of factions into and out of power. One possibility is that India's size and diversity helped to prevent any ruling coalition from imagining that it could get away with significant administrative intervention in elections. Intervention would have to benefit a complex coalition of factions and disadvantage another complex coalition, and the complexity itself can help to ensure an informal rule of law emerges for conducting elections.

A further factor that helps the credibility of elections in India is that it is a large federal country and elections are organized at the state level. If excessive violations happen within a particular state, the federal government has strong incentives to intervene to prevent a particular state descending into crisis. The federal government can impose president's rule and re-run the election. Therefore, while election fraud, violence and rigging does happen in India, the parties know that an outcome that is significantly out of line with their organizational strength on the ground cannot be sustained. Third-party 'institutional' oversight of electoral outcomes is far less credible in smaller states like Bangladesh because the ruling coalition includes enough of the relevant factions in a country to believe that it can get away with it. In practice it never can for very long, if only because of the processes of cumulative decline, but the ruling coalition can be tempted. Electoral crises are therefore more frequent and typically lead to occasional military takeovers. But these raise further problems because exit strategies from military rule are complex and many developing countries therefore cycle through periods of (vulnerable) authoritarianism and periods of competitive clientelism. The conventional way of looking at the conduct of

elections focuses on ‘institutionalization’ and the governance capabilities of organizations like Election Commissions. This is only partially useful. Our approach focuses on the organization of factional politics and examines an important additional dimension of the problem.

It is very easy for the distribution of power within a clientelist political settlement to evolve into such a degree of fragmentation that only competitive clientelism can be supported. Exiting from competitive clientelism is quite difficult because the distribution of power between factions can only be changed with significant political activity such as the construction of more disciplined and inclusive political parties or the weakening of some centres of political power so that authoritarianism or a dominant party can emerge. Competitive clientelism results in a ruling coalition with short time horizons and weak implementation and enforcement capabilities. *Ceteris paribus*, it has the most adverse growth-stability trade-off in Figure 4. But here too there is a range, because if the competing coalitions are internally disciplined and have some implementation capabilities, then the growth-stability trade-off can be tolerable. But if the coalitions not only have short time horizons but also weak implementation capabilities because of many powerful internal factions, the trade-offs can be very adverse. Competitive clientelism can have some desirable features. If the distribution of power has become very fragmented, the organization of political competition in the context of a formal democracy may be the only feasible way of managing the competition over political rents. But democracy is not always stabilizing in these contexts and does not necessarily generate developmental outcomes for the reasons just discussed.

And for competitive clientelism to even achieve a moderate level of stability there has to be a credible distribution of power that ensures that the cycling between factions can continue without an impasse caused by administrative interventions in elections. If this is absent, significant violence can break out between competing factions. All of South Asia is now governed by competitive clientelist coalitions as is much of Africa, though there are exceptions such as Tanzania. Thailand in the 1980s and 1990s was also characterized by competitive clientelist coalitions. But only India has achieved an internal distribution of power that makes its competitive clientelism operate relatively smoothly. An examination of the evolution of factional politics in countries like Bangladesh can identify critical problems with the operation of competitive clientelism.

The organization of the patron-client factions within the ruling coalition and outside is therefore a lens through which to look at the interdependent evolution of institutions, politics and economics in clientelist political settlements. This allows us to look deeper than the formal structure of parties and constitutions, which may not tell us much about enforcement capabilities and institutional performance across countries. Formal military governments can be dependent to different degrees on patron-client networks, making military governments substantially different from each other. Indeed, army-led governments in developing countries have ranged from relatively strong but short-lived authoritarian regimes, as in Pakistan in the early 1960s, to very weak authoritarian regimes with characteristics of competitive clientelism in Bangladesh in the late 1970s and 1980s. In the latter, military leaders formed parties with many characteristics of competitive clientelism where excluded coalitions could compete to be included but could not replace the top man. At other times, military-led

coalitions have had developmental characteristics, as in South Korea in the 1960s, or have been strong and long-lived authoritarian regimes like the Baathist regimes of the Middle East. Mapping these processes can help to explain why looking at nation-building through the lens of national ideologies or of class struggles offer very partial understanding of the challenges for sustaining development.

The distribution of power within and between competing factions is an important but not the only important aspect of the distribution of power affecting economic and political outcomes. Another critical aspect is the capability of emerging productive sectors and their political links with the ruling coalition. Here too there are a number of relevant variations. A number of possible combinations are summarized in Figure 5. Entrepreneurs engaged in productive activities can have more or less holding power relative to other political factions and they can have greater or lesser technological and entrepreneurial capabilities. Some combinations of political and entrepreneurial power and capabilities can be developmental, other combinations face much more adverse growth-stability trade-offs. These combinations are ‘non-linear’ because a configuration of entrepreneurial power and capabilities that is developmental with a particular configuration of political power may be problematic with a different distribution.

		TECHNOLOGICAL-ENTREPRENEURIAL CAPABILITIES	
		HIGH CAN DRIVE TECHNOLOGY ACQUISITION AND GAIN FROM INDUSTRIAL POLICY	LOW USE SIMPLE TECHNOLOGIES OR ENGAGE IN RESOURCE CAPTURE
HOLDING POWER OF PRODUCTIVE INVESTORS	HIGH DIFFICULT TO DISCIPLINE BUT CAN USE POLITICAL POWER TO DRIVE TECHNOLOGY ACQUISITION	HIGH CAPABILITY AND POWERFULLY NETWORKED Capitalists can drive accumulation but imposing discipline difficult. Productive enterprises possible with exposure to market competition but development of new capitalists constrained. Advanced areas of India after 1990s, Thailand 1980s and 90s	MODERATE TO LOW CAPABILITY POWERFULLY NETWORKED Political power can drive critical early stage accumulation but market or industrial policy discipline difficult to enforce. Competitive low-tech enterprises possible with market competition. South Asia 1950s and 60s, Most areas of India and Bangladesh today
	LOW EASY TO DISCIPLINE BUT NO POLITICAL POWER TO DRIVE TECHNOLOGY ACQUISITION INDEPENDENTLY	HIGH CAPABILITY BUT POLITICALLY WEAK Outcomes depend on organization of ruling coalition. With developmental coalition, effective industrial policy and disciplining possible: South Korea 1960s to 80s. But dominant parties <i>can</i> have adverse effects: West Bengal 1980s and 1990s, Thailand under Thaksin 2000s	MODERATE TO LOW CAPABILITY AND POLITICALLY WEAK Most constrained situation. Outcomes depend on ruling coalition. Developmental coalition could drive early accumulation and disciplining but may not if it has other interests and concerns or a short time horizon: Tanzania 1990s and 2000s

Figure 5 Patron-Client Structures and the Organizational Power of Emerging Capitalists

The most favourable growth-stability trade-off in developing countries attempting to catch up comes about with a developmental coalition in the political sphere described in Figure 4 matched with the entrepreneurial characteristics described in the bottom left hand of Figure 5. The latter describes the existence of high capability entrepreneurs who are not politically powerful. This allows high capability entrepreneurs to be effectively disciplined by market and non-market mechanisms and potentially allows assistance to be provided to firms for technology acquisition in ways that can be effectively disciplined. The result is likely to be rapid moves up the productivity and technology ladder, as was the case in the East Asian countries in the 1960s. But this configuration of entrepreneurial power and capabilities may not be developmental with a different configuration of power within the ruling coalition. A dominant party that has a strong component of internal interests that are antithetical to the business sector can result in a loss of business confidence and capital flight.

In Pakistan and Bangladesh, entrepreneurs have been closely integrated with political power from the outset because many emerging capitalists were actually previous politicians who had made money through political accumulation and corruption of different types. While they were relatively low on technological and entrepreneurial capabilities till the 1970s, by the 1980s entrepreneurs of moderate entrepreneurial and technological capabilities had begun to emerge. The overall characteristics of entrepreneurial power were therefore initially in the top right-hand corner of Figure 5 with a movement towards the top left-hand corner over time as entrepreneurial and technological capabilities gradually improved. The combination of these characteristics with either weak authoritarianism or competitive clientelism does not result in very favourable growth-stability trade-offs for sustaining development. Powerful networked emerging entrepreneurs who could not be easily disciplined combined with an authoritarian power structure in the 1960s resulted in the rapid growth of existing entrepreneurs but limited success in creating new entrepreneurs or sectors that were likely to become competitive over time. In the 1970s immediately after the birth of Bangladesh, the processes of primitive accumulation accelerated dramatically as new political entrepreneurs directly grabbed resources and became a new emerging class of entrepreneurs. The growth-stability trade-off was most adverse during this period. It was only in the 1980s that some of these individuals became proper productive entrepreneurs as the growth of the garments, pharmaceutical and other sectors took off. The growth-stability trade-off improved but in the context of the competitive clientelism of the 1990s it remained relatively adverse.

Our analytical framework of competitive clientelism can shed light both on the forces that have driven the evolution of national identities in Bangladesh and the implications of these for state building, growth and governance. Our general definition of a political settlement as a compatible and sustainable combination of institutions and power suggests that moments of shock can come about for a variety of economic and political reasons. In East Bengal there were two shocks in the course of the last century that violently disrupted existing political settlements. This opened up the scope for new waves of primitive accumulation but also made the consolidation and stabilization of new political settlements very difficult afterwards. In both cases, evolutionary changes in the political settlement were blocked by existing economic and political elites. To some extent this is always the response of existing elites but in East Bengal this eventually became explosive because the upstarts demanding inclusion were from a different religion or region. The result was a series of short-lived but grand factional alliances of excluded groups that in turn made evolutionary changes in the political settlement even more difficult. The dominant elites ironically blocked their own room for manoeuvre by forcing the excluded to unite on religious or ethnic grounds that made eventual compromises potentially much more costly and perhaps unviable. The history of these mobilizations raises special problems for countries like Bangladesh beyond the normal constraints of a clientelist political settlement. The history of factional violence and zero sum games that they were forced to play for reasons out of their control created a political tradition that makes the 'normal' operation of clientelist politics more difficult. Devising growth-enhancing organizational and institutional strategies in countries like Bangladesh not only requires an understanding of the growth challenges but also of the factional politics and the political settlement in which these have to be implemented.

3. The Roots of Islam in Bengal

As the history of partitions and nation-building that created Bangladesh begins with the religious division of Bengal, it is useful to go back to the emergence of Islam in Bengal. Interestingly, the reasons why Islam gained such a significant presence in eastern India, far from the centres of Mughal power near Delhi, explains both the overlaps between religion and class in Bengal as well as why it was relatively easy to mobilize upwardly mobile peasants around their Muslim identity in the 1930s and beyond. When the British arrived in Bengal in the mid-eighteenth century, Bengal had a narrow stratum of Muslim aristocrats at the top, a substantial administrative class of largely Hindu landed elites who administered the revenue system, and a peasantry below which included both Hindus and Muslims but with a Muslim peasant majority. The origins of this social structure will be discussed below. Till the early twentieth century, the political leadership of Bengal's Muslims was provided by the declining descendants of the old aristocracy. Their access to the Muslim peasants was limited and in the absence of political representation, a greater part of both political and economic power was in the hands of the increasingly English-educated largely Hindu administrative and landed classes. The political opportunity for a new Muslim leadership appeared with the emergence of electoral politics and the parallel growth of an 'intermediate class' of Muslim Bengali rich peasants. From the 1920s the latter found it in their interest to mobilize the Bengal peasantry as the franchise began to be extended by the declining British Raj in India. These intermediate class political organizers were attempting to use political power as the route towards upward mobility for themselves. Their emergence on the political scene was one of the first instances of intermediate class-led patron-client politics in India, which now defines politics across much of the Indian subcontinent.

We need to go back to the emergence of Islam in the region to understand why so many of Bengal's peasants were Muslims in the first place, and why Islam could serve so well as a mobilizing ideology. Islam has a long history in Bengal, going back to Arab trading communities of a thousand or more years ago along the Bengal coastline. Arab chroniclers noted the presence of Muslim trading communities in Bengal as early as the tenth century (Eaton 1993: 129-30). These traders were part of the maritime trading community involving Arabs trading around the Indian Ocean into the Bay of Bengal and down to South East Asia. In contrast, the Muslim military-political adventurers who began to establish areas of *political* control in India came by land from the west. It took them much longer to reach Bengal. The first Muslim ruler of Bengal was the Turkish commander Muhammad Bakhtiyar Khilji who in 1204 overran King Lakshman Sen's capital at Nudiah. The Sena kings of Bengal were part of a Hindu revival, attempting to recover Bengal for Hinduism after a century of Buddhist rule. Like Islam, Vedic Hinduism came to India from the West through the Aryan invasions. And like Islam, it took a long time to reach the eastern reaches of Bengal. From the twelfth century BC there was a thriving Indo-Aryan civilization in western India but even six centuries later Bihar and Bengal were still regarded as beyond the pale and 'unclean' in Vedic texts (Eaton 1993: 6-7). Significant Hindu influence began to penetrate into Bengal only during the Mauryan Empire (321-181 BC). But even this was not a smooth process because the third and greatest of the Mauryas, Asoka, converted to Buddhism. As a result, Bengal's contact with Hinduism was moderated from the earliest period by its simultaneous contact with Buddhism. The strict hierarchies of the Hindu caste system that had been established further west never took the same kind of root in Bengal's peasant society.

The consolidation of a brahminical caste society in Bengal did not happen till the fifth century AD under the Gupta empire and even this was restricted to the western parts of Bengal (Mukherjee 1972). The eastern part, beyond the river Padma, remained covered by dense forests. Versions of Hinduism and Buddhism, where they existed, were loosely superimposed on ancient animist cults. When Bakhtiyar Khilji arrived in Bengal, its rural hinterland had a patchwork of indigenous religions, together with loosely defined versions of Hinduism and Buddhism. Much of the population in the eastern two-thirds of the province were therefore not yet part of any organized or institutional forms of religion. Muslim rule in Bengal continued uninterrupted till the British arrived in 1757. Different dynasties of Muslim kings continued to rule Bengal, either directly, or after the sixteenth century as Mughal governors. As in other parts of India, Muslim rulers depended on alliances with Hindu landlords and administrators who by and large did not convert to the new faith in large numbers. Indeed, in most parts of India, Muslim rule did not result in any significant conversions, even amongst the poorer classes. That is why when the 1872 census of Bengal revealed that the province had a Muslim majority both the British and the Indians were genuinely surprised. The immigration of Muslims into the province could hardly explain these numbers, particularly since the bulk of Muslim immigration into India had been towards the Mughal capital at Delhi. While a large numbers of Muslims had indeed arrived in Bengal from outside, the immigrants were always a small proportion of the total population.

A significant part of the local population must therefore have converted to Islam over the centuries. But why did they convert in Bengal and not in most other parts of India? Muslim kingship across India did very occasionally use force or patronage to achieve religious conversion but never to any significant degree. This is supported by the glaring fact that the military and economic power of Muslim emperors was concentrated around the imperial capital at Delhi but Muslim conversion was relatively insignificant near these centres of power. Rather, as the 1872 census showed, the bulk of Indian converts were in the remote eastern and western fringes of the empire where both the coercive reach of the state and the patronage it could offer were much more limited. Indeed, even within Bengal, Muslim conversion appeared to be concentrated in the eastern and southern parts of the province, far even from the provincial capitals where Muslim political and military power was based.

Neither is it easy to explain conversions to Islam primarily in terms of the oppression of caste Hindus and the desire of lower castes to escape from the caste system. While some conversion was undoubtedly driven by caste oppression, this too cannot be the full story. This is because in the Hindu heartland in central India where the caste system was at its most oppressive, far fewer of the lower castes converted. On the other hand, conversion was extensive in Bengal (and in the far western fringes of India) where the caste system and caste repression were weak to begin with. Migration, military coercion and social liberation may all have played some part in the story of conversion, but do not provide a satisfactory explanation for the scale of conversion that could explain a Muslim majority in Bengal. Richard Eaton suggests elements of an answer that is both more complex and more plausible.

At the time of Bakhtiyar's conquest, Bengal was the location of a number of religious, cultural and economic 'frontiers'. The frontiers of Sanskritic Hinduism with

indigenous societies that had never been properly Hinduized ran through Bengal. This frontier now became Islam's frontier with the amorphous religious practices of populations further to the East. These religious practices were not yet institutionalized. They had been influenced by both Hinduism and Buddhism but still retained many pre-Hindu animist practices. Last but not least, an 'economic frontier' ran through Bengal as much of its eastern part was still marsh, swamp and jungle. But the eastward shift of major river systems was converting this land into potentially valuable agricultural territory (Eaton 1993).

As the agrarian frontier shifted eastwards, particularly during the Mughal period, populations had to be settled in new territories. New settled societies had to be constructed out of peoples who had not previously been settled and this could only be done by organizers who had the legitimacy to create new social orders. The weakness of institutionalized religion in the East, and the organizing and mobilizing role of charismatic Muslim preachers and social organizers provides an alternative and altogether less sinister explanation for the rapid expansion of Islam into the East. The presence of these charismatic *Sufi* holy men in Bengal is well known, but Eaton provides a rich body of evidence showing that many of these Muslim *Sufi* preachers and religious leaders played a vital *economic* role at this critical juncture when the agrarian frontier was shifting east. *Sufi* saints, many of them immigrants from other parts of India or even further afield were popular and widely accepted in rural Bengal because of their very personal and spiritual interpretation of Islam. This appealed to the tribal and forest-dwelling people who inhabited eastern Bengal at that time. Many of these preachers, social organizers and reformers now became land grantees as they leveraged their social legitimacy to settle new areas while maintaining social discipline in newly opened agrarian societies.

The real drivers of this change were Bengal's powerful rivers which were shifting eastwards during this period, opening up new territories for cultivation. The Mughal state began to give land grants to organizers who could clear the forest and bring in people who could be settled to engage in agriculture. The Mughals were always indifferent as to whether Hindus, Muslims or even Christians got land grants, but Eaton shows that in eastern Bengal a significant number of grants now went not only to Muslims but to the *Sufi* and other religious leaders who constituted the Muslim notables of the region. The suggestion is that at this confluence of frontiers, the combination of ideological and economic authority that Muslim preachers had in this region gave them a huge advantage in organizing settlement compared to Hindu landlords from the west. The latter simply did not have the same authority in eastern Bengal and therefore could not organize settlement. Islam's success was in providing an ideology of social discipline and organization that was appropriate for this agrarian frontier through the work of religious and social organizers who had worked in the hinterland and were trusted by local people who still did not yet fully subscribe to any particular religion. Eaton's analysis is important because it suggests that the 'conversion' of Bengal did *not* involve large numbers of individuals abandoning one organized religion for another. Rather, Islam provided the initial organizing ideology of settlement and social discipline in a frontier where organized religion did not yet exist for much of the population. This explanation also helps to explain the deep historical roots of Islam in Bengal as a mobilizing ideology.

As the East got settled, more established Hindu landlords and administrators from the West moved in with their capital and formal administrative skills, supporting Mughal rule and establishing themselves as higher level tax collectors or *zamindars*. A densely tiered land administration system developed over the centuries, where control over land and taxation at the village level was often in the hands of Muslims, many of them the descendants of the early organizers of settlement, while higher level tax collection and administration over groups of villages passed to the mainly Hindu *zamindar* class. At the apex stood the Muslim aristocracy in the provincial capital, which shifted from place to place, but was located at Murshidabad in modern West Bengal when the British arrived. With the Muslim nawabs and aristocracy at Murshidabad removed by the British, the social map of Bengal was roughly one of a large peasantry consisting of both Hindus and Muslims, but with the predominantly Muslim peasantry of the East ensuring an overall Muslim majority. On top was a predominantly Hindu *zamindar* and administrative class who rapidly made peace with the British and became the immediate beneficiaries of participation in a new administrative structure.

The British Empire had a very obvious interest in responding to the results of the census of 1872 in ways that could help to deepen their hold on power. A consensus began to emerge in the British analysis of these figures which was summed up in the work of James Wise. He suggested, obviously without providing any evidence, that widespread conversions to Islam had been achieved 'by the sword', and some conversions had been of lower castes who wanted to escape the subjection of their caste Hindu oppressors (Eaton 1993: 122-3). This 'balanced' analysis implicitly provided a critique of both major religions even though it had scant reference to significant historical evidence, certainly in the case of Bengal. But the claim that Islam had used the sword to convert Hindus resonated with some experiences of early Islamic iconoclasm that had seen the destruction of temples and other acts of violence, particularly in western India. This view of Islam in Bengal rapidly gained currency amongst sections of the Hindu elite (Chatterjee 1993: 76-94).

Ironically, the equally unsubstantiated claim that conversions were driven by the search for social liberation did not get picked up by the leadership of Bengal's Muslims at that time as vindication of Islam's superiority as a social system. In the late nineteenth century the Muslim leadership in Bengal came primarily from the declining Muslim aristocracy, the descendants of the class displaced by the British. This declining class of aristocratic descent had a visceral antipathy to the idea that the Muslims of Bengal were converts from the poorer classes and spent much of their time trying to establish that all the Muslims of Bengal were largely immigrants from outside like themselves. Not surprisingly, their social distance from the peasants of Bengal meant that they were not able to mobilize much support for their political ambitions. The political mobilization of the East Bengal peasantry had to await a later juncture when new intermediate class organizers from the middle and upper peasantry appeared on the scene.

4. The British Conquest

From the Indian perspective, the impact of British imperialism came at a most unfortunate moment when the Mughal system of land rights and revenue collection was facing severe internal tensions. The organization of a thriving long-distance trade

by local merchants like the *Jagat Seths* exporting the products of a growing textile handicraft industry created growing conflicts between new money and the old landed elite. Without outside intervention at this critical juncture, Bengal's economy and polity may well have evolved in the direction of a gradual productive transformation of its agriculture and manufacturing led by merchant capitalists in alliance with regional rulers willing to develop the 'national' economy. In the eighteenth century there were growing conflicts between merchants, financiers and the nobility who comprised the Mughal ruling classes over what to tax and by how much. These conflicts were in turn increasingly expressed in political conflicts and intrigues within the state apparatus of the last independent ruler of Bengal, Nawab Siraj-ud-Daula. But instead of a new and potentially productive internal alignment, the alliance of some of Bengal's merchants and politicians with the British against the old order resulted in a disastrous outcome whose full extent these groups could not possibly have imagined.

Some of the Nawab's financiers and some of his generals believed that the alliance with the East India Company would open up their trading opportunities. Intrigue, deception, British bribes and a disastrous miscalculation by these domestic elites led to a pre-arranged victory for the English against nominally much superior Bengal forces (Pavlov 1979: 83-107 and 215-56). The calamitous dénouement of the military disaster of 1757 at the Battle of Polashi (Plessey) has been portrayed in English history as a great military victory against much superior Indian forces. The truth is that the miscalculation by sections of Bengal's merchant and military classes meant that the bulk of Bengal's military forces did not even engage in battle. Internal conflicts and miscalculation provide the most plausible explanation of what happened at Polashi, rather than the explanation offered by Kaushik Basu that Indians lacked (and still lack) something called 'organizational capital' (Basu 2004: 7-11). It took significant organization to ensure that the 60,000 troops on the Indian side would not fight the 3,000 English. And indeed significant organizational skills are still required to operate the patron-client politics that characterizes contemporary Bangladesh or India. What Basu is referring to is the fact that some types of organization have negative social effects but this is not the same as the absence of 'organizational capital'.

If emerging Indian capital thought they could do a beneficial deal with the English traders after they had weakened their own feudal rulers, they had made a disastrous mistake. The new balance of military power enabled the East India Company to pursue their own interests and to kill off indigenous capital that could have competed against them. It began by installing and removing subservient nawabs at the provincial capital Murshidabad to achieve the greatest possible advantage till in 1772 Warren Hastings brought the unnecessary facade of dual government to an end. An English council under a governor took over the administration and shifted the capital to Calcutta, which eventually became the capital of British India. Before the colonial impact, Bengal was ironically a relatively prosperous and food surplus province of the disintegrating Mughal Empire. The agricultural technology used in India just prior to the colonial period was inferior to that used in Europe but yields per acre were comparable or even higher than European levels (Raychaudhuri 1983: 17-18). Bengal in particular also appeared to be an especially promising region for the indigenous development of manufactures from the late seventeenth century onwards. The artisan sector, particularly textiles, was well-established and was the basis of a thriving long-distance trade organized by Indian merchant capital. The agricultural surplus and the

growth of the handicraft textile industry was large enough to maintain substantial urban populations, particularly at Dhaka and Murshidabad, even when the Mughal capital at Delhi could enforce the full payment of taxes to the central authority (N. Ahmad 1968: 98-104).

Prior to the English, civil and military administration was in the hands of the tax-collecting *zamindari* nobility, the Indian equivalent of a 'feudal elite'. It was not in the interest of this landed nobility to either accumulate inordinately or kill the peasants and artisans who produced their surplus, both of which would attract the unwelcome attention of the higher-level aristocracy. This allowed the growth of a substantial artisan sector, which despite technical backwardness produced commodities which were in high demand throughout the world. In particular, Bengal was known internationally for its fine *muslin* cotton fabric which was marketed globally by Indian merchants operating through global chains involving Arabs and Europeans. Many artisans were directly settled in cities supplying the demands of the administrative and military elite. According to one estimate, the home market for luxury handicrafts alone amounted to about five per cent of Mughal national income, with the export market accounting for another one and a half per cent before the English takeover (Maddison 1971: 54). Nevertheless, there were inevitably growing tensions between the emerging trading and financial interests and the landed classes.

The Mughal state collected land-tax by appointing a chain of intermediaries, who even though they had no rights to the land they collected from, had formal and often inheritable and transferrable rights to collect revenue (Sinha 1962; Habib 1963; S. N. Hasan 1969). While the disintegration of the Mughal Empire from the late seventeenth century onwards made some difference to the relative power of different levels of this hierarchy, the structure itself remained more or less intact. The most important effect was that the Mughal *subahdar* (governor) of Bengal, Murshid Quli Khan, virtually declared independence in 1707 by stopping revenue payments to the centre, but within Bengal he rationalized the revenue collection system and attempted to exert greater pressure on the higher level revenue collectors, the *zamindars*, to increase revenue collection (Ray 1979: 1-51). Thus, as the Mughal Empire weakened, one effect was that regional powers became stronger, with the possibility that gradually regional states would begin to emerge. At the same time, however, conflicts within these regional economies like Bengal were growing between the declining Mughal aristocracy and the growing mercantile and financial interests. It was the ill-fated alliance of the latter with English traders that brought about the collapse of indigenous military and political elites in Bengal.

Thus, the tottering Mughal imperial system was not overthrown by the emerging merchant classes in alliance with new military and political forces that were supportive of local economic forces. Instead, the conflicts between these groups enabled a tiny group of marauding English traders to destroy the old military forces before new ones could consolidate. In the space of 'a brief startling score of years' the English found themselves transformed from suppliants to the Mughal into the new masters of India (Woodruff 1963). Bengal, the province first brought under 'Company Rule', suffered the greatest from the early depredations of colonialism. The merchants of the East India Company had no difficulty in understanding the connection between political power and the 'gains from trade'. Bengal's textiles had undoubtedly attracted the English traders, but the way in which textiles were 'exported', ensured the

destruction rather than the development of the artisan economy. The company and its servants acquired the right to move goods in the interior duty-free, depriving the nawab's treasury of revenue, and destroying local merchant capital through this process of 'exchange', since local merchants, unlike the expatriate traders, were forced to pay domestic tolls and duties. In 1763, Nawab Mir Kasim made a final attempt to save the local economy by declaring that since the English enjoyed free trade, his treasury would also absolve Indian merchants from paying any duty. The English reaction was swift and unequivocal. The head of the company's factory at Patna attacked the city, and in the ensuing two and a half month war, the nawab's depleted army was defeated in six successive battles. The company's privileges were restored by restoring duties for indigenous merchants. This symbolic effort was in effect the last 'nationalist' stand of the indigenous ruling elite (Mukherjee 1974: 304-12; S. Islam 1984: 47-53).

The company's servants and *gomastahs* (local agents) now had unbridled power to underpay the artisan. The company appeared to prefer vast short term profits rather than the growth or even the survival of the artisan economy. William Bolts, a contemporary English merchant has left a graphic account of the system of fines, floggings, imprisonments and forced bonds which enabled them to do this (Bolts 1772: 73, 83, 191-4; Mukherjee 1974: 302-4). Furthermore, the destruction of the Mughal elite destroyed a substantial part of the domestic demand for luxury handicrafts. As much as three quarters of domestic demand disappeared according to one estimate (Maddison 1971: 54). In less than a century, the thriving artisan manufacturing sector was virtually destroyed, with serious implications for indigenous skills, technology and entrepreneurship. The vast urban settlements which visitors from Europe had once marvelled at also disappeared. Sir Charles Trevelyan reported in 1840 a decline in the population of Dhaka (which he described as the Manchester of India) from 150 thousand to as little as 30 or 40 thousand with the destruction of the artisan sector producing fine cotton *muslin* cloth (Dutt 1950: 114).

In the century from the 1850s onwards, the administrative and physical infrastructure which developed in Calcutta enabled the province to develop modern jute manufacturing and export. During that century, in terms of absolute size, Bengal developed the largest industrial sector in British India. According to one estimate, with 15.5 per cent of India's population in 1939, Bengal accounted for 28.7 per cent of its industrial workers. At the close of 1936, 49.6 per cent of Indian joint stock companies were based in Bengal, accounting for 44.2 per cent of total Indian paid up capital (Awwal 1982). The historically prior destruction of handloom textiles meant, however, a somewhat different social trajectory in Bengal from the 'classic' transformation from artisan to factory production as it had happened in Britain, where indigenous producers were absorbed into more efficient units. The early industrial sector in Bengal was in contrast an isolated and largely foreign-owned and foreign-controlled modern economy centred around Calcutta in the western half of the province, while the eastern half, where much of the older handloom textile industry was situated around Dhaka, actually experienced 'de-industrialization' (Krishnamurty 1983: 544-5).

However, on the issue of land revenue and land rights, the early colonial interventions attempted to be productive even if the actual outcomes were not. The declared aim was to create a productive landlord class by creating rights over land revenues that

were formal and marketable. The fact that this was not just a cynical discourse is shown by the fact that when the results in Bengal proved disappointing, the colonial authorities experimented with different allocations of land revenue rights in other parts of India. As a result of these different experiments as well as important differences in initial conditions, there were differences in the character of the new middle classes which emerged across British India, and in the pace and extent of industrial development. Class evolution depended not only on pre-existing structures of land rights and the organization of merchant and usury capital, but also on the types of land rights that the British experimented with. Much depended on when a province was annexed and changes in prevailing fashions in the contemporary 'institutional economics' debates going on in England. Regional variations in the availability of raw materials and in the fertility of the soil were also of importance. But while some Indian regional results were indeed better than the Bengal experiment, nowhere did the British succeed in creating the productive agrarian capitalist class that they wanted to create to increase land revenue collection.

The conflicting objectives and strategies of the evolving colonial state in India can be analysed in terms of the analytical distinction David Washbrook makes between the motivations of the 'mercantilist' colonial state of the mid-eighteenth to mid-nineteenth century and those of the 'High Colonial state' that coexisted from the beginning but emerged in its full form after the 1857 Mutiny/War of Independence. In its initial phase, the colonial power was primarily interested in maximizing revenue from the land, and this was achieved by making the pre-existing Mughal and Nawabi land-tax collection system more efficient (Washbrook 1981). The 'mercantilist' colonial state's ambitious property rights experiment was in intention not just a surplus extraction project but an attempt to create institutional incentives for agricultural 'improvement' along the English model (Arnold 2005). The Permanent Settlement of 1793 boldly declared that *zamindars* were 'proprietors of the soil' and granted them formal tradable rights to collect revenue (Chaudhuri 1983: 88).

In fact, the Act only gave *zamindars* the formal right to buy and sell their revenue collecting authority, in exchange for a perpetually fixed money rental paid to the state. Though the money rent was fixed at a high level, it was fixed in perpetuity in nominal terms, so the intention was clearly to create incentives for *zamindars* to improve the land. At the same time, failure to pay the revenue to the state would lead to the *zamindari* being auctioned. Historical consensus has now shifted away from the opinion that the Permanent Settlement created 'capitalist' property rights in land (Mukherjee 1974; Alavi 1975), to the more tenable position that it attempted to make the pre-existing revenue structure more efficient by ensuring that *zamindars* had strong incentives to make the revenue payment on time and to improve the land (Ray and Ray 1973; Ray 1974; Ray and Ray 1975; Ray 1979). But whether any of this could be done depended on whether the *zamindar* had adequate rights to compel the settled peasant producers to put in more effort or otherwise do things differently. And here lay one of the fatal flaws in its institutional design. The Permanent Settlement did not give *zamindars* any such rights, and the subsequent evolution of colonial law successively increased the rights of lower level intermediaries at the village level (though rarely the rights of the poorest peasants).

Under the Permanent Settlement, as before, the bargaining power over the distribution of the agrarian surplus at a critical point in the hierarchy, between the peasant

producers and the higher level rent-collectors, remained to a substantial extent with the ubiquitous class of village level petty landlords and rent collectors. Despite substantial regional variations in the precise mix of rent collecting and land-holding, different commentators find enough in common across these 'intermediate' rich peasants to describe them as the *jotedar* class (Sinha 1962; Ray 1979; Goswami 1982; Bose 1983). These village level power brokers were very likely the descendants of the organizers who had settled peasants on the land several centuries earlier. They were certainly most powerful in the eastern part of the province and were predominantly Muslim. Because of their close proximity to the production process, their relationship with the direct producers, though it was exploitative, was not usually perceived as such by the peasants. The village elite were the intermediaries between them and the outside world, and moreover they shared in the disasters which struck the village from time to time.

If anything, the Permanent Settlement weakened the zamindari nobility, by destroying the political and administrative structures on which their authority was based. The design failure could initially have been the result of thoughtlessly transporting bits of an institutional model from one context to another. The Mughal *zamindari* system worked through the *zamindar* using lower level tax collectors who included village-level petty landlords and professional tax collectors. In the original version, the *zamindar* had a strong hold over these lower level collectors and over peasants because the *zamindar* was not just a revenue collector but also at the apex of a local *political* unit providing policing and conflict resolution functions (H. Z. Rahman 1986). These formal powers gave the Mughal *zamindar* a network of informal powers through which revenue collection could be enforced. But under the permanent settlement, while the British created formal rights for *zamindars* they also removed policing and judicial functions to new classes of professional functionaries. This undermined the informal powers of *zamindars* without giving them new rights that may have established a market-based discipline. For instance, peasant *ryots* could pledge land against arrears, but they could in theory also claim their land back by paying off the arrears even after *generations*, significantly weakening the possibility of *zamindars* permanently changing land use (Chaudhuri 1983: 151-2).

Lacking market power, rural creditors and agents of *zamindars* often used crude forms of coercion that created hatred rather than efficient responses by the producers. The outcome was therefore not surprising. The increase in revenue could not be delivered in many cases without very crude and obvious coercion and large numbers of *zamindaris* went up for auction without many new takers appearing. As inflation reduced the real burden of the revenue settlement, *zamindaris* eventually did become viable investment propositions for merchants and traders, but the creation of *zamindari* rights never had the desired effect of creating incentives for improvement. The persistence of this experiment and others like it in other parts of India cannot simply be explained by a technical design error. *Zamindars* and merchants continued to demand that their rights vis-à-vis lower level surplus claimants and peasants should be strengthened but these demands were systematically rejected. Subsequent reforms made the situation even worse by further strengthening the rights of village-level petty landlords and revenue collectors.

Why this happened must be more than an oversight and can only be understood in terms of the evolving motivations of the 'High Colonial State' (Washbrook 1981).

The colonial power clearly lacked traditional sources of power and authority and its existence could not but undermine the authority of indigenous dominant classes. This made the maintenance of social order a matter of great concern from the outset but particularly after the 1857 Mutiny/War of Independence. It is not surprising that the state's policies demonstrated a growing concern to construct new allies and balances of power. The innovation was a new concern with the 'peasant' or *ryot* meaning not the impoverished tillers of the soil but the petty village landlords and intermediaries or *jotedars* who were most likely to emerge as the organizers and representatives of mass discontent. Prior to 1857 this concern manifested itself in the refusal to extend *zamindar* rights too far against lower level intermediaries and peasants. After 1857 the state's concern with the possibility of further disturbances took the form of positive legislation to protect *ryots* and strengthen their rights.

This was clearly a political agenda of delivering to groups whose support the colonial power thought it needed. The strategy cannot be explained either by a desire to extract a greater surplus (indeed this was a period of falling land revenues) or to enhance growth (as these rights made it more difficult for *zamindars*, merchants and usurers to achieve effective control of the land to change production relations and technologies). Important legislation of this period includes the Rent Act of 1859 and the Tenancy Act of 1885. Both Acts, and particularly the latter, strengthened the rights of the so-called 'occupancy *ryots*' who were the petty village level landlords often called *jotedars* in Bengal. As the *jotedars* were surplus farmers and sometimes also village-level rentiers, they had structural conflicts of interest with the higher-level revenue collecting *zamindars* (Chatterjee 1982: 123-4). The Tenancy Act formally recognized the rights of *ryots* as formal tenants of *zamindars* but again without granting the latter any formal powers to compel their 'tenants' to do anything.

The creation of these new rights meant that these 'intermediate classes' could keep a bigger share of the surplus for themselves. But the *jotedars* too did not have any effective capacity to change production relations at the village level because their powers to accumulate land, evict their own tenants on any significant scale or to settle new tenants were very limited. It was only through an amendment of the Tenancy Act in 1928 that *ryots* acquired the right to buy and sell their occupancy rights, but that too by paying 25 per cent of the sale price to the *zamindar* and with the *zamindar* having the right of pre-emption (Chaudhuri 1983: 152-3; Barkat and Roy 2004: 25-7). These complex checks and balances were intended to preserve the status quo in precisely the way in which a properly working land market would threaten to disrupt. The result was that by the 1870s it was clear that the surpluses of the village petty proprietor group were not being invested in agriculture but rather to finance the migration of their sons to the city. This migration was greatly assisted by another 'stabilization' strategy of the raj: the rapid growth in the largely unproductive employment opportunities created by the burgeoning state that 'managed' empire (Gordon 1974: 28; A. M. Ahmad 1975; Chatterjee 1982: 121).

Thus the raj was already creating a political settlement that was beginning to incorporate *jotedars* as critical political organizers and intermediaries into the rent distribution systems that were meant to sustain political stability. However, formal political and economic power was largely in the hands of the English-educated and largely Hindu urban professionals, many of them directly connected to *zamindari* families. The crisis towards the end of Empire in Bengal was that the transfer of

power would be contested strongly between the urban professional and *zamindari* elites who were largely Hindu and the emerging political organizers who were in origin rich-peasant or *jotedar* and had the requisite organizational abilities to 'deliver' the countryside. The fact that Muslim peasants constituted the majority in Bengal created an intense conflict between economic privilege and the emergent centres of political power based on electoral politics.

It was clear that if the *zamindars* could not organize a capitalist transformation of agriculture, neither could the *jotedars*. Rather they used their political power to demand access to urban jobs and further changes in tenancy rights that would leave them with a greater share of the agrarian surplus. Already by the 1870s, better educated Hindus from the petty proprietor group were the basis of much of the rapid expansion in the urban 'middle classes'. They provided the most successful professionals in law, journalism, medicine, teaching, and the judicial and civil services (Chatterjee 1982: 121). Lord Curzon's enquiry found that whereas in 1875 there were no Indians in the hallowed Indian Civil Service, by 1903, there were 16,000 Indians at relatively senior levels with salaries above seventy five rupees (Misra 1961: 316). A turning point for the new middle class came in 1892 with the passage of the Indian Councils Act. Under the act, the Legislative Council of Bengal was to have twenty members, admittedly in an advisory capacity, of whom not more than ten were to be officials. Of the rest, seven were to be nominated by the Lieutenant Governor from panels suggested by the Calcutta Corporation, municipal and district boards, the senate of the Calcutta University, the Bengal Chamber of Commerce and the Trades Association. Only one of the remaining three was 'ordinarily' to be a zamindar, a numerical balance which reveals the shifting political balance in the broader society (Misra 1961: 351-2).

Part of the growth of the urban 'middle class' was undoubtedly the result of the modernization of the economy. But the evidence put forward by economic historians and biographies of that period suggests that the 'push' of political mobilization from the countryside was much more important than the 'pull' from new demands for services generated by a growing modern sector (Nooruzzaman 1965: 232; A. M. Ahmad 1975; Chatterjee 1982). The most enduring effect of the set of representative institutions introduced by the raj, and the political culture that developed around them, was to legitimize a pattern of upward mobility for the vast class of rural petty-landowners who were perceived to be such a potential threat. By the 1920s, the Muslim intermediate classes were mobilizing to demand a significant improvement in their access to urban jobs. Paradoxically, the flow of people from the intermediate classes to urban professions resulted in a further increase in the organizational power of the intermediate classes and the creation of further rights and protections for them. The increasingly assertive intermediate classes were behind the formation of the Indian Association in 1876, which split from the old British Indian Association dominated by the big *zamindars*. They were also to provide the organizational backbone of the Indian National Congress, the Muslim League, and in Bengal set up their own party, the Krishok-Proja (or Peasant) Party. Ironically, in the end, the empire was brought down by the very intermediate classes the British nurtured to check the pretensions of the *zamindars* and merchant capitalists above and the poor below.

The growth in the importance of industry and urban politics brought about yet another change in the overall political context. Washbrook describes the third and last phase of the colonial state as that of the 'Incipient Nation State', which lasted from the early twentieth century till the transfer of power in 1947. The stable balance of forces which had characterized the previous era came to an end. The new balance which the raj had to politically manage included the landed petty proprietors as before, but instead of the zamindari and mercantile interests, it was now the emerging domestic industrial capitalism which was making demands on the state (Washbrook 1981: 693-710). Washbrook's analysis of the conflicts inherent in this new context needs to be re-considered. On the one hand, the evidence does support his claim that a growing pressure from the nationalist and expatriate industrialists, and a growing net financial dependence of the state on industry was pushing the raj towards an interventionist policy which amounted to somewhat greater subsidies for industry. On the other hand, the growing political and economic tensions of this period are not adequately explained in terms of the state having to continue with its policies of social conservation in the village, strengthening the village-level landlords and giving them enhanced opportunities for economic gain.

The essentially rural political mobilization the raj had supported had by the 1930s created an urban middle class as successful intermediaries migrated to the towns to take up professional jobs. The rural *jotedar* intermediaries now had one foot in urban politics but still mobilized their rural constituencies. Populist politics and the mobilization of ever growing sections of the stagnant rural society swelled the numbers of those who came to the towns, such as Calcutta, to seek education and a share in the surplus of the state. The attempt by the raj to establish a political role for the *jotedar* to sustain political stability in the village unleashed a social dynamic that included the town. According to one set of estimates, between 1900/09 and 1940/46, the real value of output at 1939 prices in the primary and secondary sectors in India increased by 34 percent, but in the tertiary sector by 143 percent, the bulk of this accounted for by the growth of a "large and unwieldy government" (Sivasubramanian 1965). Even allowing for statistical errors, the absolute and relative growth of the 'service' sector was remarkable.

In a sense, the continuing, and by now perhaps irrevocable responsiveness of the raj to the political demands of the 'countryside' represented a formal continuation of its commitment to the *jotedar* voice, but what does not emerge from Washbrook's analysis is that this relationship with the village elite had by now created a large and growing urban constituency. The political culture and the history of its evolution impelled many within this group to continue a populist pressure in the name of the 'peasant', but the economic content of the demand had by now qualitatively changed. By the twenties and thirties, mass-movements emerged organized jointly by the urban middle classes and the rural *jotedars*. This was actually the key characteristic of political mobilizations which emerged in the last two decades of Empire, and was indeed the legacy it bequeathed to its successors (Sarkar 1983: 63-6).

It is perhaps ironical that the Calcutta jute industry contributed most to the prosperity of the *jotedar* at the turn of the century as the rural jute growing agriculture prospered. But it was a prosperity which was extremely vulnerable. First during the Great War, again during 1921-3 and throughout the thirties, the jute farmers were thrown into depression by the vagaries of the world market and the monopsonist powers of the

Calcutta enclave economy. *Jotedars* did not on the whole do too badly, primarily because they were able to diversify into money-lending, but they provided an increasingly vociferous constituency for populist politics (Goswami 1982: 224-49). The depression of the 1930s destroyed many poor peasant cultivators and further weakened the *zamindars*, many of whom began to lose their estates. However, some rich peasants acquired greater control over the land during this time (Chatterji 1995: 63-8). This did not further any agrarian transition, but did increase the organizational capacities of the *jotedars*. The response of the British to the agrarian crisis was to accelerate the introduction of electoral politics to the countryside. The 1935 Government of India Act introduced party politics to the rural areas, and the rural rich peasants were the immediate beneficiaries in their role of organizers.

If the Indian Councils Act of 1892 was a turning point for the Indian middle class, the 1937 elections to the provincial Legislative Councils marked yet another significant shift in the political balance of power. In Bengal, the decidedly *jotedar* Krishok-Proja Party (Peasant and People's Party) of Fazlul Huq caught this tide of 'peasant' discontent at its flood. It was elected as the largest party. It wanted to form a coalition with the Congress but the latter refused to deal with the upstarts and Huq formed a coalition with the Muslim League. The Muslim League was originally led by aristocratic Bengali Muslims, but by now had its own base of *jotedar* organizers. Nevertheless, the electoral victory of the Krishok-Proja Party over the aristocratic Bengal Muslim League represented the coming of age of the Bengali Muslim *jotedar*. By now the aspirations of the upwardly mobile *jotedar* were explicit. While the demands of the movement were always couched in terms of justice for the peasant, neither the city-based leaders like Fazlul Huq, nor the rural constituencies who acted as the mobilizers of the movement, revealed any great interest for the agrarian sector in their actions. In its first budget, the Fazlul Huq government allocated one percent of the budget to agriculture, half the allocation approved for 'stationery and printing' (Goswami 1982: 12).

While both the urban and the rural *jotedar* were interested primarily in upward mobility, the prerequisite for this was a move to the town. The possibility had already begun to emerge, therefore, of conflicts of interest between the *jotedar* proper, a vast and nebulous class spread over hundreds of thousands of Indian villages, and their urban brethren who had graduated to the petty-bourgeois urban classes. The ascendance of the *jotedar* in the politics of the countryside, and the symbiotic if tension-prone relationship with the political movements of the urban middle classes was one of the most significant of the political balances which were established as a result of the arrangements devised by the raj in its steadily more futile attempts to maintain a political balance of power. Whether in the village or in the town, the interests of this coalition would have to be henceforth taken into account.

It can be argued that the most damaging effects of British colonialism were not primarily caused by its extraction of surplus but rather its social engineering. This created competing rights that blocked a productive transformation of agriculture or even the acquisition of effective rights over contiguous territories of land, which could have reduced the transaction costs of a subsequent productive transformation into manufacturing (Nooruzzaman 1965; M. H. Khan 2009a). As a relatively weak imperial power, the British needed to balance the interests of different domestic groups, particularly on the land. They were averse to any changes that threatened

serious discontent, let alone peasant uprisings. Their interventions therefore supported contradictory sets of rights, simultaneously supporting the rights of a complex mosaic of landlords and peasants (Washbrook 1981). In Bengal, they introduced the so-called Permanent Settlement that attempted to create tradable rights of revenue collection for the upper landlords or *zamindars* that some thought would result in a capitalist transformation of Bengal's agriculture. But at the same time, the British also strengthened the rights of different classes of peasants, in particular the critical intermediate class of *jotedars*, which ensured that *zamindars* would find it very difficult to impose capitalist discipline (Ray and Ray 1973, 1975).

5. British Strategies of Divide and Rule

The initial impact of the British conquest of India had been to displace the Muslim aristocrats from their positions at the apex of the political system. The Muslim ruling class response for long time afterwards was to reject all aspects of British rule including English education. As a result, they were severely underrepresented in the growing British administrative structure. Their loyalty to the British cause was in any case suspect, and even more so after what the British called the Mutiny of 1857. In contrast, many of the Hindu landlords and administrators who had operated within the Mughal system initially saw British rule as an opportunity to break through the Muslim ceiling and enthusiastically adopted English education and bureaucratic service. While Indians of all religions were involved in the 1857 uprising, important organizers came from or appealed to the old Muslim aristocracy, who were therefore even more thoroughly weakened after this event. But by the late nineteenth and early twentieth century, the English-educated and mainly Hindu Indians who were now part of the Indian administration began to emerge as the main challengers of British rule. The Hindu Bengali middle classes in particular had benefited greatly from the expansion of formal employment opportunities. They were now at the forefront of the opposition to colonial rule, and began to use legal and constitutional arguments to question discrimination against Indians (Chatterjee 1993: 18-27). In this context, the British began to explore mechanisms of bringing the now backward Muslims back into the political fold to balance the pretensions of the Hindus. The 'communal' balancing act was overlaid on the economic and social balances that the British were also constructing.

British communal strategies operated at both the national and provincial levels, with regional strategies responding to local opportunities. At the national level, strategies like the Morley-Minto reforms established separate electorates for Muslims in 1909. Separate electorates meant that Muslims with the appropriate voting qualifications would only vote for Muslim candidates. The aim was to increase Muslim representation in municipal, legislative and other bodies where Indian representatives were gradually being elected by Indian constituencies defined by profession, landholding and other voting criteria. The idea was that the Muslim elite were unlikely to gain proportional representation if they stood in first-past-the-post contests in electorates that were mainly Hindu. Secondly, at the provincial level, divide and rule took some specific forms like the short-lived administrative partition of Bengal in 1905. The eastern part of Bengal with its significant Muslim majority was separated as an administrative unit, not only to guarantee Muslim representation and voice, but also to invite Muslim loyalty to a Raj that was belatedly responding to their exclusion. Interestingly, this administrative partition failed to generate the Muslim mobilization

that the British had hoped for and was eventually reversed in 1911. Thus, while these colonial interventions contributed to the deepening of divisions, taking a long view, the eventual partitions were to a large extent driven by the failure of Indian elites to reach viable compromises in the context of the types of patron-client politics that were emerging around that time.

The Morley-Minto reforms of 1909 were a response to Indian demands to extend Indian representation in provincial and imperial legislative councils based. But to temper the ambitions of the English-educated and largely Hindu elites, the reforms simultaneously established separate electoral colleges for Muslims on the grounds that this was a legitimate Muslim demand. The conventional wisdom in Indian nationalist history is that this was the critical step that encouraged and established Muslim separatism that eventually led to partition. It is certainly the case that separate electorates were driven by British calculations. While there were some Muslims making such demands, they were mainly the aristocratic Muslims whose political weight was very limited. If the British conceded that these demands were legitimate, they must have had other reasons for doing so. Ironically, far from setting up the Muslims as a useful counterweight to the increasingly troublesome Hindus, the Morley-Minto constitutional arrangements served to further isolate Muslims from mainstream Indian politics, enabling many in the Hindu mainstream to characterize Muslims as 'communal' and therefore a problematic minority which could now be legitimately ignored (Tejani 2007: 113-43).

The most serious problem facing the nationalist reading of the implications of the Morley-Minto reforms is that it is hard to see how they could have led to the partition of India had it not been for the presence of significant Muslim majority areas. Partition affected only the Muslim-majority areas, where Muslims did *not* ultimately need separate electorates to dominate regional politics. In Bengal certainly, the problem was not the presence of separate electorates but rather that electoral politics itself resulted in a significant confrontation between political power and economic privilege. Nevertheless, separate electorates created significant bitterness, particularly amongst Hindus. In Bengal, the Communal Award of 1932 allocated the 250 seats in the proposed Legislative Assembly. Of this, 10 per cent of the seats were allocated to Europeans who were less than one per cent of the population. Hindus who were 44 per cent of the population were awarded 32 per cent of the seats, and Muslims who were 54 per cent of the population were awarded 48 per cent of the seats. While both communities were unrepresented, Hindus were more so. But while separate electorates contributed significantly to distrust, the electoral outcomes in favour of Muslims would have persisted in the absence of any separate electorates in a Muslim-majority province like Bengal.

The failure of the British administrative division of Bengal in 1905 is a vivid demonstration of the limits of divide-and-rule strategies in the absence of supporting local factors. The administrative partition was a deliberate act to weaken opposition to British rule and to get Muslim support, but it utterly failed. As the first major province of India to be fully conquered, Bengal was further ahead compared to other parts of India in terms of English education and in confronting the English using the legal and constitutional tools they had introduced. Shortly after the 1872 census, the British began to explore the possibility of cutting this problematic province down to size. Lord Curzon, the Viceroy, decided to partition Bengal along a north-south axis in a

way that was designed to leave the Muslims in a huge majority in the eastern half. The hope was both to weaken the Hindu elites many of whom had landholdings in the East, and to mobilize important sections of the Muslims in favour of the British. The ostensible British argument was administrative: Bengal was too big, with 189,000 square miles of territory and a population then of 79 millions. But the British made little attempt to conceal their political objectives. Curzon stated these quite clearly: "The Bengalis, who like to think of themselves as a nation, and who dream of a future when the English will have been turned out, and a Bengali Babu will be installed in Government House, Calcutta, of course bitterly resent any disruption that will be likely to interfere with the realisation of this dream. If we are weak enough to yield to their clamour now, we shall not be able to dismember or reduce Bengal again: and you will be cementing and solidifying, on the eastern flank of India, a force already formidable, and certain to be a source of increasing trouble in the future" (cited in Chatterjee 1997: 28). The British administrator H. H. Risley put it even more clearly: "Bengal united is a power; Bengal divided will pull in different ways... One of our main objects is to split up and thereby weaken a solid body of opponents to our rule" (cited in Chatterjee 1997: 27-8).

But this administrative partition was short-lived. The calculations of the British were based on several strategic miscalculations. In the absence of electoral politics, the Muslim leadership in Bengal was still in the hands of the fading Muslim aristocracy. They *did* need protection and support if they were to balance the educated Hindu elites and the administrative partition was designed primarily to help them. But they were so delinked from their own constituency that they failed to organize any significant counter-mobilization in favour of the administrative partition that was strongly opposed by the Hindu elite. If the British hoped that this aristocratic Muslim leadership would succeed in giving them excuses for sustaining the partition, they were wrong. On the other hand, *with* electoral politics (which the British were also gradually introducing), Muslims would not need special protection because they were in any case the majority. By the 1920s, the gradual extension of electoral politics brought to the fore a new type of Muslim leadership from the Muslim intermediate classes who were masters at mobilizing their peers (and later the peasants below them as the franchise extended). As Muslim leadership passed to the intermediate classes, they discovered they had no need for protection or partition as their numerical advantage meant they could dominate the whole of Bengal. When that happened, it was paradoxically the Hindu elite that needed protection, and much of the drive for partition in the 1940s began to come from them (Chatterji 1995). But in 1905 neither the British nor the Indian political contenders had figured out the consequences of the different processes that had been unleashed.

Thus, the administrative partition of 1905 was a misconceived strategy for empowering the Muslims from a divide-and-rule perspective. The aristocratic Muslim leadership of that time was not strong enough to exploit it and the intermediate class Muslim leadership that would emerge with electoral politics would not need it. The opposition to the 1905 partition led by the Calcutta-based Hindu elites reflected the fact that in the absence of electoral politics, they still dominated both in the economic and political spheres. Partition simply threatened to weaken them on both fronts. They were able to mobilize a broad front of opposition and the administrative partition was reversed in 1911. Ironically for the British, the mass mobilization against this partition strengthened even further the emerging Bengali identity promoted by the Hindu elites

that Curzon and Risley were so explicitly trying to contain. The only response of the Muslim aristocracy was to set up the Muslim League in 1906 in Dhaka, the short-lived capital of the eastern province and later the capital of Bangladesh. The League's roots in Bengal were very weak. Setting it up required the organizational capabilities of Muslim aristocrats from across India. The new organization appeared to have little support and few would have dared to suggest that it would play a significant role in Bengal let alone in Indian politics in the future. The British did not even consult it when they made their decision to revoke the administrative partition five years later.

This is not to deny that the colonial power *was* responsible for encouraging political mobilization along religious lines. But this was just the precursor of contemporary strategies of identity-based mobilizations on the basis of caste and language. The initial intention of the British was to balance the ambitions of existing groups by encouraging the organization and mobilization of new ones. However, from the perspective of political organizers, identity politics was simply a process of consolidating the client groups on which their bargaining power was based. Political organizers, typically from the intermediate classes, sought to capture benefits (rents) for themselves, and also to distribute some of these rents down the pyramidal factions they had constructed. In itself this was just a particular way of organizing clientelist politics and satisfying those with organizational power with arrangements of rent-sharing to sustain the social order. From this perspective, the organization of identity-based groups by political organizers could just as well have been a politically stabilizing process. The reasons why these processes turned out to lead to violence and crisis in Bengal in the 1940s have to be sought in the specific conditions that led to a breakdown in clientelist politics.

British attempts to mobilize Bengal's Muslim aristocracy through the recognition of separate electorates and even the administrative partition of 1905 generally failed to create a Muslim counterweight to the Hindu elites. Identity politics required the emergence of a patron-client politics that could use identities to mobilize client groups for political bargaining. Even then, when a clientelist politics emerged in Bengal led by Muslim Bengali political organizers from the intermediate classes it was not communal from the outset. It only proceeded gradually in that direction when dominant economic elites refused to compromise in any significant way. The accident that the dominant economic elites happened to be mainly Hindu and the factions that were contesting them for a share of political power were largely Muslim led to that outcome. Thus, to explain the communal confrontation of the 1940s we have to go beyond the divide-and-rule policies to examine the nature of the patron-client politics that emerged during this period *and* the failure of the older elites to reach the compromises that could have averted the partition. In that sense, partition was to a large extent an Indian affair, even though the British were obviously implicated.

The elements that we need to consider in order to explain why partition happened include the following. The first is obviously the divide-and-rule strategies of the British that contributed to create a politics of 'communal' (religious) identities. Second and more significant were the British attempts to create a political settlement based on the *jotedar* intermediaries that resulted in the empowerment of new classes of rural organizers. These happened to be Muslims but were not the specific outcome of divide-and-rule policies. Initially, the *jotedar* organizers of factions that came together in the Krishok-Proja Party or organized as independents had no religious

affiliation, and would have preferred to have formed coalitions with the Congress rather than the Muslim League (Jalal 1985: 151-63). It was only when Congress established that it would block their ambitions that a temporary and fateful unification of these peasant factions on a religious banner emerged. The failure of their early attempts at establishing a place within the political settlement that was to be established in independent India was therefore a critical determinant of their shift towards 'communal' politics. This has to be separately understood and cannot be entirely attributed to British divide-and-rule strategies.

6. The First Partition: A Crisis of Exclusion in Clientelism

The critical problem that emerged in the late 1940s in Bengal (and again in the 1960s in Pakistan) was the unwillingness of dominant economic groups to compromise rapidly enough with political organizers who had mobilized new sources of organizational power. This encouraged excluded factions to look for unifying characteristics that could enhance their organizational and bargaining power. In the 1940s the obvious peg for constructing an umbrella coalition was religious identity, while in the 1950s and 1960s it was to become language. This does not deny the strongly felt passions aroused on both sides when ethnic or religious identities were used to mobilize excluded groups and to ensure their unity. Of course, in the crisis of the 1940s, the Hindu professional and landlord elites were not yet the ruling coalition because the British were still ruling India. But their conflict with the political coalitions led by the intermediate classes *was* about the likely composition of the ruling coalition once the British departed. The failure was not primarily a primordial conflict about the religious identity of the nation but a failure to construct a viable political settlement where enough of the excluded factions were included to make the ruling coalition politically viable.

Here the all-India politics of the Congress Party played a significant role. Its orientation encouraged Bengal's dominant classes to attempt to exclude the new political organizers for too long. The result was a growing consolidation of new factions around the banner of the Muslim League. Once the division was defined in religious terms, there could be no resolution short of a complete defeat for the dominant coalition. The latter were largely Hindu and once the excluded Muslim factions united, their electoral strength meant that the dominant coalition could expect a significant loss of economic privileges if the Bengal legislature had any powers. The political dynamics therefore veered towards confrontation. As the intermediate class led peasant coalitions reacted to Congress strategies by gradually coalescing over the 1940s, compromise became progressively more difficult. Eventually partition became an attractive exit option *for the dominant coalition* (Chatterji 1995). Ironically, while in one respect the Muslim Bengali political entrepreneurs 'won' on both occasions when they succeeded in uniting their excluded factions to challenge the dominant coalition, in both cases the dominant coalition came out rather well as well. In both cases, they were able to exit without addressing the historical injustices that had led to the conflict. In 1947 East Bengal lost the industrial assets that its agrarian surplus had helped to build when it lost Calcutta, and in 1971 it gave up its claim to the industrial assets it had helped to build in West Pakistan when Bangladesh seceded. This is why it is misleading to see these partitions simply as class conflicts or even as conflicts where the partition outcome would have been preferred by the winning side in quite the way in which it actually happened.

Congress politics in Bengal and its relationship with the Hindu *zamindar* and professional elites was therefore an important factor in the crisis that led to partition. Through the 1930s the Bengal Congress had possessed a significant 'left' wing which understood the importance of making concessions to the rich peasant-led factions that were emerging. The progressive group, represented by the Bose brothers was not only powerful in Bengal, but one of its leaders, Subhas Chandra Bose, was also briefly president of the All-India Congress Committee. In 1939, the Bose brothers were expelled from the Congress as Gandhi and his followers in the central high command came into a confrontation with the left. Their expulsion not only deprived the Bengal Congress of its progressive and secular wing, it also established central Congress control over provincial Congresses which would have significant implications for Muslim majority provinces like Bengal (Chatterji 1995: 103-49).

As the Bengal Congress swung to the right and became more closely controlled by the centre with its power base in Delhi, there was a parallel swing in its support for established Hindu landlord and professional interests within Bengal. The latter in turn used the Congress to protect themselves from rich peasant demands. There was no necessity in this turn of events and a different provincial Congress leadership of the type that the Bose brothers represented may have resulted in different outcomes. As it happened, the Congress Party increasingly appeared to the Muslim intermediate classes to be a protector of the majority Hindus of India. Independent India was going to be ruled by the Congress, and if it monopolized power at the centre, the interests it supported in a state would remain dominant despite the most powerful factions in the state being opposed to these interests. This fear was supported by the way in which Congress refused to form coalitions in Bengal with the secular Muslim-peasant led Krishok-Proja Party after the first elections in 1937, forcing it to form a coalition with the Muslim League. Congress also refused to cooperate with Muslims in many other provinces after the 1937 elections despite having previously agreed to do so with the Muslim League (M. Hasan 1993: 1-44).

The effect was to unite the different peasant factions in Bengal to fight against what they increasingly saw as the common enemy, and in doing so they inevitably constructed a class alliance of rich and middle peasants in Bengal against the dominant professional and landlord classes. Some historians have indeed described the Muslim coalition against Congress as a class mobilization (Hashmi 1994). But in fact, as we have seen, the class conflict between the *zamindars* and their *jotedars* was minimal by the 1940s. The middle and rich peasants very likely controlled a bigger share of the agrarian surplus than the *zamindars* by then, and in any case, the aspirations of the political entrepreneurs and their clients in the 'peasant' parties was to get jobs in the towns, not to transform the agrarian countryside (Chatterji 1995: 55-102). It is more accurate to see the unification of the multiple peasant-led factions in 1946 under the Muslim League as a contingent unification of factions against a common enemy that threatened them with a strategy of apparently permanent exclusion. But once the unification happened, it was even less likely that the Hindu elites could concede power to the new Muslim political organizers because the unification ensured the permanent exclusion of the dominant economic interests.

To understand the unwillingness of Bengal's Hindu elites to reach compromises with the Muslim political organizers who were emerging in the 1930s, we have to look at

the dynamics of Congress politics in India at the time. As the leading party of Indian independence, Congress insisted it should incorporate all groups within it, and was unwilling to share power with any other group. This eventually came to mean, as the Bengal Congress discovered, a significant centralization of decision-making powers at the central levels of the party. Equivalently, it also meant provinces were to have less power and provincial interests were to be subordinated to the central command. In provinces like Bengal it meant the majority would become a minority if subordinated to Delhi. On the other hand, for the Hindu landlord and professional elites, the centralizing trends in the Congress were very welcome for exactly the opposite reasons. Muslims may be a majority in Bengal, but in India they were around a thirty per cent minority. In a first past the post electoral system, Muslims would be unlikely to get even this share of representation at the centre. It was therefore extremely unlikely that Muslims in Bengal would have allies at the centre when the Bengal Congress was backing the old elites. In a united India, the Muslims' only hope of a significant exercise of power was in the provinces where they were in a majority. Fortunately for them they were in a majority in a number of provinces, including two important ones, Punjab and Bengal. At the all-India level, the Muslim League was therefore campaigning for a greater share of power to be devolved to the provinces because this would transfer real power to the two significant Muslim-majority regions of India. Jinnah, the leader of the Muslim League calculated that this would be a sufficient guarantee for the security of Muslims like himself who lived in Hindu-majority parts of India (A. M. Ahmad 1975; Jalal 1985; Hashmi 1994).

The political brinkmanship between Congress and the Muslim League at the all-India level over the constitutional arrangements for post-independence India provide the last critical element for understanding the crisis. The likelihood that the Congress would prevail in its vision of a centralized India made Bengal's old elites less likely to compromise with their intermediate classes whose power was based on provincial politics. The last straw in this drama came about in 1946 with the failure of the all-India negotiations around the Cabinet Mission Plan proposals for devolving power to provincial units. The Muslim League had accepted the Cabinet Mission Plan as a framework for keeping India united. But Nehru decided to call Jinnah's bluff and rejected the Cabinet Mission Plan. This was the unfolding of a series of decisions taken by the non-Muslim leaders of the Congress as early as the early 1940s, to allow Muslims the option of partition if the alternative was to concede to their demands for devolved power (Roy 1993: 124-5). Later on in life Nehru admitted to the British author Leonard Mosley that "we expected partition to be temporary, that Pakistan was bound to come back to us" (Mosley 1961: 248). The catastrophic decision to reject the Cabinet Mission Plan outright signalled to the Muslim-led provincial parties in Bengal and Punjab that they could expect to be dominated by the centre after independence in a Congress-led India. In that context it is not surprising that almost all Muslim Bengali political organizers coalesced around the Muslim League in the fateful 1946 elections.

The result was an overwhelming Muslim vote in Bengal for the Muslim League, for the first and the last time. The League won 108 of the 117 Muslim seats. In no other Muslim majority province was its victory so complete (Hashmi 1994; M. G. Kabir 1995: 30-121). At the same time, with his bluff called, Jinnah had no option but to proceed with his demand for Pakistan. In the final fateful vote of the Bengal Provisional Legislative Assembly on 20th June 1947, Nehru and the Congress

persuaded Mountbatten *not* to allow a vote on the independence of Bengal outside the framework of Pakistan. The assembly could only vote to join India or Pakistan, and the Muslims and Hindus would vote separately to determine if the province should be partitioned or not. The rules agreed between Mountbatten and Nehru allowed the votes of either group in the Legislative Assembly to trigger the partition of the province. This was specifically designed to prevent the Muslim majority voting to keep the province united but outside India. The choice of options was designed to produce the outcome that eventually came about. The Assembly with its Muslim League majority voted to join Pakistan. The Hindu members voted overwhelmingly to partition the province and Muslim members voted overwhelmingly against. And so the partition of Bengal came about (Gordon 1978).

The different responses of Hindu and Muslim elites to the 1905 and 1947 partitions reflects the dramatic changes in the strategic options of different groups that came about as a result of the extension of representative politics. Divide-and-rule policies did not prevent Hindu elites from successfully overturning the 1905 partition because in the absence of electoral politics, that partition threatened to weaken them. But by the late 1930s, Muslim middle-peasant organizers began to dominate the organization of votes in rural Bengal, and they would have done so with or without separate electorates. Given the legitimate mechanisms of exercising organizational power that the British had already established, the dominant classes had several unfavourable options. They could attempt to reach compromises early on and absorb critically powerful factions into the proposed ruling coalition for the province. Given the demographic advantage of the Muslim peasantry, the long-run implication would nevertheless be a significant dilution of the formal privileges they enjoyed, and the gradual intrusion of greater numbers of Muslims into formal rights through informal political processes. Alternatively, they could follow the high-risk strategy of relying on the Congress and its centralizing agenda to ensure that the Congress dominance at the centre would protect their interests at the state level. Effectively, the political settlement would be constructed at the Indian level and not the Bengal level, and Bengal Muslims would be excluded by deploying organizational power from across India. This strategy was not only unjust but also dangerous because the Muslim League had foreseen this possibility and long campaigned for a unity of all Muslims against Hindu domination. That dire prediction was suddenly coming true for Bengal's Muslims and their defection *en masse* to the Muslim League was the result.

The real irony is that the centralization that Congress envisaged was not viable and has over time been gradually reversed. The process of devolution of powers to the states still has a long way to go in India and in that sense the political economy of the patron-client mobilizations that underpinned the conflicts and partitions of the past remain relevant today. The history of conflict and partitions going back to the first partition shows that those crises were not solely or even primarily the result of British divide-and-rule strategies, nor were they the outcome of primordial aspirations of East Bengalis to construct a state that was associated with either a single religion or a single language. This is why after the departure of the British, the Hindu Bengali elites and the Pakistanis, the main challenge facing Bangladesh is still to construct a political system that can accommodate the intense competition between its patron-client factions. This competition did not become less intense simply because the old economic elites had departed. Indeed, it became more intense as the competition now became one over the construction of new economic elites and an indigenous capitalist

class. Paradoxically, independent Bangladesh discovered that the management of factional competition is more difficult when the factions are fewer in number because the ruling group is repeatedly inclined to believe that it can exclude the opposition using administrative methods. We will return to this problem later.

7. East versus West Pakistan

The two wings of the Pakistan that were suddenly created in 1947 shared little in common and had not engaged in a common struggle to achieve joint nationhood. In particular, Pakistan's borders did not include any significant industrial assets and it immediately faced significant economic crises and military vulnerabilities. Nehru's decision to call Jinnah's bluff did not result in a chastened Muslim leadership coming back to the table to accept Congress terms either immediately or in a few years. It resulted in a catastrophic end-game that drew borders that are as permanent as any, and where the immediate human costs alone testify to the scale of the tragedy. Around 12.5 million people were displaced and estimates of deaths range from hundreds of thousands to a million (Metcalf and Metcalf 2006: 372). From a Muslim perspective, the borders of the new Pakistan made no sense at all. Both major Muslim-majority provinces were carved up and East Bengal in particular lost its industrial base. A third of the Muslims of pre-partition India remained in post-partition India, and so its Muslims were now divided into three geographical units. Ayesha Jalal was right to ask: "how did a Pakistan come about which fitted the interests of most Muslims so poorly?" (Jalal 1985: 4). An answer in terms of Muslims attempting to create their own nation simply does not fit the facts. Rather, the first partition was clearly an outcome of a failure to construct a political settlement in India that could protect emerging Muslim aspirations and interests, particularly in Muslim-majority provinces like Bengal.

The political and economic crises that immediately faced the new state of Pakistan were therefore not accidental. The economic underdevelopment of the region was bad enough but in addition trade links with industrial areas elsewhere in India were severed. The reasons behind the political crisis were even deeper. A constitutional crisis in the newly independent Pakistan was almost inevitable given the way in which the country was created. East Pakistan was poorer and less developed, had virtually no indigenous capitalists, and virtually no senior bureaucrats or army officers. West Pakistan too was underdeveloped compared to more advanced areas of India, but many of the immigrant Muslim businessmen and senior bureaucrats from other parts of India now settled in West Pakistan as they were culturally closer to that region. The army too was largely drawn from the Punjab region of West Pakistan.

The irony was that the indigenous elites in *neither* wing of Pakistan had been strongly behind the idea of Pakistan. The two most important Muslim-majority areas of India were Punjab and Bengal, which both suffered partitions. The demographic dominance of Muslims in these provinces before partition had meant that Muslims already enjoyed substantial power in the representative politics introduced by the British in 1936. They were generally not supporters of the Muslim League and had not been preparing for partition. When partition suddenly took place in 1947 as a result of a last minute failure in the negotiations between Jinnah and Nehru, the two main provinces were unprepared for statehood. Muslim suspicions about Congress's centralizing plans led to an increased support for the Muslim League in Muslim-majority

provinces in the 1946 elections (very significantly in Bengal and less so in Punjab) but its organizational roots remained weak in both. Not surprisingly, the Muslim League faced serious problems in trying to cobble together a Pakistani state after 1947. But West Pakistan's largely Punjabi elites soon discovered that they were the dominant economic and military group in the new state and this helped many of them to rapidly buy into the idea of Pakistan. In contrast, East Pakistani elites remained embroiled in conflicts with the central leadership. As a result of these tensions, the new state of Pakistan faced serious conflicts between elites from its two wings from the outset and a decade of constitutional discussions failed to resolve the crisis.

Federal arithmetic and relative populations were at the heart of the problem. West Pakistan had four provinces, the largest being Punjab, but the population of East Pakistan alone at that time was greater than West Pakistan as a whole. If provinces had equal weight in the legislature it would be unfair for the east, if they had representation according to population, the economically dominant west, with its centres of bureaucratic and military power would feel threatened. The closest Pakistan came to a constitutional settlement was under the Bogra Formula put forward by Mohammed Ali Bogra, the third Prime Minister of Pakistan and a Bengali from East Pakistan. Under this formula there would be a bicameral legislature with an upper house with 50 seats, 10 from each province. There would also be a lower house with 300 seats in proportion to population, so that East Pakistan would have 165. The arithmetic then gave East and West Pakistan exactly the same number of seats in the two houses added together. The president and prime minister would also have to be from different wings. The plan was popular but was put to rest by the military and bureaucracy who conspired to dissolve Constituent Assembly in 1953 and this eventually led to the military takeover of 1958.

Even though East Pakistan was relatively underdeveloped compared to the West, its intermediate class political organizers were more organized as it had a longer history of mobilization against colonial rule. Moreover, rich peasants in East Bengal had been in power in the province since the 1936 reforms through parties like the secular Krishok Proja Party. East Bengal's political organizers not only had more people to mobilize, they were probably better at organizing than West Pakistani political organizers. These asymmetries in the economic, political and organizational capabilities of the two wings made the construction of a ruling coalition difficult and a legitimate political leadership was absent that could incorporate factions from both wings credibly. The imposition of martial law terminated these attempts, curtailed the organizational freedom to operate political organizations and established an authoritarian ruling coalition in the sense described in Figure 4. One effect of this intervention was that for a decade, the political settlement in Pakistan ensured a relatively favourable growth-stability trade-off for top-down state-led industrialization. This allowed the development of an indigenous capitalist class in a country that was virtually non-industrial in 1947. But the new capitalists and the bureaucratic beneficiaries of the state-led development strategy were almost entirely from the West. This, together with a number of other factors gradually undermined the authoritarian ruling coalition and the political settlement crumbled after 1969 when military rule was overthrown by a popular uprising in both wings of Pakistan.

Capitalist Development with an Authoritarian Ruling Coalition

The areas of India out of which Pakistan was formed were composed primarily of the

raw material producing agrarian hinterland of India. East Bengal, which became East Pakistan, had previously supplied raw jute to the jute mills located around Calcutta. West Punjab, the most important component of West Pakistan, provided raw cotton to the Bombay textile industry. Some figures will indicate the extent of economic backwardness that the new economy faced. At the time of partition, the two wings of Pakistan constituted 23 per cent of the land mass of India, possessed 18 per cent of its population but inherited less than 10 per cent of its industry (Jalal 1990: 64) It also possessed relatively little in the form of natural resources or known mineral deposits (important deposits of oil and gas were discovered much later).

In 1950, agriculture accounted for 60% of the GNP of Pakistan and manufacturing only 5.9%. Large scale manufacturing accounted for a mere 1.4% of GNP. In comparison, in India in 1950 the share of agriculture in NDP was 50.1% and the share of manufacturing was almost double that of Pakistan at 11.4%. Modern manufacturing in Pakistan was therefore roughly half as developed as India even adjusting for the smaller size of its economy. This difference had substantial implications. The low share of manufacturing and particularly of large-scale manufacturing meant there was no significant indigenous industrial capital that could become a developmental partner of the state. It also meant that the state felt even more vulnerable militarily than its relatively low population alone would suggest.

The political crisis that faced Pakistan in the 1950s therefore had two aspects. The first was the imbalance between the economic power of the West and the political power that the East threatened to deploy. But a second problem was even more acute. The new state was economically very vulnerable. It had virtually no industrial economic base and India had closed access to its markets after the devaluation of the Indian Rupee in 1949 when Pakistan refused to follow suit. Pakistan's agricultural exports had to find new markets, and the obvious challenge was to industrialize so that these inputs could be domestically processed. This explains why compared to India, the state in Pakistan took much more drastic steps to encourage primitive accumulation to *create* an entrepreneurial class. On the one hand it used the state machinery to create enterprises using bureaucrats as entrepreneurs and then sold these off at attractive prices. In addition, the state provided exceptional incentives to the private sector to invest and to absorb new technologies. In pursuing these strategies, the authoritarian coalition found that the growth-stability trade-off was initially reasonably favourable for rapid horizontal growth that set up new industries using basic technologies. However, authoritarianism in Pakistan was vulnerable and the ruling coalition found it hard to take a long-term view. Moreover, as political contestation increased, its implementation capabilities also declined.

Economic historians who have examined the political impasse before the military coup of October 1958 have generally tended to see the problem in terms of a conflict between the West Pakistani 'feudal oligarchy', who dominated the Constituent Assembly, and the bureaucracy imported from British India who perceived the need to step up industrialization (Amjad 1983). This way of looking at the conflict perpetuates the mythology on which the raj based its social interventions. The large West Pakistani landlords were undoubtedly over-represented in the Constituent Assembly, just as the *jotedar* dominated the Bengal Legislative Assembly. But like the *jotedar* voice in East Pakistan, the 'landed interests' of the West were not primarily interested in rural issues. In East Pakistan, the Muslim League suffered a

crushing defeat at the hands of the new United Front in the provincial elections of 1954, despite keeping its promise to the *jotedar* to abolish *zamindari*, which it did in 1950. The East Pakistani political elite had simply discovered that the Muslim League was not receptive to its demands for more autonomy for (and hence local access to state power in) East Pakistan. This political assertion by the class which had won East Bengal for Pakistan was however quickly suppressed by the central bureaucracy, which dismissed the legislative assembly and imposed Governor's Rule.

The divisions and conflicts in the central Constituent Assembly were quite similar in that here too the issue at stake was the sharing of the social surplus which the central state machinery had the power to allocate. The debates which paralysed the constituent assembly were not about the price of grain or the rights of tenants, but about the division of power between the centre and the provincial assemblies and the division of power between East and West Pakistan (Sayeed 1960, 1967). The 'feudal oligarchy' was not so much interested in the protection of feudal rights as in the negotiation of a constitutional arrangement which would assure the West Pakistani political representatives a secure control of the all-Pakistan political process, not only to control the troublesome Bengalis in the east, but also to check the pretensions of new groups like emerging industrialists who threatened their access to resources.

Behind the bureaucratic and ultimately military suppression of the political process in Pakistan from 1954 to 1958 were several powerful bureaucrats, men like Ghulam Mohammad and Iskandar Mirza, in whose perception, the state faced a stark choice. It could concede to the demands of political representatives. Conceivably, this could have resolved the constitutional crisis, by creating a ruling coalition that could viably rule. But it would have been a series of weak democratic coalitions with an unfavourable growth-stability trade-off for the economic transformation these bureaucrats wanted to achieve. It is therefore possible that the men behind the coup were at least partly motivated by an agenda of economic nationalism. The economic decisions of the military government which eventually took power in 1958 supports this interpretation of the motivations of some critical decision-makers. From 1958 to 1962, the military government of Field Marshal Ayub Khan ruled entirely without the mediation of politicians, and even after the 1962 constitution, most of the important ministries, such as planning, finance, home affairs and defence were normally given to professional civil servants (Jahan 1972). While the army went back to the barracks shortly after the 1958 coup, it was clearly the political intervention of the army, and the ultimate sanction of the gun, which sustained the authoritarian ruling coalition and temporarily created a political settlement that was conducive for the rapid creation of a capitalist sector. Unfortunately for Pakistan, almost all of these capitalists were individuals from the West, and this fatally undermined the political viability of the new settlement.

Early growth in Pakistan was initially financed by the trading profits of Gujarati Muslim merchants who settled in West Pakistan. The Korean War boom left large surpluses with these traders, and when a foreign exchange crisis hit Pakistan in the early fifties, the state imposed import controls which made domestic production extremely profitable. The early import substitution was primarily in textiles, generally of low capital intensity. The evidence shows rapid industrialization based on import substitution but easy growth opportunities were soon exhausted (Papanek 1967: 1-74). Though the state did not yet have the resources to actively channel subsidies to

industrialists, the imposition of import controls amounted to a hidden subsidy. Papanek reported that profits of fifty to a hundred percent a year were not uncommon in the early to mid-fifties (Papanek 1967: 33). Personal contacts also existed between the ruling Muslim League leadership and a small number of traders, dating back to the pre-partition days. 'Nation Building Companies' like the Mohammadi Steamship Company and Habib Bank Limited had been established by these traders in India in alliance with the Muslim League, and they provided obvious candidates, when individuals or companies had to be offered industrial projects (J. Rashid and Gardezi 1983: 1-8).

Apart from incentives in the form of higher prices in the domestic market, the government also directly absorbed the risks of setting up new projects by doing industrial start-ups in the public sector. A month after independence in 1947 from Britain, an industries conference was convened where various forms of assistance were offered to businessmen but the response was very poor. Partly as a result of this disappointment, in 1952 the Pakistan Industrial Development Corporation was set up, with the objective of setting up and divesting working enterprises to risk-averse owners in the private sector. Four members on its board came from the leading monopoly houses, and the first head of the Corporation, an enterprising public servant named Ghulam Faruq, went on to become one of the leading industrialists of the country. The relationship between business and government was therefore close to say the least, and the levels of accumulation and growth in the industrial sector were commensurate. Growth in the late fifties and early sixties was further aided by buoyant world markets and a steady flow of aid.

Also established in the early years were the key financial institutions that would finance investments by unknown new entrepreneurs in new industries that did not yet have a track record in the country. These were the Pakistan Industrial Credit and Investment Corporation (PICIC) and the Pakistan Industrial Finance Corporation (later Industrial Development Bank of Pakistan, IDBP) which were to assume great importance in later years (Alavi 1983: 46-50; Amjad 1983: 235-50). Finally, a system of multiple exchange rates emerged, so that importers of capital goods could import at an overvalued exchange rate but could export at an effectively lower exchange rate due to various export bonuses. But since export bonuses were not available for agriculture, this also represented a subsidy from agricultural exporters to industrial investors. As East Pakistan was the agricultural exporter, the system of industrial incentives constituted a transfer of surplus from East Pakistani peasant producers to West Pakistani industrial investors. A differentiated structure of quantitative import restrictions and tariffs was also imposed.

Table 1 shows growth rates in different sectors between 1950 and 1980 in Bangladesh. Even allowing for the statistical magnification caused by the initially tiny base, industrial growth in the first spurt was rapid from the mid-fifties to the mid-sixties, even in the relatively less dynamic East Pakistan. But the owners of the new manufacturing and industrial units were in the main not Bengalis. Pakistan's growth success led observers such as Gustav Papanek, a Harvard Advisory Group economist working on Pakistan, to publicize Pakistan as a new model of growth (Papanek 1967: 2). With the benefit of hindsight, the weakness of Papanek's analysis was that this acceleration of growth depended on the state's ability to direct vast quantities of resources into the hands of a tiny capitalist class during the late fifties and early

sixties. The early results of growth in Papanek's statistics concealed the fact that these accumulation strategies were based on a very vulnerable political settlement and did not reveal the limited capacity of the state to govern these subsidies to ensure that productivity growth was rapid enough to make the investments viable.

Table 1 Growth in East Pakistan / Bangladesh 1950-80

	Manufacturing	Industry	Agriculture
1950-55	9.5	11.5	2.4
1955-60	8.5	8.6	0.3
1960-65	10.6	17.4	3.2
1965-70	5.3	7.7	2.8
1970-75	-9.8	not available	not available
1975-80	5.1	5.9	3.3

Sources: Alamgir & Berlage (1974 Apdx C Table 4, Apdx 14-A), World Bank (1984, 1986)

First, as in India, the state's governance capabilities for limiting moral hazard problems were not sufficient given the scale of the strategy. The result was that even by the late sixties, new enterprises set up a decade ago had not graduated to the point where they could become globally competitive without protections and subsidies continuing. The popular perception therefore was that this was a strategy for enriching privileged groups. The high industrial growth rates achieved through the fifties (see Table 1) reflect the efficacy of these early policies. The very high growth rates of the early fifties are statistically exaggerated because of the almost non-existent industry in 1947 in the areas that constituted Pakistan (Lewis 1970: 15-16). Nevertheless, growth was high even after allowing for this and reflected the success of these policies in maintaining profitability in the emerging industrial sector at very high levels. Papanek (1967: 39) reports that profit rates were as high as 50-100 per cent in industry in the early fifties, declining to 20-50 per cent by the late fifties. These incentives had the desired effect and merchants fell over each other to invest in industry (Papanek 1967, Lewis 1969, 1970, Lewis & Soligo 1965 and Amjad 1982). There was a rapid growth particularly in consumer goods industries such as oil processing, rice milling and food manufacturing which were generally not capital-intensive and which mostly involved low risks. On the other hand, there was also some development of more capital-intensive intermediate industries such as textiles through the fifties.

However, this success should not be overstated. By 1960, the share of large scale manufacturing industry had only increased to five per cent of GNP while agriculture still accounted for 53.3 per cent (V. Ahmed and Amjad 1984: 4). Moreover, by the mid-1960s, easy import substituting possibilities had been exhausted and the industrial growth rate began to decline sharply (see Table 1). The industrial sector needed a more targeted policy regime to sustain further growth, to increase investments in better and more sophisticated technologies and to persuade the early industrialists to upgrade their technologies and improve productivity. The problem was not that the economy necessarily needed to move into more capital intensive industries or into the production of capital goods. It was rather that further industrialization involved greater risks and required more targeted allocations of capital for longer periods as new expertise had to be acquired and new markets captured. This held true not only for capital goods industries but also for more sophisticated consumer goods industries. And yet, at the very moment when simple

consumer goods had been mastered and the industrial sector was ready to move into more risky investments, the country faced a growing political crisis.

Table 2 Industrial Investment in West and East Pakistan 1961-71

(Million Rupees in Constant 1960 Prices)

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
West Pak	852.94	846.15	757.05	1062.50	1221.43	1087.96	987.16	1013.79	916.87	1061.36
%Public Sector	5.1	3.9	15.6	3.2	9.8	10.8	10.9	11.6	8.3	3.2
East Pak	205.99	459.42	332.21	382.30	450.21	390.00	477.02	799.81	796.84	700.88
%Public Sector	21.7	13.8	29.8	24.3	24.3	25.0	24.8	53.0	50.7	45.7
All Pak	1058.9	1305.6	1089.3	1444.8	1671.6	1478.0	1464.2	1813.6	1713.7	1762.2

Source: Amjad (1982: Table A.9)

The second weakness, closely connected to the last, was the failure to develop a broad-based Bengali capitalist class (in East Pakistan/Bangladesh). The weakness of the Bengali bourgeoisie is reflected in Table 2 since much of the growth in industrial investments in East Pakistan initially took place through a growth in the public sector, peaking at 53 percent of total investments in 1968. Nevertheless, a very limited Bengali industrial bourgeoisie did emerge in this period. At the time of independence in 1971, one study found sixteen major Bengali business houses, each with assets of more than Rs. 25 million, and with combined assets of nearly Rs. 700 million (S. Baranov, cited in Sobhan (1980: 15)). The bulk of the nascent industrial bourgeoisie was, however, small to medium entrepreneurs. Excluding the large jute and textile industries, state financial institutions funding the establishment of enterprises had, by 1971 given over 3000 loans to Bengalis, most below Rs. 400,000, helping to set up around 1300 units (Sobhan and Ahmad 1980: 64-5). A much bigger group of Bengali lower middle classes felt totally excluded by these policies and their response to independence was to engage in a massive acceleration of primitive accumulation through which a new Bengali capitalist class was to emerge after a decade.

While it worked, the authoritarian ruling coalition, combined with the significant political access and power of emerging capitalist groups created a feasible political settlement for the rapid imposition of 'extensive' industrial policy (M. H. Khan and Blankenburg 2009). Extensive growth was initially rapid, but as in contemporary India with its dominant party coalition, the fact that powerful business groups were strongly networked with particular politicians, and in the case of Pakistan initially with particular bureaucrats or generals, meant that disciplining and resource re-allocation faced very adverse growth-stability trade-offs. The ruling coalition rapidly lost the ability to discipline its own lower levels, particularly as it began to face stronger opposition from excluded factions. Productivity growth and the capacity to approach the global competitiveness frontier were therefore limited (M. H. Khan 2009b). The Pakistan experience is particularly interesting because despite an export-promotion strategy, individual capitalists could still block resource re-allocations away from themselves just as much as in India. This suggests that Chibber's (2003) thesis that disciplining of industrial subsidy-recipients is easier in an export promoting regime is too simplistic. The Pakistan experience also challenges the thesis that

authoritarian regimes are able to exercise their ‘autonomy’ to implement industrial policy effectively. The authoritarian ruling coalition here only temporarily enjoyed a favourable growth-stability trade-off, but this gradually became less favourable even during the 1960s. The weakness of implementation capabilities and the weak political capability to overcome lower-level rent-sharing arrangements involving bureaucrats, bankers and industrial subsidy-recipients meant that disciplining the latter never acquired East Asian characteristics in Pakistan despite its formal authoritarianism (M. H. Khan 1999).

Regional Inequality and Asset Concentration

The Pakistani state initially had limited resources to allocate as credit through the DFIs. Domestic resource mobilization through taxation was limited. Foreign capital inflows in the form of aid and soft credit were also relatively scarce in the fifties. This is shown in Table 3. In the early fifties there *were* significant inflows into West Pakistan but a large part of these were transfers from East Pakistan as foreign exchange earned by the agricultural exports of the East were invested in the West. The transfer reduced somewhat over the fifties and terminated by 1960. East Pakistan continued to get less than its share of foreign inflows until the late sixties. This transfer was to prove to be a powerful symbol which excluded elites in the East were eventually to use to mobilize East Pakistani opposition to Pakistan’s industrial policy. But as Table 3 shows, Bangladesh achieved its independence just as political pressure was shifting the balance of investment in its favour and as a result, it lost any chance of recovering the investment it had made in the joint industrialization of Pakistan in the decades before that.

Table 3 Foreign Inflows as Percentage of Provincial GDP

	1950-55	1955-60	1960	1965	1970
West Pakistan	5.6	6.5	5.4	8.9	3.1
East Pakistan	-1.7	-0.7	0.3	4.6	3.2

Note: Foreign inflows for each province include inflows from the other province. The outflows from East Pakistan in the 1950s were going entirely to West Pakistan.

Source: Haq (1966) Table 16, Amjad (1982) Table 1.3.

What is important is that true foreign inflows (netting out transfers between the provinces) were relatively small in the fifties and did not become substantial until the mid-sixties. Since an important part of aid and soft loans were allocated domestically by the DFIs, it was only in the early to mid-sixties that the state was able to play a more important role in directly allocating investible resources through the two industrial banks. The early import substituting industrialization in the fifties thus relied on other sources of funds for investment. Much of this came from the retained profits of the merchant capitalists, which in turn was based on squeezing consumers and the agricultural sector (Papanek 1967: 184-225). The squeeze on the agricultural sector was particularly important and is partly reflected in the transfer of resources from East to West Pakistan. Import substituting industrialization generally squeezes agriculture. With an overvalued exchange rate, agricultural producers get lower rupee prices for their crops. Their sacrifice is converted into lower rupee prices for importers of machinery, thereby transferring resources from agriculture to industry.

The transfer from agriculture through this mechanism was particularly severe between

1949 and 1955. In 1955, the rupee was devalued by 30 per cent but even after that it remained substantially overvalued. On top of the exchange rate squeeze, the Pakistan government imposed additional export taxes on raw cotton and jute, the two major cash crops. Through these two mechanisms, agriculture provided the bulk of the surplus for industrialization in the early phase of Pakistan's industrialization. This no doubt contributed to the growing alienation between the political representatives of rural vote banks and the state bureaucracy, which was at that time primarily interested in strengthening the industrial base of the country.

Not only did West Pakistan gain disproportionately from industrial policy, a handful of business houses gained the most. The Pakistani economist Mahbub-ul-Haq coined the phrase *functional inequality* to describe the social utility of inequality, apparently providing a justification for the concentration of wealth. But Haq only argued that capitalist growth required the re-investment of profits and large profits implied an initial period of income inequality. Redistribution and welfare could be (indeed had to be) postponed until a later date. Haq's argument did not directly justify a huge concentration of industrial assets in a few hands. A possible justification could have been the presence of significant scale economies, which together with limited funds could explain why a few large plants were chosen rather than a greater number of smaller plants. In any case, by the late sixties, the same Haq was so appalled by the extent of *asset* concentration in Pakistan that he coined another phrase that was to have wide-ranging repercussions in Pakistani politics. Using Planning Commission data, he described the beneficiaries of industrial policy resource allocation as the 22 *Families* who in 1968 apparently controlled 66% of Pakistan's industrial wealth. A more careful study by Amjad later suggested that the top 18 groups controlled 35% of industrial assets while the top 44 controlled around 50% (Amjad 1982: 47).

Pakistan was indeed adopting industries that typically had significant scale economies. These were industries like cotton textiles, jute textiles, cement and chemical industries. Within these industries, it was also adopting some of the most capital-intensive technologies. A.R. Khan (1970) found that the capital-labour ratios in most manufacturing sectors in 1962 were higher in Pakistan than in Japan! A similar study by Rizwanul Islam (1976) for 1969 reached the same conclusion. The small scale sector was virtually absent in the new technologies that were being adopted through the allocation of credit and licenses through industrial policy. Whatever the reasons, from 1958 to 1970, the larger of the two industrial banks (the Pakistan Industrial Credit and Investment Corporation) PICIC allocated 44.7 per cent of its loans to thirteen monopoly houses, and even the Industrial Development Bank of Pakistan IDBP that concentrated on smaller loans below 2.5 million rupees, allocated 31.9 per cent to thirty monopoly houses between 1961 and 1970 (Amjad 1982: 51). By the late 1960s, the top 18 business groups controlled 35% of industrial assets while the top 44 controlled around 50% (Amjad 1982: 47). Although these two institutions allocated about a fifth of total investible resources, leading businessmen from the monopoly houses were represented on the boards of all the state financial institutions and the Boards of Directors of other monopoly houses (Amjad 1982: 30-60, 1983: Table 9.7). The private banks did not contribute to a widening industrial ownership structure either. In fact, of the 17 privately owned banks, seven were directly under the control of the very same large business houses.

The Unravelling of the Authoritarian Ruling Coalition

The disappearance of the Muslim League from East Bengal politics was rapid and dramatic and happened long before the imposition of military rule. The concentration of political power in the West was directly behind the abandonment of the Muslim League by the East Pakistani political organizers. In 1949, barely two years after sweeping up all the factional organizers in the 1946 elections and independence, Maulana Bhashani split the Muslim League by forming the Awami (People's) Muslim League. Ironically, although one of the stated aims was to get Bengali recognized as a state language, the word Awami in its title was Urdu and not Bengali. But this is not really surprising because the issue was not language as language, but rather the decision by the Muslim League leadership to reject Bengali as a state language. The signal was really about where political power was to reside and that signal was not missed by Bengali political entrepreneurs. Moreover, in its early years at least, the Awami Muslim League would try to reach out to other provincial interests within Pakistan who also wanted greater autonomy.

By the mid-1950s some of the *same* East Bengali politicians (like Suhrawardy) who had played a key role in the creation of Pakistan turned on their recent allies and began to assert a Bengali nationalist identity for East Pakistan. The word Muslim was dropped from the name of the party, which now became the Awami League. Politicians who had very recently organized around the banner of Islam now declared that they were really secular. Under the leadership of Suhrawardy (Sheikh Mujib was still a minor player at that time) the Awami League and its allies wiped the old Muslim League off the political map of East Pakistan in the 1954 elections. They were never to return. What is interesting is that the Awami League, which played a central role in the breakup of Pakistan and the creation of Bangladesh in 1971, was a direct offshoot of the Muslim League that created Pakistan in 1947 both as an organization and in terms of its personnel (Jahan 1972; M. G. Kabir 1995: 122-82). Many of the very same political organizers who had swung to the Muslim League in 1946 were by the mid-1950s organizers for the Awami League.

The military authoritarian rulers bypassed and banned the activities of political organizers in both East and West in 1958. But of course they could not rule without any social intermediation by political organizers. After the military formally prohibited political organizations and parties, mechanisms were required to manage political stability and distribute resources for this purpose to the appropriate political organizers. The major institutional mechanism for purchasing and organizing stability during this period was the so-called Basic Democracy system that Ayub innovated in 1959 shortly after taking power. This attempted to by-pass the established political organizers based in the towns by creating a new constituency of cheaper organizers in the villages. A system of 80,000 'basic democrats' were elected on a non-party basis across the country. They served as the electoral college for electing members of parliament as well as directly electing the President. Authoritarian regimes have often used this tactic of going over the heads of their immediate opponents and appealing to the interests of those below them. The latter initially demand a lower price and the authoritarian leader often believes they will be easier to control. The provision of relatively limited rents to this large army of rural representatives through rural infrastructure construction programmes and Food for Work programmes for a time created a countervailing source of support for the regime that made it difficult for the established political organizers to organize dissent (Sobhan 1968).

The Basic Democrats failed in two ways. They provided inadequate feedback about the strength of the organized resistance building up below. The military government went too far and too fast in pushing accumulation by a small number of capitalists and that too in a regionally unbalanced way. Even if potential capitalists were less in evidence in the East, a political approach that was mindful of constructing a viable political settlement would (with hindsight) have proceeded at a slower pace. It may also have provided more formal and informal assistance to upwardly mobile political organizers in the East to create a productive entrepreneurial class out of some of them. In the event, the exclusion of the East created pent-up dissatisfaction that political organizers could mobilize with disastrous consequences for the country. Sudden and significant changes in the distribution of benefits in a society may result in very limited opposition at first, particularly if most political activities are banned, only to suddenly and explosively erupt. As a political safety valve, the Basic Democrats did not pass on to the higher echelons of the ruling coalition news of the opposition that was building up.

To some extent this was related to a second problem for the authoritarian ruling coalition, and that was that as the rural basic democrats became more confident and ambitious, they saw obvious opportunities in throwing their lot in with the growing dissent in the towns. This is an example of lower-level factions within a ruling authoritarian coalition increasing their demands and effectively feeding off and adding to the growing political challenge set by excluded factions. As the organizers of excluded factions became stronger, so did the lower-level factions within the ruling coalition and processes of cumulative decline for the political settlement were set off. As the time horizons and implementation capabilities of the ruling coalition declined, not only did the 'hot house' economic development come under threat, the social order was fundamentally challenged as there were no easy ways of incorporating excluded elites into an authoritarian system quickly enough. The growth in the organizational capabilities of excluded factions accelerated in the second half of the 1960s in both wings of Pakistan. In the West, Bhutto began to organize excluded factions around the banner of Islamic Socialism with a demand for distributive justice. In the East, Mujib led the Awami League on a programme demanding regional autonomy under his Six Point Programme. This programme was a return to the demand for federal rights that had been at the heart of the Cabinet Mission Plan. It demanded that the constituent units of Pakistan should have the power to set their own fiscal and trade policies, sharing a common currency and foreign policy. Given the geography of the country, a loose federation that was close to a confederation was perhaps the only viable strategy for keeping the country together.

Under pressure in both wings of Pakistan, the military government allowed elections in 1970. The allocation of seats to the two wings roughly reflected their populations, so that East Pakistan had 162 seats in the 300 seat Assembly. The military rulers obviously did not foresee the possibility that a single party in East Pakistan could unite all the factions and win all these seats under its own banner. But the huge disparities in economic development and resource flows could not but focus factional organizers in East Pakistan to join a united front to challenge the ruling coalition. The same unification of factions that had happened in 1946 happened again in 1970. The Awami League won 160 of the 162 seats in East Pakistan and prepared to form the government of Pakistan. This led to an even more serious constitutional crisis as West

Pakistan based elites, including Bhutto, were unwilling to let an East Pakistan party form the government. The last desperate act of the authoritarian regime was a bloody crackdown on political organizers and their intellectual supporters in East Pakistan in March 1971. As the conflict became increasingly bloody, the political settlement collapsed. The civil disobedience intensified and transformed into a war for liberation and independence. Pakistan's historic enemy India intervened to assist the Bengali struggle for independence. Although its support for Bangladeshi independence was obviously driven by its own strategic calculations, its military involvement in the war of December 1971 cut short what would otherwise have been a much longer battle. The independent country of Bangladesh was born in December 1971.

Any discussion of 1971 in Bangladesh raises intense feelings because very many people died in the conflicts and the war. The official death toll of three million is almost certainly an exaggeration, even according to the first Foreign Secretary of Bangladesh, Sayyid Anwarul Karim. He argues that a more reasonable figure would be in the hundreds of thousands (Karim 2005: 340). Nevertheless, even the lower figures are horrendous in their magnitude. To make sense of such a catastrophe it is natural that nationalist historians should want to establish that the independence of East Pakistan in the form of Bangladesh was an unwavering and long-cherished demand of the people and their leadership. There is also no doubt that after the violent military crackdown of March 1971, Pakistan had crossed the Rubicon and there was no going back to the status quo ante. However, it is important to look at the national movement as a coalition of clientelist factions for a number of reasons. The strategies of this coalition and those of the dominant coalition attempting to block it resulted in an impasse, which once reached, could only result in a partition. But this partition was not driven by a nation-building project of a nationalist bourgeoisie or even a widely shared prior national ideology.

First, this helps to explain why the winning coalition collapsed into disunity immediately after independence and points to the deep historical roots of the ongoing problems of factional politics and institution-building in contemporary Bangladesh. Secondly, it explains why the strategies of negotiation and bargaining of different factions in the 1960s changed over time without having to describe any of the participants as anti-nationals or traitors, though of course this does not excuse those who committed crimes during this period. Mujib himself was willing to engage in discussions about alternative solutions short of complete separation right till his return to independent Bangladesh in January 1972 from captivity in Pakistan (Mascarenhas 1986: 4-10; Wolpert 1993: 173-6; Karim 2005: 249-55). And finally, it focuses our attention on the fact that once again, the exit of the previous dominant coalition was possibly a good deal for *them*. It is worth asking whether *if* Mujib had actually been allowed to become Prime Minister, he would have opted for secession rather than using his powers over the all-Pakistan budget to redress the two decades of unequal development that had been paid for by the peasants of Bangladesh.

Summary

The authoritarian ruling coalition that lasted from 1958 to 1971 defined a political settlement which was initially very favourable for growth-enhancing institutional changes. The growth-stability trade-off in this political settlement was initially favourable for extensive growth through industrial policy. As in India, emerging capitalists were well connected to factions, this time within the authoritarian state,

making disciplining difficult and limiting the prospects of industrial policy. As lower-level factions became increasingly powerful over the 1960s, implementation capacities declined. A more successful imposition of discipline on the privileged new capitalists may have made both state and capitalists somewhat more legitimate in the eyes of the population and would have ensured that the new industries rapidly achieved global competitiveness. Instead, authoritarianism created many industries that remained dependent on subsidies. Regional imbalances and the concentration of asset-holding caused deep dissatisfaction elsewhere in society. By the late 1960s, a new generation of organizers had emerged in both East and West who could mobilize the growing dissatisfaction to a point where the ruling coalition was no longer viable.

But as in 1946, the coalescing of all coalitions in the more populous East resulted in a potential ruling coalition that was unacceptable to the dominant economic interests in the country. Even the otherwise populist Bhutto refused to accept an East-led government for Pakistan, and this converted a constitutional crisis into a tragic conflict. Federalization may have softened the sharp disjuncture between economic and political power, but as in 1946, dominant economic interests rejected federal arrangements. From their perspective, this made short term sense, because federal arrangements would still have required informal and formal redistributive arrangements through the political process that the dominant coalition was unwilling to concede. As in 1946, East Bengal was given a take it or leave it offer. Staying required giving up their legitimate right to constitute the ruling coalition, leaving meant abandoning all claims on assets that had been built up in the past. Once the choice had been defined in this polarized way, partition was the only option.

8. Phases in the Evolution of the Political Settlement in Independent Bangladesh

The next few sections examine the evolution of the political settlement in independent Bangladesh. The broad characteristics of the different phases are summarized in Figure 6. Immediately after independence the ruling coalition is organized as a weak dominant party and this political settlement lasts from 1971 to 1975. This period was a turbulent and violent one as elites with significant political and organizational power but with few economic assets came to power. The dominant coalition was inclusive for a while but rapidly started falling apart. It was characterized by very poor implementation and enforcement capabilities and an increasingly short time horizon. The gap between formal rights and informal power was almost unbridgeable. The result was intense primitive accumulation: the capture of economic assets using political power. The dominant party that had won the election faced the prospect of political and economic collapse. The growth-stability trade-off was not only adverse; it was worsening to a position where the achievement of the minimum economic and political viability conditions was threatened. Famine struck. The response of the ruling coalition was to amend the constitution to create a one-party state. In terms of Figure 4, the use of administrative measures to define insiders and outsiders gave the ruling coalition authoritarian characteristics. The actual fragmentation of power in Bangladesh at that time and the growing strengths of excluded and lower-level factions were such that an authoritarian state of this type could not expect to last very long. In fact the one-party state could not even be properly implemented because President Mujib-ur-Rahman was assassinated in 1975. The only redeeming feature of this period was apparent much later. Through the intense primitive accumulation that was organized during this period, the future capitalist class of Bangladesh began to

emerge. They were at the forefront of demanding more business-friendly policies and by the 1980s some of these emerging capitalists began to drive growth in sectors like garments and pharmaceuticals.

BANGLADESH	
CHARACTERISTICS OF POLITICAL SETTLEMENT	BROAD FEATURES OF INSTITUTIONS AND GROWTH
Military Authoritarianism with moderate capability / powerful capitalists: 1958-1971	Rapid extensive growth, limited implementation of industrial policy. Unsustainable regional imbalances
Weak Dominant Party and attempted One-Party Authoritarianism with low capability / powerful 'entrepreneurs': 1972-1975	Intense Primitive Accumulation with steep collapse of economic and political viability
Clientelistic Authoritarianism with low to moderate capability / powerful capitalists: 1975-1990	Faction-driven rent-seeking drives growth, MFA rents allow emergence of dynamic garments sector
Competitive Clientelism with low to moderate capability / powerful capitalists: 1990-	Institutional support for low-technology manufacturing growth, no industrial policy and constrained infrastructure investments

Figure 6 Evolution of the Political Settlement in Contemporary Bangladesh

The third phase from 1975 to 1990 was a transitional phase towards full competitive clientelism. This was a form of authoritarianism but already with some characteristics of competitive clientelism. In terms of Figure 4, the characteristics of the ruling coalition could be located somewhere between the upper right-hand and lower right-hand boxes. Military-backed political parties engaged in electoral competition with other parties with no formal restrictions on the latter. In fact, of course, everyone knew that winning these elections was impossible for the opposition because of informal administrative measures. But nevertheless, politics was competitive because factions could compete to get included in the ruling party or to be offered incentives outside. Engaging in political competition was a way of increasing the price which powerful factions could demand for joining or cooperating with the ruling coalition.

This was the period when Bangladesh finally began to recover from years of conflict. The military rulers and military-backed parties began a slow process of privatization and opening up while encouraging industrialization. The garment sector takeoff began in the late 1970s, with institutional innovations and support under President Zia-ur-Rahman. The growth-stability trade-off began to improve but growth was still sluggish. The entrepreneurial class was weak in terms of technological capabilities but had access to political power, and this assisted a slow recovery through gradual pro-business interventions. But the political arrangements were unsustainable because excluded factions were growing stronger and would not accept the rules of the game set by clientelist authoritarianism. After a series of intense confrontations, the second military ruler, President Ershad, was forced to step down in 1990 and the period of open competitive clientelism began.

The fourth and final period of competitive clientelism began in 1990 and there was simultaneously a steady increase in the economic growth rate. This was probably because the garment industry, after steadily acquiring capabilities, took off in the mid to late 1980s and became a major foreign currency earner. The growth of this sector has been an important contributor to overall growth. Political competition was organized around two major parties distinguished by very deeply felt differences in the way they defined the 'nation'. These differences had trivial implications for practical policy issues but allowed the definition of two rival coalitions, each big enough to be a ruling coalition. The major political problem was to ensure elections were not manipulated by incumbents to the extent that the excluded faction refused to participate in elections. Business groups became increasingly strong and had influence in and access to both major parties.

The growth-stability trade-off during the period of competitive clientelism depends on the institutions being examined. For sectors where entrepreneurs had sufficient capabilities to be internationally competitive, the growth-stability trade-off was reasonably favourable. Institutions that appeared to be dysfunctional could often be made to work through informal means and payments to the power brokers within the clientelist parties. On the other hand, acquiring technological capabilities in new sectors faced significant market failures. Since responding to these market failures typically involves some government support and therefore policy-induced rents, success required the management of productive rents using formal or informal mechanisms. Here, the nature of the ruling coalition, with its short time horizon and its weak implementation capabilities constrained the growth-stability trade-off.

A serious problem facing contemporary Bangladesh is how to develop the critical institutions it requires to sustain growth in the context of its competitive clientelism. In particular, its existing political institutions have proved inadequate for constraining the competing parties during elections. An outcome of an election is acceptable if the winner is actually the coalition that can field greater organizational power. But since the incumbent can leverage administrative and policing instruments to tilt the outcome slightly, electoral results can often be justifiably rejected by the loser if the winner is the incumbent. The attempt to solve this problem through the constitutional mechanism of caretaker governments organizing elections worked for three successive elections but failed in 2007. The sustainability of the competitive clientelist political settlement requires a solution that credibly ensures the possibility of factions cycling through elections.

9. The Rise and Fall of Dominant Party Authoritarianism 1972-1975

The victory of the excluded Bengali political organizers in 1971 created a new crisis. The Awami League, which won virtually every seat in East Pakistan in the 1970 elections, was clearly for the moment a dominant party. But the aspirations of the new coalition with political power were so extravagant that even the formal rights of existing Bengali capitalists could not be protected. Not only were abandoned Pakistani assets the target of acquisition by the new coalition, almost all significant assets of Bengali capitalists were also nationalized to construct 'socialism'. Gross over-employment in the now dominant public sector, corruption, looting of products and spares, and the conversion of public property into private property were mechanisms used for rapid primitive accumulation. Entirely new classes of the newly

rich rapidly emerged. Paradoxically, under pressure from this emerging class ceilings on private investments were also rapidly being raised (M. H. Khan 2008b). But the cost was a steep decline in economic performance, rapidly falling output and eventually a famine. At the same time there were increasingly violent conflicts within and outside the dominant party as different groups contested for power and resources.

Violence kept erupting because the numbers of factional claimants had vastly increased and now almost all powerful factional leaders were within the ruling coalition. Given the limited rents that were available for distribution or capture, the allocation could not be settled by any other obvious means. Central control of the party over lower-level organizers and the effective exclusion of the growing number of organizers outside the party could not be easily established. Individuals and groups who received less than they expected threatened to leave the party and engage in opposition or violence from outside. Unfortunately, accommodating all individuals and groups on their terms would add up to more redistribution than the economy could possibly sustain. The growing conflicts were expressed in a number of ideological debates: between those who had fought or claimed to have fought in the war of liberation and those who for various reasons had not or could not, and between slightly different versions of the now dominant 'socialist' ideological consensus. Behind these debates was of course also a concern about who would have the power to decide or limit the allocation of rents.

An analysis of the logic of patron-client politics can help to explain this crisis. Twice in the last fifty years in East Bengal, massive political victories were followed by the virtually immediate disintegration of the winning party. The Muslim League, which won a landslide in Bengal in 1946 and an independent country, fell apart in East Pakistan in a matter of months. It lost the 1954 provincial elections to the secular United Front, never to recover (M. G. Kabir 1995: 122-39). Now, once again, the Awami League had won a landslide victory in East Pakistan in 1969 and another independent country but began to disintegrate within months of independence (M. G. Kabir 1995: 183-95). Some aspects of these political disintegrations can be explained in terms of the economic logic of factional competition. The paradox of success is that when an opposition faction is too successful in attracting primary factions to itself it faces a problem. It can win, but in victory it will not have sufficient resources to satisfy all the aspirants who have joined as faction leaders. In East Bengal in 1947, and then in East Pakistan in 1971, the problem was even more dramatic. The coincidence of communal or ethnic identities with factional ones meant that in 1947 the defeated factions preferred to leave the country and in 1971 they were forced to leave. In 1947 the aspirations of political organizers were blocked by new constitutional problems and eventually the imposition of martial law. But in 1971, these aspirations broke out in an intense competition for resources that threatened to tear apart the ruling party.

This situation was clearly unsustainable and the ruling party, the Awami League, attempted to re-assert central authority over the powerful factions in society by authoritarian means. It could not impose martial law, so instead it tried to use a constitutional amendment to introduce a one-party state, concentrating powers in the hands of a president. In January 1975 the fourth amendment to the constitution was pushed through despite misgivings amongst many party members. Mujib, the leader of the liberation movement, had to threaten to resign to make his party fall into line on

the vote (Karim 2005: 348). The constitutional amendment changed Bangladesh to a presidential system, with power concentrated in the hands of Mujib who became the president. The amendment also provided for the creation of a 'national party' with the sole power to engage in political activity, and all members of parliament and the president had to belong to this party. In February all other parties were suspended and the national party launched. This was the Bangladesh Krishok Sromik Awami League (Workers and Peasants Awami League) or BAKSAL (Mascarenhas 1986: 57). The plan had the strong support of the pro-Moscow faction of the Communists as it fitted in with the blueprint of similar one-party experiments in other parts of the developing world then supported by Moscow. Socialist ideology aside, this was clearly also an attempt to reassert central control over rent allocation within a defined dominant coalition, in other words, to create a one-party version of an authoritarian ruling coalition.

However, ideologies do matter. There was genuine disquiet about the plan from those who believed it was the thin end of the wedge that would convert the country into a planned economy of the Stalinist type. No doubt, the pro-Moscow communist support for the plan was based on the same expectation. Nevertheless, the failure of this proposal to win the support of many of Mujib's key lieutenants was significant. Many people inside and outside the party saw the move as a logical culmination of steps towards an authoritarian protection of the rents of the ruling coalition. The 1973 elections, though it resulted in a huge victory for the Awami League had revealed the vulnerability of many of the top leaders of the party and their re-election was widely believed to have been achieved through administrative interventions in the electoral process (Karim 2005: 305-8). Many of Mujib's henchmen and relatives were already deeply unpopular for their acts of appropriation and their blatant immunity from all legal restrictions.

As the opposition National Awami Party put it: 'Pakistan's 22 families have become Bangladesh's 2000' (Karim 2005: 290). They could have added that the rents of the 2000 were based entirely on expropriation and were not even remotely associated with technology acquisition or industrialization. The paramilitary Jatiyo Rakkhi Bahini (National Protection Force) or JRB was increasingly used to protect Awami Leaguers from attack and also to intimidate voters during elections (Karim 2005: 273). It was in this context that the introduction of BAKSAL has to be assessed. While there was little public demonstration against the constitutional amendment, the climate of fear was not appropriate for the free expression of views. In secret, many different groups began to plot Mujib's violent removal (Mascarenhas 1986: 64). Mujib himself was aware that the fourth amendment could not represent a permanent solution and was at best an emergency response to a situation going out of control: 'This one-party arrangement is purely temporary. Once I have saved the country from counter-revolution I will restore multi-party democracy' (quoted in Karim 2005: 258). Mujib's enemies were not only based in other parties and in the army, but within his own party. Many 'rightist' members of his cabinet and indeed some foreign embassies were aware that a strike was being planned against him (Lifschultz 1979; Mascarenhas 1986). And so it was that on the 15th of August 1975, less than four years after achieving independence, the founding father and president of the new country was assassinated.

Independently of the secret betrayals and conspiracies, it is also clear that the plan to create a one-party state was deeply unpopular with many of the very elites that the party hoped to bring together into an authoritarian one-party ruling coalition. The viability of an authoritarian ruling coalition is only assured if any significant organizers of violence outside the party can be effectively repressed and lower-level coalitions within the party are sufficiently satisfied to have no incentive to rebel or can be repressed if they do. The more credible the threat of repression becomes the less likely it is that repression will have to be exercised. From the perspective of credibility, the BAKSAL experiment was demonstrably a failure. The interesting question is why the attempt to define the dominant coalition in this way did not find broad support amongst the very group that it was trying to incorporate. The likely answers to this question have important implications for understanding the organizational characteristics of clientelist factions in Bangladesh.

The essential problem with an attempt to impose order on formal and informal rent allocation in poor countries using a one-party authoritarian structure is that there is no well-defined structure of factions to begin with. Political accumulation in South Asia is a dynamic process where sequential layers of political entrepreneurs are continuously emerging at all levels. One way of imagining this is to think of a multitude of patron-client organizations with conveyor belts in each taking enterprising individuals higher up and with individuals at higher levels occasionally branching off to construct their own factions. A single authoritarian party is simply a coalition of a large number of patron-client organizations which have been brought together in a larger coalition. Attempting to define rent allocation in a coherent way in this context faces two sorts of problems.

The first problem is to determine the distribution of rents between the different factions that are part of the ruling coalition. If each of these organizations was generating its own rents and the question was only about protecting existing rents, the problem would be a lot simpler and the ruling coalition could collectively provide third-party enforcement for its member organizations. This could happen if all factions within the ruling coalition were productive organizations or if the patrons of each faction were only extracting rents from their own clients. But if a significant part of the rents of factions are based on redistribution from elsewhere in society, each faction is targeting the same pool of resources for capture. In this case, the distribution of rents between factions cannot be guaranteed by the factions themselves. Only a strong leader can do the arbitration of rent allocation between factions and that too only if the leader has the support of most organizations most of the time.

Part of the crisis in the early 1970s was that the factions within the Awami League were beginning to challenge the allocations of rents within it. As a result, the dominant party was facing intense internal conflict. As early as 1972 a significant section of the 'left-wing' of the Awami League left to form the Jatiyo Shomajtantrik Dal (the National Socialist Party), JSD on the grounds that the party was no longer socialist enough. If the distribution of rents between internal factions depends on the decisions of a supreme leader, all factional leaders have to be confident of their access to the supreme leader, and the leader has to have sufficient authority to impose decisions once taken. Clearly, a number of internal factions were already refusing to accept Mujib's decisions within a year of independence and some had already left to oppose and unseat the ruling coalition. Mujib's decision that a one-party system using

the authoritarianism of a constitutional amendment could force all these factions back to the fold *and* force them to accept the rent allocations he offered was a significant gamble. It is not at all clear that Mujib had the authority or the physical force to ensure that all organizers would come under a single party structure and then accept the distribution of rents that he imposed.

The second problem is to define the limits of the ruling coalition. In the South Asian context, there is always a large group of political organizers who are currently excluded but who believe they have enough disruptive capacity to deserve inclusion within the dominant coalition and get a share of rents. But the more organizers the ruling coalition accommodates, the smaller the rents for existing organizers. The problem for a formal and well-defined dominant coalition like a one-party state is that it defines insiders and outsiders clearly and creates strong incentives for outsiders to unite against insiders. Successful one-party authoritarian regimes usually have some special features that allow them to keep insiders in, outsiders out, and to absorb outsiders at a manageable rate. For instance, they could have significant natural resource rents that could be used to finance an acceptable distribution of rents for major factions and a credible control of violence at the centre. Some oil rich one-party states provide examples of this variant. Still, the calibration of the frontiers of the party is critical to ensure that the available force is sufficient to deal with potential dissent. Of course, the combination of force and rents required to make a one-party system of this type viable is not defined in absolute terms, but rather in relation to the strength of potential organizations who demand rents by threatening violence.

Another possible variant is a disciplined authoritarian party that does not immediately offer significant rents to individuals lower down the organizational chain, but does offer credible career paths for organizers to move up the pyramid. The credibility of such a party to offer future rents implies that it has a developmental strategy that can provide steadily growing rents over time. This may be credible strategy for keeping lower-level clients disciplined if the party is well-organized party and has a developmental strategy. Contemporary China provides an illustration. Mujib's party had neither natural resource rents nor a disciplined party hierarchy running a credible development strategy. Indeed, the party did not even control the army, as Mujib's assassins were dissident young officers who operated with the knowledge of some factions within the Awami League.

A further accidental problem for the Awami League was that its one-party state had a populist socialist ideology but some of the most powerful individuals within the party had already benefited enough from rent and asset capture and now wanted to invest some of their wealth for longer term benefit. Pressure from this group had already resulted in a revision of the government's 'socialist' industrial policy. They demanded the legalization of property rights over their potential investments. They would no doubt still prefer to have some types of rents to assist their investments but no longer supported the destructive rent capture of other primitive accumulators. Under pressure from this group in 1974 the ceiling on private investment was increased from two and a half million to thirty million takas. Partnerships with foreign private investors were allowed, and the moratorium on nationalization was increased from ten to fifteen years. These emerging capitalists were not at all excited at the prospect of a 'socialist' one-party state which could reverse these changes.

The types of rents that political factions in Bangladesh were creating or capturing during this period are also relevant. The vulnerability of the economy was both a cause and a consequence of the fact that the rents generated by the political process were almost entirely value-reducing at this time (Umar 1980b; E. Ahmed 1986: 27). Formal institutions had collapsed to the point that informal rent capture was not simply sharing the returns created by productive activities but were in many cases simply asset capture and the creation of monopoly rents through different types of restrictions, over-invoicing opportunities and so on. Faction leaders were involved in grabbing abandoned assets, appropriating public resources through the creation of excess employment, making excessive margins on construction contracts, import contracts, and so on (N. Islam 1979: 225-6). These rents were zero-sum at best and had no positive effect on productive investments. In fact, they were mostly value-reducing. Major targets of appropriation were the assets of departing Pakistanis and of groups who could be associated with them, such as the (non-Bengali) Biharis. But assets of Bangladeshis were also targeted as were the assets of many Hindus (who had never been supporters of Pakistan) (Karim 2005: 283-90).

Significant abandoned assets of Pakistani capitalists like major factories could not be immediately privately appropriated but were nationalized by the state resulting in an increase in the state's share in modern industry from 34 to 81 per cent. But even this was not enough for the new ruling coalition. The Presidential Order of March 1972 brought Bengali-owned factories in the jute, cotton and sugar sectors into public ownership raising the public sector's share to 92 per cent with a corresponding increase in the rents the state could allocate to its supporters (Sobhan and Ahmad 1980: Table 10.1; K. A. S. Murshid and Sobhan 1987: 3-4). Employment in the public services witnessed a dramatic expansion. At the time of liberation in 1971, there were 450,000 employees of all grades in the public services, of which only 320 were officers at the level of Joint Secretary or above. By 1973 total employment in the public services had increased to over 650,000, with officers in the higher grades increasing to 660 (World Bank 1984: 109). Some of this growth was due to the change in coverage from the inclusion of new industrial units within the public sector which brought their administrative staff within the ambit of the public services. But the number of white collar staff in Bangladesh's small industrial sector would only account for a fraction of the increase.

Nurul Islam, an economist in the Planning Commission at that time describes some of the processes of asset and rent capture: "By 1974 there were a number of factors which had contributed to an accumulation of surplus funds in private hands. For one thing, high profits were earned in domestic and import trading activities, including illegal trade such as trade in contraband goods and in smuggling jute and other exportables across the border. Since these transactions were illegal, the risk premium was high and hence profits, once realised, were high. In addition, many residential buildings and trading or commercial enterprises, abandoned by Pakistanis, were illegally occupied by private persons. The 'caretakers' of such commercial enterprises, hastily appointed by the government in 1972 immediately after independence, made large fortunes through the undeclared sale of assets. Moreover, there were gains to be obtained from rental or sales proceeds of the abandoned houses which were illegally occupied by private persons. Those who had accumulated financial resources were pressing the government to commit itself to a more

substantial and permanent role for private enterprise in the economy of Bangladesh” (N. Islam 1979: 225-6).

The anarchic process of rent capture during this period had the expected negative effects on economic performance. An assessment of 1970-1975 is difficult because of the very real disruptions caused by the war, and the short life of the regime. Productivity in manufacturing was on average less than 50% of the level reached in 1970 and real wages in manufacturing, around 60% of their 1969/70 level (World Bank 1978: Vol. II Annex I.6 p. 173, 1984: Vol. II Table 9.12 p. 118). In addition, in 1974 Bangladesh suffered from a serious famine that took place without any significant decline in aggregate food availability (Sen 1983). The causes were largely state failure in managing distribution and ensuring purchasing power in a context of hoarding and smuggling. More than a million people died in the famine, which according to some estimates was probably more than in the war of liberation (Sen 1983: 134-41; Karim 2005: 335-40). When finally an attempt was made to rein in the unproductive rents through a ‘Second Revolution’ (the one-party state) many factions within and outside the dominant party had no faith that this would be in their interest. Mujib’s assassination ended this experiment.

Summary

The dominant party that won freedom in 1971 failed to establish one-party authoritarianism even though moves in that direction began in 1975. The conflicts within the party were intense and lower-level factions assertive and often openly violent. Implementation capabilities for enforcing formal institutions or controlling informal activities were correspondingly weak. Excluded factions rapidly increased as powerful groups departed the ruling coalition almost immediately after the victory of 1971. Their resistance from outside reduced time horizons further and strengthened lower-level factions within the party. Time horizons were in any case already low as most factions were engaged in asset and rent capture in the absence of prior productive capabilities in most cases. The power of capitalists had been severely curtailed. Bengali capital too was almost fully expropriated. But a *new* proto-capitalist class was rapidly emerging through primitive accumulation. During the lifetime of the regime the political settlement was very adverse for growth and the growth-stability trade-off was probably entirely below the minimum viability conditions of growth and stability. Mujib’s desperate authoritarian one-party state may not have worked as a solution but it reflected an awareness of the seriousness of the situation.

10. The Transition Period of Clientelistic Authoritarianism 1975-1990

Mujib’s assassination brought the military to power through a series of bloody coups and counter-coups. But the military leadership knew by now that neither the Pakistani authoritarian model based on the exclusion of intermediate class organizers by a small military-bureaucratic clique nor the authoritarian one-party model of Mujib would work in Bangladesh. General Zia, who formally became president in 1977 was a decorated freedom fighter and widely popular. He took care to construct a strong constituency of supporters for his rule by constructing a political party that eventually became the Bangladesh Nationalist Party (BNP). It remains one of the two dominant parties in contemporary Bangladesh. The new strategy for constructing the ruling coalition had a number of important features distinct from the earlier phases.

First, the terms on which individual coalition leaders joined the ruling coalition were individually bargained. The terms were simple: the national leader wanted to incorporate the largest number of the most important organizers at the lowest price in terms of the rents that they demanded. A broad ideology of development and nationalism defining the new party allowed organizers from the far left to the far right to seek terms for entry. The price they could extract in terms of their access to future rents depended on their proven organizational capabilities and the significance of their departure for undermining their erstwhile parties. As other parties were no longer banned, organizers had the chance of proving their abilities outside the BNP before negotiating incorporation. Opposition parties were allowed to set up, operate and contest elections. The only limitation was that the top job was not up for grabs because the dominant party was unlikely to be defeated given its control over the administration. This implicit administrative control defined the ruling coalition as authoritarian, even though multi-party democracy was formally reintroduced with the repeal of the fourth amendment that had created the one-party state.

Secondly, no attempt was made to define *ex ante* the boundaries of the ruling coalition. The regime maintained the right to calibrate the size of the ruling coalition through a competitive process of assessment and negotiation. This too ensured that excluded elites had an expectation that they may be included on appropriate terms in the future if they played according to the rules of the game. The combination of these two characteristics ensured that the minimum required rents were competitively allocated to the most important political organizers, helping to maintain political stability.

Finally, both Zia and Ershad attempted to check the power of established political organizers by creating new rural voices through ‘decentralization’. These strategies were quite similar to the Basic Democracy strategy of the Pakistani period, but now they were a complementary part of a broader strategy and not the exclusive strategy for organizing stability. Even so, these strategies, particularly Ershad’s attempt to create a new class of political representatives in the newly created ‘upazillas’ (a tier of government constituting a small number of villages), was strongly opposed by urban political organizers. They had a limited effect in enhancing overall political stability, and the attempt to force them through possibly had a negative effect.

This remained a period of considerable instability. Violence continued for a while, particularly within the army, where coups were frequently attempted. Nevertheless, some signs of a viable political settlement began to emerge and these elements were built on in the fourth phase. First, the strategy of ensuring entry to political organizers through individual negotiations to determine the ‘price’ that was demanded in terms of access to rents proved to be a viable strategy for constructing coalitions. It remains the strategy through which competing political parties in the fourth ‘democratic’ phase continue to construct coalitions to form governments. By its nature, the ruling coalition is turbulent with constant negotiations and infighting. Violence sometimes breaks out, both within the ruling coalition and against factions currently out of power. But in the absence of a better method of determining the distribution of rents for constructing a ruling coalition, this has emerged as the operative default mode. After a fashion, the competitive allocation of rents to factions that can demonstrate organizational power does work.

Second, the openness of the boundaries defining the ruling coalition has proved to be extremely useful in managing the perpetual entry of new aspirants into the ruling coalition and the orderly departure of those who are dissatisfied. The clientelistic military period allowed new entry but not to the top job which was effectively out of bounds. This proved to be unsustainable. On the one hand it created strong incentives for ambitious officers within the army to try to violently replace the supreme leader. There were very frequent coup attempts under Zia who was finally killed in a coup in 1981. On the other hand, the apparent reservation of the top job for a single individual also resulted in strong opposition from ambitious civilian political organizers from other parties. The futility of elections to replace the top leader became apparent under Ershad and resulted in a growing mobilization against him. As the BNP (Zia's party) was now in opposition, this mobilization brought together the BNP with Mujib's Awami League. Ershad was overthrown in 1990 by a popular uprising when the army refused to continue to support him if it meant shooting at thousands of demonstrators. However, the return to 'democracy' kept intact many features of the system that had been established during this period. The major change was that the leadership of the dominant coalition now also became contestable in a competitive multi-party system. Both the composition of the ruling coalition in terms of its constituent factions and the particular coalition that would rule would now be determined through competitive demonstrations of relative organizational power.

A number of important economic changes happened during this period. The most predatory types of primitive accumulation began to die down after most abandoned assets were appropriated. The beneficiaries of the primitive accumulation and the older capitalists gradually regrouped during this period and established political connections with factions within the ruling parties. As many of the new 'capitalists' were direct beneficiaries of political accumulation, they were closely networked into existing factional structures. However, damaging politically-created rents continued to be created as part of political stabilization strategies. These included, for instance, rents distributed to supporters of the ruling coalition in government construction contracts, or in import contracts for scarce commodities like sugar and cement.

An important change compared to the Pakistan period was that rents were no longer seen as having any potentially productive purpose. The state stopped trying to create or allocate rents as part of an explicit formal industrial policy. Subsidies were no longer justified in terms of industrial policy but began to be justified on welfare grounds. Market failure justifications for infant industry protection or technology acquisition disappeared. This was partly because of the memory of the political fight against statist asset concentration in Pakistan and against the 'socialism' of the Awami League, and partly because the international climate of economic opinion informing policy in Bangladesh had also changed radically in the 1980s. Zia was an advocate of privatization for all these reasons. The rents that public sector industries and the newly privatized industries continued to receive was because the state was too weak to remove these rents from powerful clients, not because the ruling coalition believed that this would accelerate the modernization of the economy. Ironically, the garment industry takeoff in Bangladesh depended on the presence of a critical set of international rents and institutional innovations that Zia undertook to support the sector (M. H. Khan 2008b, 2009b). The political settlement allowed the rapid introduction of institutional innovations like the back-to-back LC and the bonded warehouse system, both vital for the garments industry.

Between 1976 and 1983, a total of 217 public sector enterprises were wholly or partly sold to the private sector or returned to their former Bengali owners from whom they had been nationalized without compensation in the aftermath of liberation. However, significant denationalizations only began under the regime of General Ershad. Under the New Industrial Policy adopted in 1982, denationalizations of large-scale public enterprises were given priority. Privatization faced substantial and growing political opposition, particularly from the trade unions of white collar workers where the over-employment was most significant (Bhaskar and Khan 1995). Nevertheless, the government divested 110 large units in little more than a year, including jute mills that had previously been owned by Bengalis, after which the programme continued at a slower pace (World Bank 1984: 149). The privatizations were supported by international agencies, but in effect they had a very limited impact on the economy. The large-scale enterprises that had been created under the Pakistani industrial policy of the sixties had never achieved full global competitiveness. After they were nationalized in the seventies they built up vast additional liabilities because of over-employment, looting and mismanagement. This did nothing to help their future viability when they were gradually privatized in the eighties. The new owners took over the liabilities as well, wrongly believing that political arrangements could be worked out to sustain subsidies into the future. Some of the privatized firms limped on and were lucky to become moderately profitable. Many eventually closed down, particularly in the jute and cotton textile sectors.

The net effect of the Pakistani industrial policy as well as the accelerated primitive accumulation that happened in the immediate aftermath of independence did not take the country to a significantly higher technological level. Rather, the main effect was to achieve the creation of a new moneyed class through a process of primitive accumulation that began in the fifties. By the mid-1980s, Bangladesh had a potential small to medium capitalist class who had accumulated relatively significant blocks of capital. There were by now hundreds if not thousands of individuals who could raise \$100,000 or more of capital in the form of land, liquid capital or collateralized bank loans for investment. These individuals began to look around for simple technologies to invest in, now as economic entrepreneurs. It was at this stage that a lucky accident involving internationally created rents had a significant impact on Bangladesh's prospects.

The MFA and the acquisition of garments technologies

The growth of the ready-made garments industry in Bangladesh has often been presented as a vindication of the success of free market policies combined with the virtual absence of labour market protections in Bangladesh. But in fact investment even in the simplest of technologies involves significant risks for domestic investors when these technologies are new to the economy. The time it will take an investor to achieve global competitiveness is not known and entrepreneurs have no idea of what production in very specialized globalized production networks entails. Nor is it viable for foreign firms to invest in skilling up labour in a poor economy in low-margin, low technology industries unless there is some sharing of costs and risks for the foreign firm. This is of course why all global production does not rapidly shift to the poorest countries. But a combination of factors made this transfer of technology feasible for Bangladesh in the early 1980s.

An important component was the emergence of the Multi-Fibre Arrangement (MFA) in 1973. This was an arrangement administered by the General Agreement on Tariffs and Trade (GATT). MFA set bilaterally negotiated quotas on developing countries for textile and clothing exports primarily to satisfy US objections to free trade with garment producing countries which threatened its domestic garment and textile industry. As a concession to global opinion, the MFA did not put quotas on a number of least developed countries like Bangladesh which did not have any garment industry at the time and were therefore no threat to the US (Goto 1989). For Bangladesh, it was fortuitous that just at that time a potential investor class was emerging. The MFA created 'quota rents' for these potential investors that allowed the market failures constraining technology transfer to be overcome. And finally, the clientelistic military rule gave the ruling coalition a good enough growth-stability trade-off curve to enable a few critical domestic institutional innovations that were required for the takeoff of the garments industry.

The garment sector emerged only because of a concurrence of these favourable conditions and provides a good example of why the emergence of productive organizations even in low technology sectors is not assured unless significant market failures can be overcome. The political settlement in Bangladesh during its clientelistic military rule could introduce the required institutional innovations because the rents involved were not essential for the ruling coalition and their protection and management did not therefore face implementation or enforcement resistance from factions within the ruling coalition. Moreover, the quota rents were not domestically created and could only be captured by exporters, allowing the leadership to manage these rents without their capture by political factions.

The MFA created a serious problem for established producers of garments in countries like South Korea who suddenly found themselves quantity-constrained. They had a strong incentive to relocate production to countries that did not have quotas. But developing countries that did not have a textile and clothing sector were clearly relatively poor countries and suffered from market failures affecting technology acquisition and learning. To attract investors from more advanced countries who wanted to relocate, developing countries had to offer something more than just their quota-free status. After all, many poor countries were quota-free but only a very few benefited from MFA. Bangladesh was one of them and its success has to be explained in terms of specific mechanisms through which these market failures were addressed.

By the late 1970s, domestic primitive accumulation had created numerous potential investors for a sector like garments where the efficient scale of investment was at most in the hundreds of thousands or low millions of dollars. Technology transfer came about in Bangladesh through collaboration between a retired Bangladeshi civil servant turned entrepreneur, Nurul Quader Khan, and a South Korean multinational, Daewoo. The Bangladeshi entrepreneur set up Desh Garments in 1979, providing the capital and arranging government support for a potentially risky investment. The South Korean multinational provided the training and technology transfer to be paid for by a percentage of future exports. The quota rents made it credible that the Bangladeshi company would be able to quickly pay back the up-front investment of the South Koreans in hosting visiting Bangladeshis at their plant in Pusan and training them in modern garment manufacturing processes. Moreover, the fact that a retired

civil servant from Bangladesh could sit across the table from a global multinational and offer credible equity can only be understood if we remember the political accumulation that the country had just gone through. Daewoo's calculations were straightforward. Bangladesh's access to the US market through MFA was an attractive business proposition but they would probably not have been willing to take the risk of participating in a Bangladeshi collaboration without a few credible commitments from the president.

The equity invested by the Bangladeshi firm provided part of this commitment, but perhaps even more important was the explicit support provided by President Ziaur Rahman to the project. President Zia's support appeared credible because he took the initiative in linking up Nurul Quader with Kim Woo-Choong, the chairman of Daewoo. His support assured the South Koreans that unexpected problems would be dealt with or at least addressed. And in fact, political support at the highest level ensured that relatively small but critical institutional innovations like the back-to-back LC (which allowed Bangladeshi producers to borrow from local banks using export orders as collateral) and the bonded warehouse (which allowed complex customs duties on imported inputs to be avoided) were quickly introduced. The president had sufficient control over the limited number of coalitions required to implement and enforce discrete institutional changes like these for them to go through without any cost in terms of political stability or contestation. Interestingly, the owner of Desh Garments, Nurul Qader Khan was a civil servant who had made his money in the previous Awami League regime. Zia's objective in supporting him was clearly to develop the economy, not because he was an obvious client within his own party.

Desh was remarkably successful. Between 1981 and 1987 its export value grew at an annual average of 90% (S. Rahman 2004). The learning and transfer of technology that was unleashed by this single project was remarkable. By the end of the 1980s, of the 130 people who were first trained by Desh in Daewoo's factories in South Korea, *115 became entrepreneurs* and set up their own garment firms (Rhee 1990: 341). This apparently did not do much damage to Desh, whose output continued to grow at close to one hundred per cent per annum during this period. The loss the company suffered when it lost a manager was made up many times over by the high levels of effort that these individuals invested in the first place as a result of this implicit incentive. From virtually a zero base in 1980, by 2005 there were around 3500 active firms in the garments sector employing upwards of 2 million people (World Bank 2005). Primitive accumulation continued to be an important source of entrepreneurial supply. In a survey carried out in 1993, 23% of garment factory owners responded that they had originally been civil servants or in the army (Quddus and Rashid 2000). We can assume that many others had close contacts with politics and had made their initial capital through political processes. From a country not much different from the typical African country in the 1970s, Bangladesh's manufacturing output today equals that of all of sub-Saharan Africa combined excluding South Africa.

The rapid emergence of Bangladesh as a garment exporting country is shown in Table 4. Exports grew at double digit rates for more than two decades. By the early 2000s, the sector accounted for around 70% of Bangladeshi exports. By 1985, such was the success of the Bangladesh garment industry that Ronald Reagan negotiated quotas for Bangladesh under the MFA (M. A. Rashid 2006). Bangladesh has continued to

benefit from preferential treatment, particularly in European Union markets, but effectively, the first five years of quota protection were enough to trigger a major shift in the country's technological capabilities and therefore manufacturing fortune.

Table 4 Bangladesh Garments: Growth Rates of Dollar Exports 1985-2006

Year	Woven	Knitwear	Total Garments Dollar Export Growth Rates
1985-1990			45.9
1990-1995			24.1
1995-2000			14.3
2000-01			11.7
2001-02	-7.1	-2.5	-5.7
2002-03	4.3	13.3	7.2
2003-04	8.6	29.9	15.8
2004-05	1.7	31.3	12.9
2005-06	13.5	35.4	23.1

Sources: (based on Mlachila and Yang 2004: Table 1; World Bank 2005: Table 1).

Thus, the MFA worked as a system of 'learning rents'. It was hugely effective because it provided relatively moderate rents that were part of an arrangement that was formally recognized as being temporary. Financing an initial period of loss-making when new technologies are being learnt is one of the important requirements for start-ups even in low technology sectors like garments. In principle markets should enable the learning to be financed but there are significant market failures because uncertain periods of learning expose investors to levels of risk that are often too high given the narrow margins in these established sectors (M. H. Khan 2000, 2009b). The MFA rents, together with the investments that Bangladeshi investors were now willing to make allowed the necessary period of learning to be financed. The emergence of the garments industry, together with less dramatic successes in a number of other sectors like pharmaceuticals ensured that industry has been steadily growing as a share of GDP in Bangladesh, shown in Table 5.

Table 5 Bangladesh: Sectoral Shares in GDP 1980-2005

		1980	1990	2000	2005
Bangladesh	Agriculture	31.6	30.3	25.5	20.1
	Industry	20.6	21.5	25.3	27.2
	Services	47.8	48.3	49.2	52.6

Source: (World Bank 2008)

The history of the garments industry has important implications for Bangladesh as it attempts to move higher up the value chain. Much of its growth so far has been at the lower ends of the value chain, even though there is evidence of growing backward linkages and diversification. By 2005, roughly 45% of export value was value added in the domestic economy due to growing backward linkages in spinning, weaving, dyeing and accessories (Bhattacharya, et al. 2002; World Bank 2005; M. N. Ahmed and Hossain 2006). The story of the garment industry's success tells us that market failures in capital and knowledge markets were overcome through very specific policy

and governance arrangements. The blocks of capital required for the next stage of upgrading are much larger and primitive accumulation cannot be relied upon to provide these investments. A survey of the garment sector in 2007 revealed that the available terms of financing were an important constraint to technology upgrading in the sector (M. H. Khan 2008a). Banks were willing to lend but the fixed return and collateral requirements meant that investors were only willing to borrow to invest in segments of garments they already knew very well. They were deterred from investing in new sectors where they were not sure about the length of time learning would take. The sharing of risks and returns across a number of investors could in theory address this problem, but organizations could not credibly commit to reveal profits or pay dividends in the future, making these market solutions fail.

Our interpretation of the causes behind the rapid growth of the garment industry in Bangladesh casts doubts on the argument that Bangladesh's success was based on cheap labour and labour market flexibility. It is true that Bangladesh scores higher than India on labour market flexibility (it is easier to fire workers compared to India) and indeed both Pakistan and Bangladesh often score higher than India on the overall ranking of 'Doing Business Conditions' of the World Bank. But the specific mechanisms through which the garment industry developed suggests that cheap and flexible labour by itself did not help Bangladesh very much before the market failures constraining investment in a new sector were overcome. Moreover, the persistence of cheap and flexible labour has not helped investment in the next stages of the value chain even though wages have remained low. The implication is that movements up the value chain will depend on solving specific market failures. The break that was provided by the MFA cannot be relied on for other sectors or for moving up the value-chain in garments and textiles. It is possible to imagine the clientelist political organizations in Bangladesh reaching an agreement to develop mechanisms for financing risk and cost-sharing for technology upgrading. This type of productive rent creation, if it was on a limited scale, would not necessarily compete with the political rents that political organizations are primarily concerned with. The institutional and political arrangements that would be required to manage such strategies are, however, not on the policy radar screen at the moment.

Summary

The clientelistic authoritarian period provided a political settlement where leaderships had sufficiently long time horizons to build relationships with capitalists and support them to a limited extent. Technology acquisition could not be properly supported under this settlement but the existence of globally generated MFA rents allowed technology acquisition and disciplined learning in low technology sectors like garments. The political settlement was much more promising for growth than before, and for the first time a Bengali capitalist sector began to grow. Growth-stability trade-offs were favourable for the support and promotion of limited formal institutions supporting specific accumulation strategies.

There were some negative changes in economic policies that have implications for the future. Unlike the authoritarian military period, clientelistic authoritarianism established a new consensus that politics should not concern itself with productive rent strategies. There was no attempt to use rents to create more sophisticated organizations or to absorb more sophisticated technologies than the ones that already existed. Rather, the focus of rent allocation by the dominant coalition became much

more about the management of political stability. The emergence of the garments industry, itself the product of a fortunate conjuncture of conditions that enabled MFA rents to have very productive effects, allowed the political leadership to focus on the capture of political rents. The calibration of force and the distribution of rents that emerged during this period had features that continued into the next one. But the absence of any strategy of productive rent generation is a significant challenge to the system, as is the disruption caused by this pattern of political management, which we discuss in the next section.

At the level of politics, the clientelistic authoritarian period established that brute force could not be used to stay in power. The ruling coalition needed to incorporate significant numbers of political organizers. But it could not absorb all potential organizers either. In other words, neither the Pakistani nor the BAKSAL strategy was feasible in Bangladesh. The actual practice of the clientelistic military rule paradoxically established the norm that political stability in Bangladesh has to be based on a competitive system of rent allocation to allow the most important organizational and violence specialists to be brought into the ruling coalition at the cheapest price. The implicit links of the political leader with the army in the competitive clientelist settlement meant that the process of bargaining and calibration had to always happen under a single leader. Other factions could at best expect some of their most important organizers to be bought off. Eventually the major political parties united to reject an arrangement that deprived them of access to the most significant rent allocation decisions at the apex of the political system.

11. Competitive Clientelism 1990-

The overthrow of Ershad and the holding of elections under a caretaker government converted the authoritarian clientelistic system into full-fledged competitive clientelism. The ruling coalition now had all the characteristics of competitive clientelism summarized in Figure 4. Capitalists were by now relatively developed, not only in the garments and textile sector, but in a range of medium-technology manufacturing sectors. Industry overtook agriculture in terms of share of GNP in the 2000s (Table 5). Some industry groups were by now rather well-organized and closely networked with political parties, often keeping good relationships with more than one, as parties regularly cycled in and out of power. But while industrial capabilities were now much better than in the past, the evolution of the political settlement had some adverse implications for industrial policy, infrastructure development and the general governance.

Compared to the other variants of a clientelist political settlement, the competitive clientelism variant has, *ceteris paribus*, the most adverse growth-stability trade-off. This is both because the permanent presence of significant excluded factions that are always building up their oppositional strength serves to reduce the time horizons of incumbents and focuses their minds on making quick money to fight the next election. In addition, the competitive context increases the power of lower-level factions within the ruling coalition and makes policy implementation difficult and the enforcement of formal institutions relatively poor. And yet, given a large number of powerful primary factions, this may be the only viable type of political settlement in countries like Bangladesh. However, competitive clientelism can be made to work better (as differences across different parts of India demonstrate). The operation of comparative

clientelism in Bangladesh has some specific problems which make it more vulnerable than it need be, and endows it with a much more adverse growth-stability trade-off than is necessary.

Bengali versus Bangladeshi Nationalism

The history of grand coalitions fighting glorious struggles has sunk deep into the collective memory of Bangladeshi political organizers. A more sanguine reading of history is that it was the chauvinism of earlier dominant coalitions that forced East Bengali political organizers into these positions by presenting them with options that were untypical in the general context of clientelist mobilizations. The insistence of previous dominant coalitions that East Bengalis should have their organizational power checked to protect dominant group interests resulted in the legitimate formation of grand coalitions that were forced to fight zero sum games. But the memory of these grand struggles of 'us' against 'them' continued to affect the way in which political coalitions defined their relationships with each other in independent Bangladesh. This created serious problems because it was based on a fundamental misunderstanding of the logic of clientelist competition, even those that resulted in the earlier partitions. But in addition, circumstances had fundamentally changed after the 1971 partition. Zero sum conflicts between different factional coalitions could not resolve any problems and could not result in any further partitions. However, these conflicts could and did impoverish the broader society because they dramatically worsened the growth-stability trade-off compared to what might otherwise have been the case.

One illustration of this was the persistent behaviour of both main parties that suggested that main object of their politics was to save the nation from the opposition. In the 1990s and into the 2000s the zero-sum attitude of the two major parties came to be known in the reflective sections of the Bangladeshi media as the 'battle of the begums', referring to the two ladies who led the rival parties. Sheikh Hasina, daughter of the assassinated President Mujib, led the Awami League, while Khaleda Zia, wife of the assassinated President Zia led the Bangladesh Nationalist Party or BNP. Their implacable opposition to each other was manifested in a range of different ways. The two leaders refused to talk to each other and their political strategy in opposition was generally to boycott parliament and to repeatedly call for general strikes (*hartals*) and mass political agitation. Their mutual attitude was that ridding the country of the menace posed by the other party would be their most positive contribution to development.

To sustain this implacable opposition, new ideological divides hardened, including a new division on the meaning of nationalism. The Awami League attempted to define itself as the protector of *Bengali* nationalism, while the BNP emerged as the defender of *Bangladeshi* nationalism. While the parties insisted the conflict between these concepts was irresolvable except by the complete capitulation of one side or the other, in reality this time the distinctions were so obscure that few people outside the parties understood what it meant. Clearly, the logic of clientelist coalition building requires ideologies as convenient pegs for structuring coalitions though the ideologies themselves are rarely important for their own sake. The definition of two mutually exclusive variants of nationalism for the country served to distinguish the two coalitions without significantly affecting any policies. But by defining their differences as two variants of 'nationalism', the parties were invoking past struggles

and strategies of no compromise. Connected to these definitions of nationalism was the related position of the two parties on secularism and Islam. Here the distinctions had a little more bite, as these positions determined the coalition partners of the parties in government, but even here they were relatively eclectic in choosing who they were allied to depending on circumstances. As the debate between *Bengali* and *Bangladeshi* nationalism is connected to the debate on secularism, it is important to analyse the salience of the debate on secularism in Bangladesh.

Many contemporary ideas about the progressive role of secularism can be traced back to the European experience with Reformation and the separation of Church and state. The conflict between the Church and secular social forces during the Reformation is rightly recognized as one of the defining moments in Europe's transition to modernity. This was because in Europe the Church was blocking the material interests of the classes that would eventually lead the industrial revolution. This was a fundamental reason why the opposition of the progressive bourgeoisie to the Church was implacable until the Church had been significantly reformed (Tawney 1938). The specific features of the Reformation differed from country to country in Western Europe but some broad features were shared in common. Productive capitalist classes were emerging based on long-distance trade, and at the same time, states were being constructed that could exercise territorial jurisdictions within which capitalism could grow. The declining social forces in Europe were based on landed property, the wealth of the Church and the political ambitions of a Church-based empire. The older elites constituted a social coalition opposed to many of the changes that merchants and capitalists were bringing about because these changes threatened the stability of the old order and in particular the dominance of the Church in the ideological sphere. As a result, there were relatively sharp *economic* conflicts between monarchs, the Church and emerging capitalists over their material interests that put the Church on one side and a collection of progressive economic forces on the other.

An important economic conflict between reforming monarchs and the Church concerned the vast amounts of land owned by the Church. These assets not only reduced the access of the monarch to revenues but also created a powerful competing political force allied to Rome, which could prevent the centralization of political authority in local states. Secondly, there was a conflict between merchants and the Church over the theological acceptability of income from usury in Christianity. Here capitalist accumulation which was driving growth faced obstacles from a pre-capitalist Church-based system of maintaining social order using notions of justice which were no longer appropriate. Finally, there was a conflict between Church and state over their respective jurisdictions when it came to appoint officers to lucrative administrative and judicial positions. In this case too, territorially defined emerging modern states faced competition from a parallel set of jurisdictions organized around the Church. Thus the economic interests underlying the ideological conflict between Church and secular social forces were based on radically different ways of organizing production. This is why religion and secularism represented conflicting social interests in Reformation Europe. This in turn ensured that the victory of one side or the other would have economic consequences for the mode of organizing production in Western Europe over a period of several centuries.

The emerging economic supremacy of the secular interests that challenged the Church during the Reformation resulted in stronger local states and accelerated economic

growth. These material interests ensured that the relevant political aspects of secularism defined as the political separation of Church and state began to be reflected in the *practice* of politics across Western Europe. This is despite the fact that in many European countries, including England, the formal constitutional separation of Church and state has not emerged to this day. The Western European story is important because the theoretical association of secular movements with the liberal bourgeoisie and therefore with social progress is based on a reading of this history. But the political economy of religion in contemporary developing countries is very different and the developmental attitudes of different parties cannot be so readily read off from their attitudes towards religion and secularism.

In the Indian subcontinent neither Hinduism nor Islam had an organized church with significant land-holdings and incomes along the European pattern either in pre-colonial or colonial times, or indeed subsequently. Nor has there been any ongoing competition between “church” and state over their respective jurisdictions in appointing office-holders along the European pattern. The weakness of religious control also meant that rules about usury could be ignored altogether, or evaded through profit-sharing as in contemporary Pakistan. This meant that the restrictions on usury in Islam did not lead to intense conflicts between emerging merchant-financiers and the “church”. In independent Pakistan or Bangladesh, the merchant and capitalist classes have certainly not felt threatened by the anti-capitalist elements implicit in the Islamic ban on usury. Similarly, while some aspects of Hinduism, such as the caste system, appear to be anti-capitalist, emerging Hindu traders and capitalists have not felt threatened by these and have certainly not been in the forefront of secular movements in India.

In the absence of a fundamental cleavage between religion and emerging capitalist economic interests, the political use of religion in Bangladesh has reflected very different interests. Clientelist coalitions have long used religion, language, caste and other long-standing beliefs and identities as pegs around which to establish differences between themselves and their opponents or to invite new factions to join. As a result, they have been willing to change their positions on religion far more readily than if particular religious institutions or practices were fundamentally against their interests. This is best illustrated by the dramatic overtures that Mujib made to Islamic groups shortly after his uncompromising rejection of Pakistan as an Islamic republic to which Bengalis could belong. Moreover, an important religious party, the Jamaat-e-Islami, had supported Pakistan and opposed Bangladeshi independence. Many of its members, and indeed members of other smaller Islamic parties had even fought on the Pakistani side. The break with Pakistan had also been followed by the adoption of a secular constitution and the definition of the nation in terms of a secular *Bengali* nationalism. In this context, Mujib’s decision in 1973 to release without trial or investigation the 33,000 alleged war criminals who sympathized with, or were members of, Islamist parties was significant. Shortly afterwards, in 1974, Mujib travelled to Pakistan to attend the Islamic Summit at Lahore and returned home proudly proclaiming Bangladesh to be the world’s second largest Islamic nation, bigger than Pakistan (B. M. Kabir 1988: 83-4). In the same year a Madrasah Education Commission was formed to report on how religious education could be improved. And in 1975 the Islamic Foundation was set up to promote Islamic studies and to manage mosques (M. G. Kabir 1995: 188-90; T. M. Murshid 1996: 362-3).

Even in terms of the narrow definition of secularism in the new constitution, some of these moves, at least, were suspect.

It is possible to comprehend these actions if we recognize that for the Awami League and other clientelist parties, the *practice* of Islam or secularism did not have a direct material significance. Rather, reaching out to Muslim groups allowed political organizers within the party to mobilize groups who were very similar to the classes and factions they already mobilized. Religious beliefs are important and clientelist organizers and politicians are likely to have their own preferences and prejudices, but subject to these, their main concern is to maintain the ruling coalition. The ruling coalition is always searching for allies at the lowest cost, though its leadership may not articulate its own survival strategy in such an explicit way. This logic can shed some light on Mujib's possible motivations when he made these immediate concessions. In the aftermath of independence, it was cheaper for the ruling group to acquire potentially powerful organizational allies from amongst the defeated Islamist groups rather than from within the left. The left was growing in mobilizing ability, and its leaders could and were demanding much bigger payoffs for their allegiance. It is not surprising that at the same time that Mujib was making overtures to his old enemies in the Islamic movement, he was also increasingly using violence on his old allies on the left because their demands were now unsustainable in the eyes of the ruling coalition.

Mujib's assassination in 1975 was followed by two decades of governments which tried to construct a new political unity around the notion of a *Bangladeshi nationalism*, which was defined as the nationalism of Bengali Muslims, and therefore distinguished Bangladesh from West Bengal. In no important respect was the understanding of nationalism changed because *Bengali* nationalism as Mujib had understood it was never about attempting the reunification of Bengal on any grounds. The military governments, which succeeded Mujib, and the civilian parties they created, absorbed many defectors from the Awami League, who saw no contradiction in adopting the new Bangladeshi identity, and they also attracted old Maoists like Kazi Zafar and JSD socialists like Abdur Rab who argued that the developmental agenda of the military was more in tune with socialism. However, constitutional changes *were* introduced which recognized the privileged status of Islam but they stopped well short of declaring Bangladesh an Islamic Republic. The secular agenda, to the extent that it was ever implemented, was correspondingly attenuated.

By the end of the 1980s the main lines of factional conflict were drawn between the *Bangladeshi* nationalist BNP (the Bangladesh Nationalist Party set up by General Zia) and the *Bengali* nationalist Awami League. While the conflict between the two was often implacable they continued to occasionally cooperate. The two joined forces in the late eighties in their fight against the ruling Jatiyo Party of Ershad that was ideologically indistinguishable from the BNP. In the early nineties, an even more unholy alliance emerged between the secular Awami League and the Islamist Jamaat against the then-ruling BNP government. Inevitably, over this period the Awami League's secular claims became much more muted. By this stage it had become difficult to identify any important issues of concrete political practice affecting secularism on which the three major parties actually differed. For instance, BNP and Awami League governments were very similar in the 1990s in banning books offending Islamic sensibilities.

Despite the absence of any significant differences in practice, the conflict between the *Bengali* nationalism of the Awami League and the *Bangladeshi* nationalism of their rivals emerged as a new focus of ideological differentiation and conflict. *Bengali* nationalism is supposed to be the nationalism of the Bengali people, and *Bangladeshi* nationalism of the Bangladeshi people. For nationalisms to differ from each other politically, they must each have a different project of state building with different borders and definitions of the included and excluded. If Bengali nationalism was truly articulating a nationalism of the Bengali people, it must have as its eventual objective the reunification of Bengal. This would indeed have made it radically different from Bangladeshi nationalism which is clearly a state project of consolidating the current borders of Bangladesh. But in fact, the supporters of Bengali nationalism in Bangladesh, and in particular the Awami League, have no political intention of redrawing the borders of India and Bangladesh.

This should have made the debate between Bengali and Bangladeshi nationalism politically redundant. It was as if Chinese nationalists in Taiwan wanted to distinguish themselves from Taiwanese nationalists but both sides ruled out unification with China as an objective. Even if there were strong differences in the politics and cultural preferences of the two camps, we would still not describe them as having different nationalist agendas. A definition of nationalism is only substantively different from another if it defines a different group of people as the nation or gives the existing nation different borders. This is true both from the perspective of a conventional understanding of nationalism as a political project of state-building *and* of Bangladesh's own previous nation-building projects where the politics of Pakistani or Bengali nationalisms *were* related to political projects affecting borders and sovereignty. The Bengali nationalism of the 1960s in East Pakistan was about autonomy or independence for the part of Bengal that was East Pakistan, not about the unification of Bengal. In that sense, it was indistinguishable from what later came to be known as Bangladeshi nationalism. The constitutional debate in the 1990s about the role of religion was an important debate but it did not in fact put the protagonists on different sides of a debate about nationalism since no disagreement about borders or target populations was involved.

The misrepresentation of a constitutional issue as an issue about nationalism is significant because it is a manifestation of the fact that Bangladesh's political leaders still want to talk in the uncompromising language of decisive battles appropriate to a different context. This implies that patron-client politics in Bangladesh has not 'matured' into a sustainable version where factional coalitions cycle in and out of power without attempting to block the opposition let alone wipe it out. The implacable confrontation between the two uncompromising ladies in the 1990s and 2000s bears an uncanny resemblance to the titanic battles of the past except that the real context was now entirely different. Unfortunately, it seems that the history of the dramatic partitions, both a result of clientelist factions coalescing in particular ways because of dominant class intransigence has in turn created a tradition of politics that is taking time to change. In particular, the logic behind defining and re-defining one's "nationalist" camp seems to stem from a desire to define two implacably opposed coalitions locked in a life-or-death battle. While clientelist coalitions do need distinguishing characteristics, the particular ways in which the two dominant parties in contemporary Bangladesh have sought to define their nationalisms appears to be

the result of a misreading of history. This is not just of academic interest because their repeated descent into zero-sum games results in collapsing growth-stability trade-offs. In particular, their attempts to establish that they have incompatible conceptions of nationalism and therefore that only one of these grand coalitions is fit to rule Bangladesh is no longer appropriate for achieving a viable competitive clientelism.

The Absence of (Informal) Rules for Live-and-Let-Live Cycling

The unsustainable intransigence of the two parties during the 2000s appeared most directly during elections when it repeatedly threatened the viability of the competitive clientelist system. Central to the proper working of a competitive clientelist system is the electoral process. A fair election in this context means that the outcome reflects the balance of forces on the ground without the interference of bureaucratic or military officials. While all interference in the administration of elections cannot be ruled out in a developing country, for a viable competitive clientelism, these cannot take place to the extent that the electoral outcome fails to reflect the balance of forces on the ground. If that happens, the outcome of the election will not be stability but more intense contestation and perhaps violence by the losing side. A sustainable solution requires that the voting outcome roughly reflects the balance of organizational holding power.

The objective of a fair election in competitive clientelism is therefore not to discover the true preferences of the electorate, partly because true preferences may not exist given the absence of serious differences in the policies that the parties are likely to implement. Rather, elections are processes through which the organizational strengths of the competing coalitions are revealed and a coalition of factions with significantly greater holding power is allowed to form the ruling coalition. Stability is only likely to be achieved if a coalition with a credible superiority in organizational strength wins the elections. The critical requirement therefore is that no party should be able to leverage its strength by using the administrative apparatus to give it an electoral advantage that is unrelated to its strength on the ground.

The response of the competing parties to the problem of organizing credible elections was to amend the constitution in the mid-1990s to establish a formal rule of law for organizing elections. The 13th Amendment set up a permanent institution of the Caretaker Government. A neutral government was to be set up at the end of every government's term with the last Chief Justice of the Supreme Court becoming the interim head of government. Its sole task would be to organize the elections to determine the next ruling coalition. This was a unique institutional experiment to create a credible electoral process for selecting a ruling coalition. However, this institutional arrangement was clearly not buttressed by a deeper set of political agreements. The informal balance of power between the two parties had not established in their collective minds the fact that cycling of parties now had to be the normal state of affairs. Their subsequent actions suggested that both parties harboured a desire for a decisive victory that would establish one of them as the natural party of government in Bangladesh. The caretaker government system worked for two subsequent elections, despite minor attempts by both parties to interfere.

However, the constitutional arrangements collapsed in the run-up to the 2007 elections when the incumbent BNP went too far and appeared to interfere with the dates of retirement of Supreme Court judges so that its preferred candidate could head

the caretaker government. The result was an increasingly violent standoff which resulted in a series of general strikes (hartals) and violent street confrontations. In a context of increasing uncertainty a group of bureaucrats backed by the military and the international donor community took over power on the 11th of January 2007 as a new emergency interim government. Under the constitution, the caretaker government has to organize an election within two months, but this caretaker government stayed in power for two years under emergency powers it gave itself.

The emergency caretaker government turned out to have been a significant wasted opportunity. The emerging system of competitive clientelism had clearly not yet acquired a set of politically sustainable checks and balances to be fully self-sustaining. The emergency could have been an opportunity for delivering a political shock to the system that may have helped to establish that the army could be deployed as third party enforcement by a caretaker government to enforce an implicit rule of law governing elections. But instead, the caretaker government headed by an ex-World Bank bureaucrat and backed by the army took a 'good governance' perspective on how to solve the problem. Their interpretation (no doubt strongly influenced by dominant international policy perceptions) was that the political instability in Bangladesh was caused by the involvement of political elites in corruption and by the personalization of politics.

The first argument was that the opportunity for political corruption created distorted incentives for politicians to interfere with electoral outcomes. This analysis suggested that if political corruption could be rooted out and if parties could be made to compete on the basis of alternative manifestos of delivering public goods the problem of electoral violence and standoffs could be rooted out. The second argument was that the monopolization of the leadership of the two parties by the families of the dead presidents was damaging and was the source of the implacable hatred between the two parties. So they sought to change the leadership of the parties. Both strategies dismally failed.

On anti-corruption, the two-year emergency caretaker government took a series of radical steps to achieve a large number of convictions for high-level corruption. The underlying thinking was that the source of political violence was the engagement of political leaders in corruption. Hundreds and possibly thousands of political activists were arrested and incarcerated, including the leaders of the two main parties on charges of corruption. Hundreds of businessmen were arrested and some of them handed over millions of dollars to the new government as 'ill-gotten gains' under pressure (which later on turned out to include torture). Thousands of cases of corruption and extortion were introduced in the courts. The whole exercise was deeply flawed not only from the perspective of its flawed understanding of a clientelist political settlement but even in terms of the formal legal procedures that were followed. In the end, almost all the cases had to be abandoned on the grounds that evidence was missing or inadmissible.

More significantly, the caretaker government and its international advisors had failed to understand the nature of a clientelist polity. If political leaders running mass clientelist coalitions do not have resources from non-formal sources, they will be unable to manage the informal distributive arrangements on which a clientelist political settlement is based. Effectively, the caretaker government was trying to

replace a clientelist political settlement with a Weberian-capitalist one without changing the material conditions that have generated clientelist political settlements in every developing country. This was a failed enterprise in the way it was set up. Not surprisingly, the military caretaker government's attempt to address this problem failed dismally. The two arrested leaders of the main political parties had to be released, and one of them was elected prime minister in the 2009 elections.

The strategy to replace the two leaders (the so-called 'minus-two' formula) also failed and this too represented a failure to understand the nature of clientelist politics. The leadership of clientelist parties is not based on a choice between different policy positions represented by different leaders. The most appropriate leader of a clientelist party is someone who has the best credentials for being able to construct the biggest coalition for the party at a distribution of benefits that does not disadvantage any particular faction within it. Who is the person that all party factions are likely to trust the most? If an internal faction leader became leader of the whole party, their own factional supporters would be likely to benefit over all other factions. The promotion of such an individual would be strongly resisted by all other factions. But the wife or daughter of a dead president could be expected to have the best interests of the legacy at heart and be the most fair in adjudicating between factions when disputes broke out. If the most important task that the leader of a clientelist party plays is the regulation of the rent distribution within factions, 'the family' is likely to have an advantage over other individuals in gaining the shared trust of all factions. This experiment of the interim government also failed and the two ladies retained control over their own parties.

Indeed, family control of clientelist parties is the established pattern in both India and Pakistan. This does not mean that all developing country parties are of this type. More disciplined ideological parties can achieve internal selection that is more rule-following. But existing clientelist parties are unlikely ever to graduate to this through internal evolution because their existing internal factions will strongly resist it regardless of the leadership. Communist or Islamist parties in developing countries *are* more disciplined and have activists who are not always bidding for the highest rents. These parties are more likely to achieve rule-following elections of party officers. But the experience of these parties also shows that such parties have to be set up and develop in that way from the outset as they do not evolve out of clientelist parties. Disciplined parties like the Communist Parties of China and Viet Nam have played significant developmental roles, but the caretaker government did not understand that clientelist parties will not convert into such parties if only their leadership is changed.

Finally, the caretaker government demonstrated that some significant changes had come about in the organization and aspirations of the Bangladesh army. Unlike the past when the army may have organized a coup in a context of a political impasse, this time it backed a civilian caretaker government though it was clear that it was the power behind the scenes. And unlike its previous ideological justifications for intervention in terms of economic development, this time the army joined forces with civil society champions of good governance. A significant change in the resource base of the army could explain some of these changes. It was now closely tied to the 'international community' through its lucrative involvement in international peacekeeping missions. It was dependent on these international rents and did not want

to jeopardize them with a domestic adventure. Its own history had also taught it the limits to what can be achieved by authoritarianism or military clientelism. But the experience of uncoordinated arrests of businessmen, their arrest and release by different groups acting in the name of the army also suggested that the army too was no longer a centralized and coordinated organization. This too is a problematic message for clientelist factions as the potential 'third-party' mediator who could have been relied upon to intervene in the case of a real impasse between clientelist factions was itself shown to be potentially fragmented and weak.

The main effect of the two-year experiment was a collapse in investor confidence. The two main parties whose intransigence and violence had caused the problem in the first place did indeed receive a shock, but the way in which the strategy of anti-corruption and leadership change failed had a negative effect on the impetus to reform. Much more important than corruption, the absence of a credible mechanism for organizing elections makes the competitive clientelist system unsustainable and therefore unstable. The caretaker government had no conception of how to change the political balance of power to make acceptable elections more likely. After its two years in office its only positive legacy was the construction of a voter registration system and voter identity cards. The overall implications of the caretaker period for developmental reform and institutional change are very likely to have been negative.

The lack of credibility that elections will deliver a stable ruling coalition can result in even greater short-termism and conflict as elections approach in a competitive clientelist system. This can have very negative effects on long-term investments, particularly where government contracts are involved. For instance, it has proved to be very difficult to get private investors to invest in the power sector. This is an area where future income streams depend on governments honouring contracts made by previous governments. But if the opposition is always challenging the legitimacy of the incumbent government, investors are likely to be wary that the opposition may challenge the legality of contracts if they come to power. Thus, vulnerable competitive clientelism can create high transaction costs for some types of contracts and some investments may not be possible at all. Since infrastructure and power sector investments do require government guarantees for future payments, a vital set of investments are adversely affected on which other investments ultimately depend. Governments have had to try and attract investors in sectors like power with excessively large tariffs and other incentives, with obvious efficiency and growth implications for the broader economy.

Competitive clientelism also describes an adverse political settlement for institutional and governance improvements that can build on the successes of the garments and textile industries to develop new sectors. The garment industry developed as a result of a fortunate conjuncture of MFA rents, domestic political support at the highest level, the availability of domestic investible resources that were appropriate for driving these investments and strong incentives for foreign technology providers to transfer the appropriate technologies to Bangladesh. The lesson that emerges is that the extension of this success to new sectors requires developing critical governance capabilities to recreate these conditions in new sectors. The essential condition is that the gap between initial domestic competitiveness and the international price for particular qualities of products has to be met by some form of temporary financing. In the garments case this was provided by a combination of MFA protection and

domestic financing. This is unlikely to emerge by coincidence again, so agencies and institutions that can provide well-targeted financing for building competitiveness are essential if Bangladesh is to move up the value chain.

These agencies and institutions could take a variety of forms ranging from direct government policies of support to critical sectors to the development of a new generation of industrial banks. But the critical point is that these initiatives are unlikely to work unless the package comes with specific governance capabilities to ensure that support is not captured by politically connected but inefficient entrepreneurs. Neither the ambitious industrial policies of the East Asian countries nor the 'good governance' agenda set by western development partners provides a feasible set of governance reform targets for countries like Bangladesh. But even a limited and very specific set of governance targets that are aimed at building competitiveness in progressively more sophisticated sectors faces an adverse growth-stability trade-off as the political settlement becomes more fragmented in the direction of competitive clientelism. The challenge for Bangladesh is for the productive sector and political entrepreneurs to come up with a reform agenda that would allow incremental progress along this governance agenda within the limits of competitive clientelism. In the longer run, the fractious nature of competitive clientelism in Bangladesh may itself be the subject of political discussion as some types of reforms of party structures and party discipline may improve the capacity of the competing parties to think long-term and support institutional changes from which they would all sequentially benefit.

Summary

The competitive clientelist period after 1990 has had a mixed record. Analytically, we expect this configuration of holding power to result in the most adverse growth-stability trade-offs. Paradoxically, in Bangladesh, even political stability has not been assured through the operation of competitive clientelism. The difficulty of ensuring credible rules for the removal of the ruling coalition has created periods of intense conflict and instability. It has also raised the transaction costs facing some types of vital long-term investments in particular in the power and infrastructure sectors to the detriment of growth. On the other hand, economic activities in other sectors where institutions for enforcing valuable contracts over time are not required are not so constrained. The challenges of technology upgrading and industrial policy have not gone away, but have simply become more difficult to respond to. The immediate challenge for sustaining competitive clientelism is to achieve more credible and less violent methods of ensuring the replacement of the ruling coalition. If this can be achieved, the longer term challenge is to transform the organization of coalitions sufficiently (for instance through constructing more disciplined parties) to enable more favourable growth-stability trade-offs to emerge.

12. India, its Fence and its Transit Demand

The history of clientelist politics and confrontations that resulted in the two partitions and multiple nationalist movements has not only left legacies for Bangladesh's internal politics, but also potentially much more difficult problems for both India and Bangladesh as a result of the way in which the borders were drawn. The partition of Bengal in 1947 is the relevant partition for India-Bangladesh relations as the borders

drawn then remain on the ground today. Two consequences followed from that first religious partition of Bengal with great relevance for the politics of the present.

First, the partition cut across historic migration routes, river flows and trade routes. The river flows adversely affect Bangladesh because as upstream India dams rivers or diverts them for agricultural use within India, the loss inflicted on downstream Bangladesh is never taken into account. This has resulted in growing public anger with India, particularly in agrarian areas where the decline in water flows is very noticeable over time. This is a long-term problem for Bangladesh, which has limited bargaining power over India to achieve any significant change in Indian policies. However, Bangladesh is in any case unlikely to enjoy an agrarian transition because of its own problems with land structure and fragmentation. Agriculture represents a steadily declining share of GDP, though the decline in agricultural employment has been less dramatic. The long-term challenge for Bangladesh is in any case to reduce its dependence on agriculture through industrialization and manufacturing growth. Nevertheless, in the short to medium term there is likely to be growing hardship in agrarian areas that can be attributed to a more severe pace of adjustment than if East Bengal had retained political representation within India.

More significantly, historic migration patterns from the nineteenth century onwards have been of plains people from the Bengal delta moving north to Assam and beyond and this pattern of historic migration did not entirely stop with the borders of 1947. Some migration continued but at a generally reduced pace. The result of these long-term migrations is that neighbouring states like Assam have significant Bengali Muslim populations who have migrated over the last century and a half at least. The Indian perception is that the high percentage of Muslims in the states of Assam and West Bengal are due to infiltration from Bangladesh and Indian politics in the region has been about stopping the Bangladeshi 'cross-border infiltration'. Both India and Bangladesh have in the past provided havens for insurgents from each other's territories. In recent years India has taken much more aggressive action against its insurgents operating from Bangladesh and it has claimed that Pakistan-sponsored Islamic terrorists were also operating from Bangladesh. But underlying these security concerns, which would be relatively easy to address if these were the only problems, there is a much deeper concern about the growing share of Muslims in some of India's eastern states.

The result of these concerns was the construction by India of the longest fence in the world. Work on the fence started in 1987 and initially the decision was only to fence some vulnerable locations. Since then successive governments in India have decided to fence the entire Indo-Bangladesh international border. By 2010, roughly 3000 of 3783 kilometres have been fenced (Figure 7). The Indian Border Security Forces (the BSF) also engages in a trigger happy policing of the fence sometimes killing twenty or more people in a month. The dead include both Indians and Bangladeshis who are crossing the border for a variety of reasons including trade (often illegal), farming (as the border and the fence did not respect land ownership) as well as continuing migration. Terrorists, of course, manage never to be shot at the border.



Source: BBC News: http://news.bbc.co.uk/1/hi/world/south_asia/4622317.stm
 Channel 4 News <http://link.brightcove.com/services/player/bcpid1184614595?bctid=30479039001>

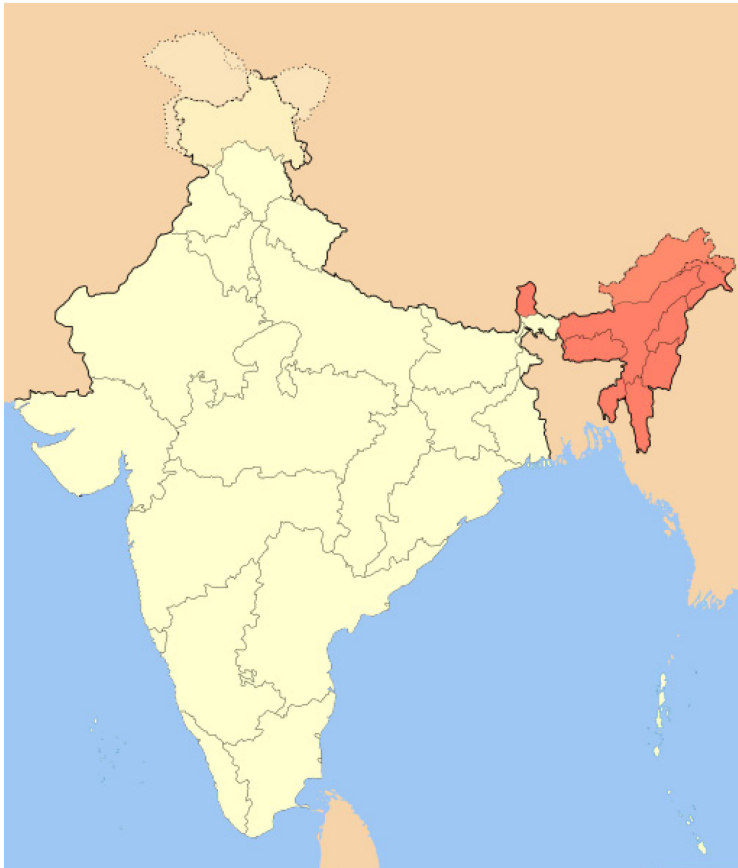
Figure 7 The Longest Fence in the World

As India has built the fence on its side of the border, Bangladesh has little option but to accept it as a reality, even though the border deaths are very unpopular. Bangladesh was one of the top ten countries in the world in terms of remittance income in 2008, earning almost 9 billion dollars. India was number one earning 30 billion dollars. These figures are steadily growing. If migrants to India were any significant part of Bangladeshi remittance incomes, India's fence would have concerned the political class in Bangladesh much more. But almost all official remittances come from Bangladeshis going to the Arabian Gulf, South-East Asia and beyond. The migrants to India are the poorest and least skilled and their remittances are negligible. The fence is therefore not an economic issue for the political class though it is a political issue they have to deal with particularly in the border areas.

The political tension between India and Bangladesh may rapidly escalate in the future as a result of another aspect of India's regional policy which is to demand 'transit' rights through Bangladesh. The Indian problem can be seen with reference to a map of its troubled North-East (Figure 8). To the east of Bangladesh are seven Indian states (known as the seven sisters) that are tenuously connected to India through the Shiliguri corridor. The corridor itself is often blocked by regional insurgents and the roads run through hilly and difficult terrain. To make matters worse, the North-East has some of the longest lasting insurgencies in India. In addition, a significant chunk of Arunachal Pradesh has been claimed by China with some historical justification and has already been included in Chinese maps as 'Southern Tibet'. Any increase in Sino-Indian regional competition is likely to result in increased Chinese activity in this area and an increase in its support for separatist insurgencies. The region is a potential flash point and Bangladesh may unwittingly become embroiled.

The most feasible route for shifting significant amounts of material and resources into the North-East and accelerating its integration into the rest of India is to use Bangladeshi ports and road and rail networks. If these networks are established, this obviously has the danger of involving Bangladesh in any future conflict between India and China in this region. But long before that happens, there is likely to be serious opposition in Bangladesh to India's transit demand if it ever gets implemented. The problem is that the ability of Bangladeshis to use the proposed networks on the same conditions as Indians appears to be precluded by India's concerns about the movements of Bangladeshis that have resulted in the construction of the fence. As a result, the political pressure from India has been for 'transit' rather than

‘connectivity’. The implication is that India should be granted the right to move its material through Bangladesh without having to grant reciprocal rights to Bangladeshis to travel through India because there is no Bangladesh on the other side that Bangladeshis can claim to be transiting to. For this privilege India has offered to pay tolls to use the roads, and to lend money (at market rates of interest) to construct the required infrastructure. While this may appear to be reasonable from an Indian perspective, a Bangladeshi government that accepts India’s fence and strict border controls for Bangladeshis and then grants its trucks and material the right to move freely through Bangladeshi territory is likely to be perceived as having sold Bangladeshi dignity down the river.



Source: <http://en.wikipedia.org/wiki/File:India-locator-map-NE.svg>

Figure 8 India's North-East and its Demand for Transit

The history of clientelist politics suggests what the outcome is likely to be. Any Bangladeshi ruling coalition that is forced or persuaded to concede to such an agreement will provide opposition coalitions with the easiest of targets to mobilize against it. Indian trucks moving through Bangladesh while Bangladeshis face strict border controls even for legitimate trips can only be a potent symbol of external control and loss of dignity. Dignity has been a powerful mobilizing force in Bangladesh throughout the last century, and political organizers have always managed to mobilize protests against unequal legal or constitutional arrangements. Indian transit rights without equivalent rights for Bangladeshis to travel through India will demonstrate an inequality that is unlikely to remain politically unchallenged in Bangladesh. History should give Indian and Bangladeshi political leaders pause for

thought if they want to avoid yet another confrontation between nationalisms. If India is unwilling to move towards a system of reciprocal rights of movement into and out of each other's territory, its best strategy will be to achieve its transportation goals with its North-East in some other way. The combination of transit rights for one side and strict border controls for the other is guaranteed to result in a new nationalist backlash in Bangladesh which neither country needs.

As a second-order problem, Bangladeshi policy-makers need to understand that while Bangladesh is competitive with India in a few sectors, in most sectors Indian industry is more advanced both technologically and in entrepreneurial capabilities. An opening up which does not match this with a parallel set of strategies for developing and supporting new Bangladeshi sectors may result in Bangladesh's specialization in a few sectors like garments and jute becoming even more difficult to break out of. This is not an Indian problem but an opening up that is badly designed and executed under a competitive clientelist political settlement can eventually result in seriously adverse economic outcomes. For instance, if Bangladesh's global competitiveness in garments and textiles declines as a result of the entry of other low-wage countries, and Bangladesh has by then already fully opened up to Indian capital and trade, it may be very difficult to support Bangladeshi entrepreneurs to catch up. Nor can Bangladesh then rely on Indian capital to set up manufacturing in Bangladesh because that would be subject to Indian economic policies at that time, and moreover, such a reliance is also likely to result in significant political tensions in the long-run that are not in the interests of either India or Bangladesh.

13. Conclusions

The framework of a clientelist political settlement allows us to make sense of a long history of political mobilization in Bangladesh and the construction of a variety of different nationalist coalitions. The construction of different variants of nationalism in Bangladesh cannot be explained by any pre-existing national movements that wanted to construct the specific nations that actually emerged. Rather, it makes more historical sense to link the emergent nationalisms with an analysis of the general characteristics of patron-client politics and their operation in eastern Bengal in particular. The analysis of patron-client politics tells us that the specific nationalist agendas that emerged were not pre-ordained, but were instead contingent but entirely legitimate responses of factional political organizers in eastern Bengal when they were faced with exclusionary strategies of previous dominant elites. While at one level these mobilizations had all the characteristics of clientelism, factions in East Bengal always managed to react rapidly and with great determination to join forces whenever there was an unjust attempt to constrain their activities.

This perspective has the prospect of addressing in a better way some of the major fissures that exist in Bangladeshi society regarding the interpretation of recent history. By moving away from an assertion of a primordial national identity that some groups either supported or betrayed, a richer and historically more accurate account can be retrieved that shows that particular nationalist outcomes were themselves the result of complex and changing bargaining games between emerging political entrepreneurs organizing new groups in Bengal and pre-existing elites with formal rights.

Our analytical perspective also allows us to integrate a history of nationalism with the problems of state-building and institutional development in independent Bangladesh. The intense competition between clientelist factions that had driven conflicts with pre-existing elites became more intense when those conflicts resulted in partitions and the loss of capital and assets that could have been more fairly used. Partition and freedom did not result in greater stability but rather the reverse. The result after 1971 in particular was more intense conflicts and sustained violence. It was only in the 1980s that Bangladesh begins to emerge from fifty years of turbulence. The emergence of minimal stability had to await the creation of a potential capitalist class through the activities of clientelist accumulation. This together with a lucky break in the garment industry and the presence of minimal governance and enforcement capabilities allowed growth in a few sectors to take off.

The number and fragmentation of factions in Bangladesh, as across most of South Asia, is such that the only feasible version of a clientelist political settlement is competitive clientelism. Attempts at authoritarianism and attempts to construct or preserve a dominant party ruling coalition failed. This too provides a better understanding of the challenges of governance in countries like Bangladesh that face competitive clientelism as the default version of the clientelist political settlement. In Bangladesh, the history of patron-client factions coalescing and fighting all-out battles against intransigent and uncompromising dominant elites unfortunately created an expectation amongst its political leaders that the no-compromise style of politics was both normal and could continue to deliver. Many of the problems of electoral breakdown can be traced to this zero-sum attitude amongst the leadership. This analysis contrasts with the 'good governance' analysis that motivated the failed attempt to reform the political system in Bangladesh during the two-year emergency caretaker government of 2007-9.

It is likely that the political leaderships of the major factional parties in Bangladesh will eventually move beyond the unviable positions of no compromise with the opposition that they adopted in the past. But this cannot be taken for granted. Even if a viable competitive clientelism emerges based on the possibility of a regular cycling of factions based on their organizational power, serious problems will remain that need to be addressed. Competitive clientelism in Bangladesh and elsewhere faces the most adverse growth-stability trade-off of all clientelist political settlements. Time horizons of the ruling coalition are short and their implementation capabilities are weak. Yet, the most important challenges facing developing countries such as the adoption of new technologies, the construction of critical infrastructure and so on require strong governance capabilities in a few sectors at least and a somewhat longer time horizon. The medium term challenge for countries like Bangladesh is therefore also to focus on these problems and to work within competitive clientelism to develop capabilities in one or two agencies to govern some of the most important interventions. These capabilities are most likely to be developed if the formal and informal arrangements required to make them work are as aligned as possible with the distributive goals of important coalitions affected by these strategies.

The most ambitious strategy for countries with competitive clientelism is to attempt to change the distribution of power through purposive political activity so that more favourable growth-stability trade-offs can be achieved. A developmental dominant party is the most likely route that could be explored by political entrepreneurs in

countries like Bangladesh. The experience of the Communist Party Marxist (the CPM) in West Bengal, which had some characteristics of a developmental dominant party, suggests that in the longer run the construction of a dominant developmental party is not necessarily precluded in Bangladesh. Short of a single dominant party, the construction of more disciplined competitive clientelist parties will also significantly improve the growth-statistic trade-off by allowing greater party discipline and thereby improving implementation capabilities.

Finally, our analysis discusses the likely responses of clientelist politics in Bangladesh to the Indian responses to insurgencies in the North-East and India's competition with China in this region. Bangladesh has been under considerable pressure to grant India transit rights to move men and material over Bangladeshi territory and through Bangladeshi ports. At the same time India's concern, and in Bangladeshi eyes over-reaction to growing Muslim populations in some of its eastern states, in particular in Assam, has led India to construct a comprehensive fence round Bangladesh. In that context, India is unlikely to allow Bangladeshis much laxer immigration controls compared to the current extremely time-consuming and strict arrangements for legal cross-border movements. Yet transit implies a special category of travel rights solely for India, so that its trucks and people can move across much faster than they already can under existing immigration and customs rules. Given the history of how nationalist responses have been constructed in Bangladesh against unequal rights, we would expect such an asymmetry to be rapidly used by excluded factions to construct nationalist umbrella coalitions against those who were responsible. The likely nationalist reaction to this agenda if it was pushed ahead would be damaging for both India and Bangladesh.

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