

Economic consequences of partition of British India

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1 Introduction

The division of British India in 1947 into India, Pakistan and what is now Bangladesh¹ has had a major impact on the economic and geo-political well-being of South Asia. More than 60 years later, the border related issues (for example Kashmir) continue to cause tension not only in the region but also in rest of the world. The partition also resulted in one of the largest rapid involuntary migrations of the 20th Century. This migration was on religious lines and involved a significant wealth shock for the households involved. Families were forced to leave behind their home, land etc. Vakil (1950) indicates that there were lot of negotiations between the governments on settlements but at least in the case of India, it seems that equivalent compensations were not provided to the affected families.

Vakil (1950) further points that the migration due to partition involved approximately 16 million people crossing borders in a span of three years which resulted in net influx of 2.5 million displaced persons into India. 6 million non-Muslims moved from Pakistan to India, around 6.5 million Muslims moved in the opposite direction. 4 million non-Muslims migrated from Bangladesh. However, only 1 million Muslims moved from East India to Bangladesh.

The evacuation, relief and rehabilitation of around 16 million people resulted in a refugee problem of unprecedented magnitude. The refugees coming into India left behind wealth and property much more valuable than the outgoing refugees. The partition led to an uneven distribution of area and India had to share a greater burden of the population in proportion to the land share.

¹United Pakistan when formed, consisted of Western and Eastern blocks. After the 1971 war, East Pakistan separated and became what is now known as Bangladesh. For convenience, I will refer to the blocks with their current names.

The overall density of population in Pakistan was lesser than India. India got 77% of the total area and 81% of the population. This resulted in a population density of 276 person/sq km in India and a density of 222 person/sq km in Unified Pakistan. The density of Unified Pakistan does not give an complete picture because Bangladesh, which covers about one-seventh of the area of united Pakistan has four-sevenths of the population. Bangladesh's density was 774 whereas that of Pakistan was 93.

There was also unequal distribution of irrigational facilities in United India. They were concentrated in Western Pakistan which meant assured increased agricultural output in that region, while the increased dependence on monsoons in India resulted in year to year uncertainty. The Hindu and Sikh refugees had left behind 4.3 million acres of irrigated land, against only 1.3 million acres of irrigated land evacuated by the Muslims of East Punjab.

Another interesting case was that of jute cultivation in the east. More than 70% of raw jute was grown in Bangladesh but its main market (jute mills) was in India. It was a clean example of a bilateral monopoly. Similarly, Pakistan also had important raw materials like raw jute, raw cotton, wool and hides and skins, whereas India had corresponding manufacturing centers.

In that era, the most effective way to evacuate millions of refugees in the shortest possible time was to organise foot-convoys. Refugees were in a better position to protect themselves if they were in large groups. The average size of a convoy was about 50000 persons. Railways were also utilised with regular train services suspended and all the available locomotives being used for evacuation purposes. It ran on average six refugee trains per day with each train carrying approximately 3000 refugees. Reliance on foot convoys may have been a major reason that refugees did not disperse uniformly into the mainland.

The refugees who came from West Punjab tended to concentrate mainly in East Punjab and were hesitant in moving to more distant places in India. Those from Sind mainly concentrated in Bombay, Rajasthan and central Indian states. Most of the refugees from Bangladesh concentrated in West Bengal with a few moving to Assam. Despite all the migration, the partition was not able to solve the communal problem. There continue to live many Muslims in India (11 percent population of that time) and many non-muslims in United Pakistan (13 percent).

Studying large scale involuntary migrations is crucial to understand the potential impacts of phenomena varying from political strife to climate change. If interested, Bharadwaj and Fenske (2012) provides a brief summary of the work that has happened in this area.

There is not much high quality economic analysis of migratory flows that resulted from the partition. There are many questions which seems worth exploring: Once the families decided to migrate, how did they chose the specific district destination? Did they resume their occupation or did their occupation choice respond to market signals of the destination? Was there stress and tension in the districts due to the incoming migrants? What was its impact? In the long run, are the districts that had greater share of migrants worse or better off?

In this paper I will try to summarize the research work that has happened on this topic. I will also try to detail few other papers which could provide useful leads to be explored further on this topic. I will then propose a few research questions which could be explored further. The purpose of this section is to provide a starting point for further discussion with my advisers. Finally, I will conclude.

2 Literature review

2.1 Partition specific work

Bharadwaj et al. (2008b) use the 1931 census of India and 1951 census of both India and Pakistan to describe the demographic consequences of partition related migration. Their analysis indicates that there may have been positive selection in people who chose to migrate compared to those who did not. In both countries, migrants were more likely to be men, educated and choose non-agricultural professions. Intuitively, migrants entering non-agricultural professions were more likely to migrate to further distances and to larger cities. They argue that in general, inflow reduces percentage population engaged in agriculture, outflow increases it.

In India, partition-related flows resulted in an increase in literacy rates and a decrease in the percentage of people engaged in agriculture. The effects for India reveal an aggregate increase in literacy of around 0.98%. Outflows in India decreased literacy rates only mildly, while inflows

increased literacy rates quite substantially.

In Pakistan, while incoming migrants tended to raise the literacy rates, out migrating Hindus and Sikhs (themselves being very literate) tended to reduce total literacy. As a result, there is a small decrease in Pakistans literacy due to partition. In extreme cases, majority of the literate population was made of migrants. For example, in Karachi, 91% of the literates were migrants. The overall effect for Pakistan is small and negative (0.2%). In Bangladesh, though the results are statistically insignificant, both inflows and outflows seem to decrease literacy rates.

In 1931 muslims in india had a smaller male ratio than muslims in pakistan - hence inflows into Pakistan might cause a decrease in male percentage. In addition, muslims in India had a higher male ratio than hindus and sikhs in India. On average in India the percentage of men in inflows was 1.09% percentage points lower than residents. In comparison, in Pakistan migrants are slightly more likely to be male (0.35%) than residents (this is substantial given that Pakistan districts already had fairly high male ratios).

In another study, Bharadwaj et al. (2008a) suggest that distance to the border plays a significant role with migrants both more likely to leave from and migrate to closer places. There is also a replacement effect with migrants going to districts which had greater outflows. Large cities are also likely destinations. Finally, there is substantial variation in flows across districts within the same states. Inflows centered around Punjab, West Bengal and Bangladesh. Western and Eastern borders experience different dynamics. Western border had 3 times the flow and there was greater movement into Pakistan. However, there was greater movement into India from Bangladesh.

In one of the few empirical studies that I could find, Bharadwaj and Fenske (2012) analyze assimilation of these migrants in Indian economy. They argue that migrants from Bangladesh brought in jute-specific skills. They use distance from the border as an IV to identify the impact of partition-related migration on jute production. They find that the districts in eastern India most affected by migrant flows were those that took up jute cultivation most extensively after partition. Consistent with the hypothesis, they show that migrants did not depress jute yields, did not increase the cultivation of other crops, and did not lower native wages. In summary, they showed positive economic effects of assimilation of migrants.

Partition was also inevitably accompanied with violence and riots on both sides of the border. Jha and Wilkinson (2012) use exogenous variation in combat exposure in World War II across districts and ethnicities to show that greater organisational capabilities may lead to more or less ethnic violence depending on which group gets the skill. When the majority received the organizational skill, the threat of violent ethnic cleansing appears to have been more credible, and the actual cleansing more organized and less wasteful of life and property. When the minority received the organizational skill, it appears to have made them better able to leave in anticipation of violence.

Districts with very small minorities or with unorganized majorities are likely to experience little ethnic cleansing or co-ethnic immigration, those with smaller organized minority groups are more likely to exhibit co-ethnic immigration, those with larger organized minority groups are more likely to exhibit peaceful ethnic cleansing (ethnic migration), and those with larger unorganized minority groups are more likely to exhibit violent ethnic cleansing.

2.2 Related interesting work

I now draw attention to other empirical work which does not directly talk about the partition event but is useful in exploring possible research ideas. Jha (2013) suggests that there are 2 important conditions for peaceful co-existence over long time horizons in ethnically diverse societies: the presence of a non-replicable and non-expropriable source of inter-ethnic complementarity, and access to a non-violent mechanism to share the gains from trade between groups. In societies where ethnic groups compete, where the source of one groups complementarity can be violently seized (such as physical capital) or easily replicated (eg low skilled human capital), which lack an effective non-violent mechanism for sharing the gains from trade (like many commercially-oriented trading communities) are likely to be more prone to ethnic conflict and less likely to develop reinforcing institutions supportive of ethnic tolerance.

Even with repeated interactions, peaceful co-existence will fail if members of one group are able to cheaply replicate or violently seize the resources that make members of the other group desirable trading partners. Therefore, to maintain inter-group complementarity over time, it is necessary for the source of each groups complementarity to be difficult for others to acquire. He uses the muslim

trade networks of medieval time period to show that port cities where such networks were strong experience less ethnic conflict even now.

Redding and Sturm (2005) use the division and the subsequent reunification of Germany to show that the cities close to the new border experienced a disproportionate loss of market access relative to other West German cities. The reason is that West German cities close to the new border lost nearby trading partners with whom they could interact at low transport costs prior to division. They show that the relatively larger loss of market access for cities close to the new border leads to a reallocation of population away from those cities to other West German cities.

There could be interesting lessons in understanding voluntary mass migrations as well. Theory suggests that the destination country exhibits higher return to skill than the source country, and therefore greater levels of income inequality, migrants will be drawn disproportionately from the top end of the source country's skill distribution. If, instead, the destination country offers lower return to skill and is therefore more equal than the source, migrants will be drawn disproportionately from the lower tail of the source country's skill distribution.

Abramitzky et al. (2010) estimate the return to migration while accounting for migrant selection by comparing Norway-to-US migrants with their brothers who stayed in Norway in the late nineteenth century. They also compare fathers of migrants and nonmigrants by wealth and occupation. They find that the return to migration was relatively low (70 percent) and that migrants from urban areas were negatively selected from the sending population.

Furthermore, prior cross-sectional work on this era finds that immigrants initially held lower-paid occupations than natives but experienced rapid convergence over time. Abramitzky et al. (2012) use a newly-assembled panel data to show that the average immigrant did not face a substantial occupation-based earnings penalty upon first arrival and experienced occupational advancement at the same rate as natives.

They argue that the apparent convergence in a single cross-section is driven by a decline in the quality of immigrant cohorts over time and the departure of negatively-selected return migrants. They find that the average immigrant who settled in the US long term did not hold lower-paid occupations than US natives, even upon first arrival, and moved up the occupational ladder at the

same rate as natives. Long-term migrants from highly-developed sending countries performed better than natives upon first arrival, while long-term migrants from poorer sending countries performed worse.

3 Future research

The ability of the receiving economy to assimilate migrants is related in turn to three broader questions. First, what economic impact did partition have on India or Pakistan? Second, to what extent are migrants and refugees good or bad in general for the receiving economy? Third, can migration act as a substitute for trade? (Bharadwaj and Fenske, 2012)

3.1 Long term effects

Evidence suggests there was adverse selection of the minority population that was left behind and positive selection of the migratory population. Evidence also suggests that migration happened in select districts both at source as well as destination. Some of the interesting and explorable long term impacts of this are the following.

3.1.1 Comparison of muslims across districts in India

Are muslims in districts that had greater outflows worse off than those in districts which did not experience significant outflows? Anecdotal accounts indicate that muslims in southern parts of India are economically and socially better off than the muslims in northern parts of India. How much of this can be attributed to the selection that happened during partition. Current sample surveys would allow us to analyse the socio-economic situation of the muslims while the 1951 census data allows us to create the independent variable.

3.1.2 Extremism in Pakistan

Rise of extremist elements is a major problem in Pakistan. If there was positive selection of migrants in Pakistan it will be interesting to see if there is any correlation between extremist activities and share of migrant population. I hypothesize that extremism has greater influence on districts which

witness less inflow of migrants during partition. To be able to do this kind of analysis I would need data on extremist incidents that happen in Pakistan and the independent variables will again be provided by the 1951 census.

3.2 Role of social networks on where to migrate

Once the migrants had made the decision to migrate, what were the factors that determined the final destination? Was it pre-dominantly a herd mentality: everyone in the source location ends up being together at the destination? Or the social networks built for the purpose of trade/business before independence had a role to play? Bharadwaj and Fenske (2012) do provide some evidence in this regard but specific to jute growers in Bangladesh. To test this hypothesis we need atleast district level trade data before the partition which could potentially be lying around at the National archives in India. This avenue requires further exploration.

4 Conclusion

I realise that more thinking needs to be given to the potential research questions which are feasible. The objective of this paper, besides fulfilling the course requirement, is to start a discussion on how to pursue research on this topic. Availability of micro-data seems to be a significant bottleneck. Census data exists only at the district level and none of the usual sample surveys seem to have started by then. However, that is what makes working on this project challenging. One thing is clear that not much high quality empirical research has been carried out.

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