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Journal of World History, Volume 29, Number 1, March 2018, pp. 65-94
(Article)

Published by University of Hawai'i Press

DOI: <https://doi.org/10.1353/jwh.2018.0002>

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Present at the Creation: India, the Global Economy, and the Bretton Woods Conference*

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ARDESHIR DARABSHAW Shroff (1899–1965) returned an upset man from the 1944 United Nations Monetary Conference held at Bretton Woods, New Hampshire. The Indian delegation to the Bretton Woods Conference, in which he had participated, failed to make headway in resolving the crucial sterling balances question. Built up over the past five years in exchange for financing Britain's war in Asia, India's sterling balances now amounted to almost £1.3 billion. They had transformed the longstanding Indo-British economic relationship: from perennial debtor, India emerged as one of the largest creditors to its imperial master. This reversal had taken its toll on the Indian wartime economy, which experienced galloping inflation, widespread scarcity, and enormous privations. Shroff and his colleagues had hoped to ensure that the new international monetary system crafted in Bretton Woods facilitated a just settlement of India's extraordinary sterling credits. However, the United States, the main architect of the postwar economic order, evinced little interest in India's claims. Although other imperial dependencies with accumulated sterling balances supported Shroff's calls for a multilateral settlement, they failed to make a concerted attempt at forcing the issue. "I do not think

*We are grateful to Professor Sunil Amrith, Professor Tirthankar Roy, and the two anonymous peer reviewers for their thoughtful comments on previous drafts of this article. We are also thankful to Rudra Chaudhuri and Louise Tillin for the opportunity to present an earlier version of this article at the King's India Institute, London, in January 2017.

we got a fair deal," Shroff wrote to a banker friend in America. He traced India's failure to the fact that it was the only formal colonial entity present at the conference. In a joint statement with his fellow delegate R.K. Shanmukam Chetty (1892–1953), Shroff told the *Times of India* that the failure of India to nominate an *Indian* leader to the delegation had been an embarrassment that prevented the country from projecting its interests boldly.¹

A London School of Economics (LSE)-trained stockbroker by profession, Shroff was a leading spokesman of Indian capitalists who also supported the nationalist movement. Shroff gained prominence in Bombay's business community early in his career. He played an important role in voicing demands for an Indian central bank, founded in 1935 as the Reserve Bank of India. The Indian nationalists had also appointed him to multiple committees of the National Planning Committee, which sought to lay out comprehensive schemes for the country's economic growth. By the 1940s, he sat on the board of India's largest conglomerate, Tata Sons, and was involved in a well-known exercise undertaken by leading Indian capitalists to plan for the economic development of the country.² Shanmukam Chetty hailed from a wealthy family owning various mills in the southern city of Coimbatore. After training as a barrister, he looked after the family business before joining local politics. Gaining prominence by the 1930s at the national level, he espoused a moderate form of politics that sought a far more gradual progress toward Indian self-government than that envisaged by many nationalists. Chetty also served as Diwan of the princely state of Cochin (1935–1941), a major administrative responsibility. His pro-British leanings endeared him to the Government of India and India Office, who sent him to represent the country at economic conferences from the 1930s.³

Shroff and Chetty may not have been entirely correct in their diagnosis of India's failure at Bretton Woods, but the sentiments espoused by them highlight something fundamental about the construction of the postwar order. On the one hand, India's mere

¹ Cited in Bakhtiar K. Dadabhoy, *Barons of Banking* (New Delhi: Random House, 2013), 224.

² Sucheta Dalal, A.D. Shroff: *Titan of Finance and Free Enterprise* (New Delhi: Viking, 2000).

³ Nilkan Perumal, *Economic Ambassador: The Life and Work of Dr Sir R.K. Shanmukam Chetty* (Coimbatore: Popular Hindustan Publications, 1954); Representation from the Indian princely states brought to the fore complex questions of sovereignty and international law, explored extensively in Stephen Legg, "An International Anomaly? Sovereignty, the League of Nations and India's Princely Geographies," *Journal of Historical Geography* 43 (2014): 96–110.

presence at Bretton Woods reminds us of the fact that it was an inclusive affair. Even a country like India that had yet to gain independence and sovereignty found a forum in which to articulate its vision of the postwar world. On the other hand, India's inability to inscribe its core concerns on the conference's proceedings points to the inbuilt hierarchies of power in the "liberal international order" being inaugurated at Bretton Woods.

The Bretton Woods Conference, held between July 1–22, 1944 at the Mount Washington Hotel in Bretton Woods, New Hampshire, gathered 44 of the Allied Nations to discuss a framework for the stabilization of the post-World War II international economic order. The key protagonists of the conference, Britain and the United States, were personified in the figures of John Maynard Keynes and Harry Dexter White. Members of their respective countries' delegations, the two men presented rival plans for the stabilization of the economy. Broadly, the Keynes Plan focused on restoring full employment and economic stability through trading blocs and a "clearing union." Under this system, countries running trade surpluses would convert these to an international reserve currency called "bancor." This would incentivize them to buy the exports of other nations. By contrast, the White Plan involved a "stabilization fund" privileging the restoration of multi-lateral trade between countries under a fixed exchange rate regime pegged to the dollar with convertible currencies. Unlike the Keynes Plan, this forced adjustments upon debtor rather than creditor nations. Although Keynes was a far more eminent economist than White, the latter's plan carried the day on the grounds of America's overwhelming economic might.⁴ The Bretton Woods system consisted of a system of fixed exchange rates with the dollar as the international reserve currency, a fund for the monetary stabilization of countries facing balance of payments crises (the International Monetary Fund or IMF),

⁴ Benn Steil, *The Battle of Bretton Woods: John Maynard Keynes, Harry Dexter White, and the Making of a New World Order* (Princeton: Princeton University Press, 2014); Ed Conway, *The Summit: Bretton Woods, 1944: J.M. Keynes and the Reshaping of the Global Economy* (New York: Pegasus, 2015). For a classic account with Anglo-American focus, see, Richard N. Gardner, *Sterling-Dollar Diplomacy* (New York: Oxford University Press, 1956). For the British perspective, see Martin Daunt, "Britain and Globalization since 1850: III. Creating the World of Bretton Woods, 1939–1958," *Transactions of the Royal Historical Society* 18 (December 2008): 1–42 and the chapter "The Strange Case of Harry Dexter White," in *John Maynard Keynes: Fighting for Britain, 1937–46*, ed. Robert Skidelsky (London: Macmillan, 2000), especially pages 242–263. On the Canadian proposal, see James Haley, "Canada and the IMF: Global Finance and the Challenge of Completing Bretton Woods," in *Crisis and Reform: Canada and the International Financial System*, ed. Rohinton Medhora and Dane Rowlands (Montreal and Kingston: McGill-Queen's University Press, 2014), 33–52.

and an International Bank for Reconstruction and Development which focused originally on investing in infrastructure in war-torn Europe but later widened to encompass much of the world.⁵

The related issue of the economic development of the decolonizing nations played an important role in the negotiations. Part of the wider American agenda of promoting free trade was generating the conditions for stability so that the United States would benefit from favorable export markets in these parts of the world. By contrast, Britain, which had accumulated massive debts across the colonies and the dominions, sought to maintain trade relationships with these regions. Their sterling denomination was a greater priority than wider convertibility. As Eric Helleiner has ably shown, the conference therefore became a place for the articulation of international development goals and drew on the participation of developing countries.⁶ This new work has also deepened our understanding of India's role in the Bretton Woods conference, which had previously been focused all but exclusively on the issue of sterling balances.⁷ This article presents India's participation in the Bretton Woods conference in a longer and broader historical context. Building on the historiography of Bretton Woods as well as a more specialized literature on the Indian economy, it argues that India's role in Bretton Woods needs to be placed at the confluence of various national, imperial, and global historical processes. We also argue that India's presence in the conference should be understood as a foundational moment shaping the evolution of the country's relationship to international economic institutions.

First, we examine India's changing role in the global economy—a role that secured for it a place at the Bretton Woods Conference. This background to India's participation helps us understand both its

⁵ John Ruggie, "International Regimes, Transactions, and Change: Embedded Liberalism in the Postwar Economic Order," *International Organization* 36, no. 2 (1982): 379–415.

⁶ Helleiner, *Forgotten Foundations of Bretton Woods: International Development and the Making of the Postwar Order* (Ithaca: Cornell University Press, 2014).

⁷ The relevant work includes Helleiner, "India and the Neglected Development Dimensions of Bretton Woods," *Economic and Political Weekly* 50, no. 29 (2015): 31–39; Anand Chandavarkar, *Keynes and India: A Study in Economics and Biography* (London: Macmillan, 1989). Chandavarkar's account has provided much of the relevant information for later scholarship that considers the conference, such as Dadabhoy, *Barons of Banking*, 215–239. On the accumulation of India's sterling balances and their attempted negotiation during the conference, see Aditya Mukherjee, "Indo-British Finance: The Controversy over India's Sterling Balances, 1939–1947," *Studies in History, New Series*, 6, no. 2 (1990): 229–251 and S. L. N. Simha, ed., *History of the Reserve Bank of India, Volume 1: 1935–51* (Bombay: Reserve Bank of India, 1970), 432–434, 584–629.

identity as a *subordinate but systemically significant actor* in the global economy and its stance toward the new order that was coming into existence in the conference. India was subordinate in the sense that its ambitions were of secondary importance to those of the Empire, but it was significant as a crucial part of that system. This is also evidenced by Indian participation in the international institutions being developed during the interwar period, such as the League of Nations, and the involvement of the League in thinking about planned economic development for India.

Second, we look at how a discourse of Indian economic development came into being and shaped Indian objectives for the conference. We argue that this discourse of development was the product of three processes: the emergence of an Indian capitalist class sympathetic to nationalism, the scientific study of the Indian economy, and political reform in India. The article subsequently shows how the vision of planned economic development crystallized in the context of the Second World War owing to the accrual of large sterling balances. Finally, it considers how India sought to secure its objectives at the conference and how the outcomes were perceived back home—perceptions that presaged the country's enduringly ambiguous relationship with these institutions.

By devoting attention to individual actors and their motivations in global processes, the article hopes to provide a window into national conversations about international economic institutions. In so doing, this article moves in the directions charted by the new historiography of international institutions—one that seeks to uncover their power dynamics, to contribute to the project of writing the international history of marginalized nations and thereby bringing them into the center, and to unlock some of the complex and diverse visions of international institutions, their possibilities, and limitations.⁸

⁸ Sunil Amrith and Glenda Sluga, "New Histories of the United Nations," *Journal of World History* 19, no. 3 (2008): 251–274. The emerging body of work takes a more global view of international institutions. It seeks to restore the agency of smaller actors without losing sight of the ideologies, the differential power equations, and racial and social hierarchies embedded in these institutions from their creation. Representative work includes Mark Mazower, *No Enchanted Palace: The End of Empire and the Ideological Origins of the United Nations* (Princeton: Princeton University Press, 2009), and Mazower, *Governing the World: The History of an Idea* (London: Allen Lane, 2012), Glenda Sluga, *Internationalism in the Age of Nationalism* (Philadelphia: University of Pennsylvania Press, 2013), Sunil Amrith, *Decolonizing International Health: India and Southeast Asia 1930–65* (London: Palgrave Macmillan, 2006), Patricia Clavin, *Securing the World Economy: The Reinvention of the League of Nations, 1920–46* (Oxford: Oxford University Press, 2013), and Susan Pedersen, *The Guardians: The League of Nations and the Crisis of Empire* (New York: Oxford University Press, 2015).

SUBORDINATE BUT SYSTEMICALLY SIGNIFICANT: INDIA IN THE WORLD ECONOMY

The immediate backdrop to India's participation in the Bretton Woods conference was its contribution to the Second World War, during which the country emerged as a major base for Allied campaigns in the Middle East and Southeast Asia. Consequently, India became one of the largest war-time creditors to its metropolitan master. Yet, this extraordinary transformation was not the only reason why India had obtained a seat at the table. Since the mid-nineteenth century, India formed an important part of Britain's economic empire and by extension the global economy. Indeed, India was a subordinate but systemically significant actor in the world economy. Furthermore, her participation represented part of a broader movement toward greater self-government and representation for the Dominions and colonies in imperial affairs.

During the second half of the nineteenth century, India played a key role in the operation of the imperial economic system. First, India ran a trade deficit with Great Britain, exporting raw materials and importing finished goods. This allowed Great Britain to increase its imports from the rest of the world, and India was the largest destination for British exports.⁹ Home charges, fees paid to Great Britain for the administration of the Government of India, formed the second way in which India facilitated the operation of the Imperial economic system. Even when the Indian trade deficit with Great Britain reversed in the late 1890s, this arrangement ensured that India would continue to be in Britain's debt.

Dadabhai Naoroji (1825–1917), one of the founders of the Indian Nationalist Congress, advanced a “drain of wealth” theory describing the effects of this pattern of trade and the home charges. India was being drained of her natural wealth by Britain and left unable to develop her productive resources. Naoroji also compiled statistical estimates of the poverty of India and used the widespread occurrence of famine during the nineteenth century to help illustrate this wider point. His contemporary, the civil servant and historian R.C. Dutt (1848–1909), authored an influential two-volume *Economic History of India* that incorporated the drain theory. Similar concerns were echoed by Justice M.G. Ranade (1842–1901), another one of the Congress' founders, who would argue at various points that economic questions

⁹ B. R. Tomlinson, *The Political Economy of the Raj, 1914–47: The Economics of Decolonization* (Cambridge: Cambridge University Press, 1979), 1.

outweighed the importance of political concerns. The Economic Enquiry of 1888, conducted in part as a response to these allegations, discovered widespread poverty and substantiated these concerns. These were merely the three most prominent early thinkers who seeded an era of “economic nationalism,” as the historian Bipan Chandra has called it. Later nationalists would also speak in this language as they widened mass support for the Indian National Congress beyond issues of constitutional reform and the Indianization of the civil services.¹⁰

The third major way in which Britain used India to advance imperial economic interests was by manipulating the Indian currency to help operate the first gold standard. By the late 1890s, India was on a gold exchange rather than a gold standard. This meant that the rupee was convertible to sterling at the rate of sixteen pence, which in turn was convertible to gold. To prevent gold from reaching India after the reversal of the trade deficit, the Indian gold standard reserve was substantially parked in the United Kingdom. Invested in British financial securities, these gold holdings earned very low rates of interest and helped stabilize the London market. To further prevent gold from reaching India and the Indian rupee appreciating, the Government of India in London issued council bills in exchange for gold. Purchasers of the bills, importers, could then exchange them for rupee purchases in India.¹¹

The importance of India to the British and the global economy was underscored in the First World War. Imperial expenditure undertaken by India during the war years added up to £367 million.¹² In addition, India presented an outright financial gift of £100 million to Britain—an amount that exceeded the annual revenue of the government of India.¹³ This was substantial: Britain’s debt to its largest creditor at the end of the war, the United States, amounted to £850 million. In the event, Britain’s war-time debt to India was settled by 1922, but only after the postwar depreciation of the pound had substantially reduced

¹⁰ Bipan Chandra, *The Rise and Growth of Economic Nationalism in India: Economic Policies of Indian National Leadership, 1880–1905* (New Delhi: People’s Publishing House, 1960).

¹¹ This discussion largely follows Marcello DeCecco, “Indian Monetary Vicissitudes: An Interlude,” in *India and the World Economy*, ed. Balachandran, 223–234, itself excerpted from DeCecco, *Money and Empire: The International Gold Standard, 1890–1914* (Totowa, NJ: Rowman and Littlefield, 1974).

¹² Krishan G. Saini, “The Economic Aspects of India’s Participation in the First World War,” in *India and the World War I*, ed. D. C. Ellenwood and S. D. Pradhan (New Delhi: Manohar, 1978), 151–52.

¹³ *India in the Years 1917–1918: A Report Prepared for Presentation to Parliament* (Calcutta: Superintendent of Government Printing, 1919), 81–82.

its real value. The manner in which Britain dealt with India's wartime sterling credits would deeply influence Indian opinion during and after the Second World War.

India's systemic role was also underscored during the war by the fact that Britain had proscribed gold imports into India. This facilitated financing Britain's own imports from the United States, which would not accept sterling credits and insisted on gold payment. More broadly, the twin imperatives of financing inter-allied wartime debts and supporting the vast expansion in national currencies necessitated diverting gold resources to the "center" of the global financial system. To help tide over this liquidity crisis, India was compelled to settle for sterling bills or silver rather than gold in financing its own trade. This also helped the United States to get rid of its silver surpluses.¹⁴

Monetary policy continued to be deployed during the inter-war years to ensure that India remained Britain's economic shock-absorber. The India Office continued to thwart the inflow of gold into India during years of economic expansion. During the Great Depression, the India Office managed to promote gold exports from India by the pursuit of a deflationary monetary policy through an overvalued exchange rate. This compromised Indian export earnings and led to the liquidation of gold holdings to pay for debts.¹⁵ The gold outflow to Britain also allowed the latter's repayment of debts to the United States. India thus played a central role both in Britain's efforts to restore the gold standard and, after sterling went off gold in 1931, relieving Britain's liquidity position.¹⁶

India's peculiar position in the international economic order—at once subordinate and significant—ensured its participation in various international economic conferences after the First World War. But India's growing international profile also reflected the evolution of Britain's relationship with India and the Dominions (Australia, New Zealand, Canada, South Africa, Newfoundland, and the Irish Free State) during the inter-war years. The promises made during World War I of devolution to the Dominions and progress toward responsible self-government in India gave way to the 1931 Statute of Westminster. This granted the Dominions legislative independence as equal members of the Commonwealth. In India, which was not a White

¹⁴ See the excellent treatment in G. Balachandran, *John Bullion's Empire: Britain's Gold Problem and India Between the Wars* (Richmond, UK: Curzon, 1996), 47–65.

¹⁵ Dietmar Rothermund, *India in the Great Depression, 1929–39* (New Delhi: Manohar, 1992).

¹⁶ However, this role too has been ignored by standard accounts of the interwar gold standard. Consider, for example, Barry Eichengreen's classic text, *Golden Fetters: The Gold Standard and the Great Depression 1919–39* (New York: Oxford University Press, 1996).

Dominion, maneuvering proved even more difficult for the British. Gandhian nationalism had unleashed widespread sentiments of discontent with the British Raj and demands for complete independence, particularly with the Civil Disobedience movement of 1930–1931. The constitutional evolution of India between the Montague Chelmsford Reforms of 1919 and the Government of India Act of 1935 culminated in provincial autonomy for India with elections but retained essential central functions in the hands of the Raj.¹⁷

India's membership in international institutions and participation in important conferences between the wars reflected both these political developments and its particular standing in the global economic order. India was a founding member of the League of Nations and one of the eight original members of the International Labor Organization (ILO). Indian delegates to the League of Nations played key roles in work against the opium trade and toward the suppression of slavery. They helped to define a public health agenda for the League and participated actively in the League's Committee on Intellectual Cooperation.¹⁸ Although careful to subordinate Indian concerns to the interests of the empire, the Government of India became involved in the international economic institutions being built up during the interwar period. British India sent separate delegations both to the International Economic Conference at Geneva in 1926 and the World Economic Conference at London in 1933 and an Indian representative participated in the World Economic Conference of 1927.¹⁹ The role and contribution of Indian representatives in these forums can be traced through the figure of Sir Jehangir Coyajee (1875–1943), leading economist and Indian delegate to the League of Nations.

Coyajee had studied Economics at Gonville and Caius College, Cambridge, distinguishing himself in the 1910 Tripos exams. Cambridge professor Alfred Marshall, the most important economist in the world at the time, had said that "Coyajee will add one more to the now not inconsiderable number of natives of India who may claim to rank with the ablest and most thorough students of economics in any country."²⁰ The subsequent year, the Secretary of State for India nominated him to a new

¹⁷ This paragraph largely follows John Darwin, *The Empire Project* (Cambridge: Cambridge University Press, 2009), 359–514.

¹⁸ Karl Joseph Schmidt, "India's Role in the League of Nations, 1919–39," unpublished PhD dissertation, Florida State University, 1994, especially pages 191–247.

¹⁹ Legg, "An International Anomaly?", 101; J. C. Coyajee, *India and the League of Nations* (Andhra University: Waltair, 1932), 97.

²⁰ Atul Chatterjee, "Obituary: Jehangir Cooverjee Coyajee," *Economic Journal* 53, no. 212 (1943): 453–456.

Professorship at Presidency College in Calcutta, where he built up the premier economics institution in the Bengal Presidency over the next two decades. Most of his energies concerned institution-building and teaching. During the 1920s, he also served on two key imperial committees: The Indian Fiscal Commission (1920–1922), which looked at the implications of fiscal autonomy for India, and the Royal Commission on Indian Currency and Finance (1926–1928), which considered the post-WWI exchange rate between the pound and the Rupee. To widen understanding of the issues taken up by and implications of the recommendations of these committees, he delivered two sets of lectures, later published as books, called *The Indian Fiscal Problem* (1924) and *The Indian Currency System: 1835–1926* (1926). Knighted for his services in 1928, he was an imperial loyalist who nonetheless had an interest in developing India's industrial capacities via protective tariffs and adapting Western economic theory to Indian conditions.²¹

Representing India at the League in 1930, Coyajee had proposed a resolution that was adopted unanimously and led to the economist Bertil Ohlin's "Report on the Courses and Phases of the World Economic Depression."²² In part to deal with the Great Depression, Coyajee showed great interest in advancing international economic cooperation by fostering transnational networks of expertise. He corresponded with Albert Thomas, the first director of the ILO, in setting up a "petit groupe pour avancer la cause de la cooperation en Australie, en Japon, en Irlande, en Afrique de Sur et dans l'Inde."²³ At the League Assembly in 1932, he drew attention to the work of the International Committee for Inter-Cooperative Relations at the Second Commission of the League Assembly.²⁴ That year, Coyajee also published a book called *The World Economic Depression: A Plea for Co-operation*, dedicated to "M. Albert Thomas, the life-long advocate and exponent of co-operation," who had just passed away. In the

²¹ J. Krishnamurty and Sumita Kale, "India and Development Economics: External Influences and Internal Responses," in *Ragnar Nurkse (1907–2007): Classical Development Economics and its Relevance for Today*, ed. Rainer Kattel, Jan Kregel, and Erik Reinert (London: Anthem Press, 2009), 297–328.

²² H. A. F. Lindsay, High Commissioner for India at London, to Sir Jehangir Coyajee, 3 October 1930, Serial 63, Part I, "Papers Relating to Sir J. C. Coyajee's Participation in the Assembly of the League of Nations," J. C. Coyajee Papers, Microfilm Roll 358, National Archives of India, New Delhi, India (hereafter NAI); Coyajee, *India and the League of Nations*, 120–126.

²³ Albert Thomas to J. C. Coyajee, 10 November 1931, Serial 67, Part I, Coyajee Papers, Microfilm Roll 358, NAI.

²⁴ Harold Buder to J. C. Coyajee, 14 October 1932, Serial 68, Part I, Coyajee Papers, Microfilm Roll 358, NAI.

preface Coyajee declared that “it is not only the League which should prosecute inquiries into that great and all-engrossing subject. . . Next to the League the Universities seem to be the best institutions for discussing the subject.”²⁵ Indeed, he was keen to make the Andhra University at Waltair, where he occupied a chair after his tenure in Calcutta, one “center of work on cooperation.”

Coyajee saw his function in writing the book, itself adapted from a series of lectures, as something that could “help in popular discussion” and “in provoking thought.” It was not a set of solutions or a work “creating the right public attitude toward the subject” emanating from “the most distinguished holders of Economic chairs in different countries.” In that sense, the book reads more as a loose synthesis of various ideas. The first part identified four causes of the Depression: gold imbalances related to monetary and banking policies, maladjustment of production to consumption, tariff barriers, and reparations. All of this might have been avoided, he suggested, if “co-operation as between producers and consumers, amongst bankers and currency authorities and between states as regards commercial policy” had taken place; “it is in the absence of the development of this main adjusting and regulating factor that there have appeared so many and such serious economic maladjustments.”²⁶ Therefore, further development of the potentialities of cooperation was the demand of the hour.

Coyajee considered the “co-operative principle” to be one with possibilities for transformation of the world order. In contrast to competition, which “emphasizes their relations as rivals,” cooperation stressed “the complementary aspects of productive factors and persons.” Discovered “about the middle of the last century,” the world had “delayed its comprehensive and full development by eight decades.”²⁷ The second part of the book looked at how various kinds of “cooperation” could overcome the challenges of the world economic crisis. In the sphere of dealing with international gold imbalances, Coyajee’s discussion of cooperation considered proposals discussed by the League for a sterling bloc between countries to counter American and French “monopolist” gold hoarding if America and France could

²⁵ Coyajee, *The World Economic Depression: A Plea for Co-operation* (Andhra University: Waltair, 1932), iii–iv.

²⁶ Coyajee, 1.

²⁷ This refers to credit cooperatives pioneered for producers by Raiffeisen in Switzerland and consumer cooperatives by the Rochdale Pioneers in England. On the former, see Ernst Lemcke, *Die Entwicklung der Raiffeisen-Organisation in Der Neuzeit* (Karlsruhe: G. Braun, 1913) and on the latter, see G. J. Holyoake, *The History of Cooperation in Rochdale: Part I, 1844–57* (London: Trübner & Co., 1872).

not “co-operate” to restore the gold standard. Moving on to production and consumption, Coyajee considered the discussions at the International Committee for Inter-Cooperative Relations to promote both “moral and economic relations” between agricultural cooperative production and consumer co-operatives across international borders as especially promising. He referenced in particular a report by a committee member on a “scheme for the creation of a co-operative flour mill or bakery to be the joint property of distributive co-operative associations and agricultural co-operative societies for the sale of farmers’ wheat.”²⁸ Coyajee also noted that “a good deal of work was done on the cooperative exportation and importation of eggs in the case of Czechoslovakia, Germany and other countries—the idea here also being to bring productive and consuming co-operative societies into international contact.” According to Coyajee, these examples had value for India, which had its own set of co-operative societies, but might have done more to develop in the lead-up to the Depression. However, at an international level, India had done her part in aiding the global “co-operative” effort to circulate gold more equitably, having contributed Rs 560 million of gold bullion to England from her reserves. Jehangir Coyajee believed in India’s importance to the global economic order and had an optimism about the potential of international institutions in solving economic challenges. Although unusual in his idealism, he represented a forgotten earlier wave of anglicized non-nationalist Indian intellectuals, a missing piece in the evolution of Indian economic thinking between the early nationalists like Naoroji and the post-World War II economists and civil servants who took part in nation-building and Indian economic planning.²⁹

Membership of international institutions impinged in other, more direct ways on the creation of expertise on development in India. The Indian government invited the head of the League of Nations Economic and Financial Section, Sir Arthur Salter (1881–1975), to advise on creation of an economic advisory council. Salter had previously been head of the Supreme Economic Council in Paris and worked on postwar currency stabilization in Hungary and Austria.³⁰ A

²⁸ Coyajee, 40–77.

²⁹ These included figures like the diplomat Atul Chatterjee (1874–1955), representative to the League in 1925 and administrator C. P. Ramaswami Aiyar (1879–1966), representative to the World Economic Conference in 1933.

³⁰ “Salter, (James) Arthur, Baron Salter (1881–1975)”, rev. *Oxford Dictionary of National Biography* (Oxford: Oxford University Press, 2004), online ed., Oct 2009 [<http://www.oxforddnb.com.ezp-prod1.hul.harvard.edu/view/article/31651>], accessed 30 August 2016; Salter, *Reconstructing Hungary* (London: British Institute of International Affairs, 1924).

“British civil servant of the utmost distinction” and a “pillar of the establishment,” Salter wrote a book about the importance of economic planning for the world to escape the Depression.³¹ Between January 9 and February 15, 1931, he undertook a whirlwind tour of India. Salter met “representatives of the Governments, Legislatures and Administrations, of Chambers of Commerce, of Universities and other institutions, and many representative persons from the different spheres of national life.” The report he prepared acknowledged the author’s lack of familiarity with India. Salter suggested, “with the greatest diffidence,” the creation of a central advisory body representative of local and provincial government, commercial interest, and research organizations. His recommendations sought to incorporate best international practices while adapting them to “the administrative divisions. . . of India, which are altogether different from those of any country which has in recent years set up a permanent advisory economic organization.”³² One of Salter’s major suggestions, flowing from British experience, was that both “expert” opinion and opinion “representative of every main sphere of the organized economic life of the country” be considered in constituting such an advisory body.³³ Indeed, by this time, economic development had become a common objective, as it justified colonial rule on the one hand and animated the nationalist imagination on the other.³⁴

INTERWAR INDIA AND THE EVOLUTION OF INDIAN DEVELOPMENTAL DISCOURSE

A larger quest after development took embryonic shape in the inter-war years based on developments in India. The post-WWI beginnings of the scientific and bureaucratic study of the Indian economy and the emergence of an Indian nationalist capitalist class clamoring for

³¹ Eric Hobsbawm, *The Age of Extremes: The Short Twentieth Century, 1914–1991* (London: Abacus, 1995), 96. The book was called *Recovery: The Second Effort* (New York: The Century Company, 1932).

³² Arthur Salter, *A Scheme for an Economic Advisory Organization in India* (Calcutta: Government of India, 1931).

³³ However, the Economic Advisory Council never saw the light of day. It has been argued that the bureaucracy feared empowering a Council having Indian representatives who might politicize otherwise “objective” economic policymaking. Chattopadhyay, “The Idea of Planning in India”, 57.

³⁴ Benjamin Zachariah, *Developing India: An Intellectual and Social History, c. 1930–50* (New Delhi: Oxford University Press, 2005).

economic development, were imbricated in political discourse and reform in the subcontinent.

Although the disciplinary study of the Indian economy goes back to the years before the First World War, it really came into its own only during the inter-war period. The newly established university chairs in political economy in the 1920s helped shape the production of economic research and knowledge in India, with a special focus on development of the country.³⁵ H. Stanley Jevons, the first Professor of Economics at Allahabad University, underscored in his inaugural lecture the special possibilities for economic policy in India. He observed that “the expert assistance of trained economic investigators is of especial importance,” in a “bureaucratic” rather than a “democratic” government.³⁶ Having conceptualized a bureaucratic government “advised by scientific experts, consulting with representatives of all classes and sections of the people, but not controlled by them” as “the type of Government which will ensure the most safe and rapid progress,” he founded the *Indian Journal of Economics* and Indian Economic Association to help create that expertise.

The Indian official mind moved in a similar direction. The government of India invited economists to offer testimony and data to the Economic Inquiry Committee of 1925, which the Legislative Assembly tasked with assessing the level and distribution of income and the tax burden of India.³⁷ In 1934, the British economists A.L. Bowley and Dennis Robertson submitted a report to the Indian government recommending the introduction of a small group of economists in the Viceroy’s Executive Council and the creation of a statistical department to study issues pertaining to national income, wealth, and production.³⁸

Bureaucratic interest in the scientific study of the Indian economy drew not merely from perusing the studies of Indian economists, but also from exchanges with foreign countries. In 1930, Sir George Schuster, Finance Member in the Viceroy’s Executive Council, prepared notes on economic policy proposing an Economic Advisory

³⁵ C. N. Vakil, “The Teaching of Economics,” in *The Teaching of Social Sciences in India: 1947–67*, ed. Humayun Kabir et al. (New Delhi: Universal Publications, 1968), 41–93; Prasannan Parthasarathi, “The History of Indian Economic History,” in *The Routledge Handbook of Global Economic History*, ed. Francesco Boldizzoni and Pat Hudson (London: Taylor & Francis, 2016), 281–292.

³⁶ H. Stanley Jevons, *Economics in India* (Allahabad: Pioneer Press, 1915).

³⁷ *Report of the Indian Economic Enquiry Committee, 1925* (Calcutta: Government of India, 1925).

³⁸ Raghavendra Chattopadhyay, “The Idea of Planning in India, 1930–51,” unpublished PhD dissertation, Australian National University, 1985, 52.

Council and drawing on parallels from many countries including Great Britain, Australia, Germany, the United States, Russia, and Japan, “to whose example India always looks.”³⁹ The same year, D.B. Meek, the Director General for Commercial Intelligence, went to the United States to study the production of statistics there. On returning, he recommended the use of long-term statistics and monthly production figures to erect a statistical foundation for economic planning.⁴⁰

Another feature of this era was the rise of a nationalist capitalist class conscious of the need for autonomous development. Indian entrepreneurs originally emerged in industries neglected by the British. The demands of the First World War at once accelerated the industrialization of India and gave Indian businessmen crucial commercial openings by way of war-time contracts. However, postwar policy adopted by the government rebuffed aspirations of this class for continued industrialization. More importantly, the war reoriented India’s external trade away from Britain and toward Asia. This meant that the imperial connection began to matter much less to the Indian entrepreneur, and by the late 1930s Japan and the United States exported more to India than Great Britain.⁴¹

By contrast, as described in the previous section, India was Great Britain’s monetary shock absorber and continued to be deeply connected to her in monetary affairs. This came at a heavy cost to Indian economy and society during the inter-war period, particularly in indebted agrarian areas.⁴² Currency independence became a key component of nationalist demands, and an Indian Currency League was founded in 1926 to advocate for a lower exchange rate to sterling.⁴³ Not surprisingly, leading Indian businessmen began to imagine an autonomous “national” arena of capital accumulation, and by way of groups like the Indian Merchants’ Chamber and the Federation of Indian Chambers of Commerce and Industry drew closer to the Indian

³⁹ See the discussion in Chattopadhyay, 29–36; Quotation from “Proposed formation of an Economic Advisory Council in India,” Department of Commerce, Commerce A Branch, Serial 1, September 1931, File 2002-C, NAL.

⁴⁰ Chattopadhyay, 50.

⁴¹ See Tirthankar Roy, *India in the World Economy: From Antiquity to the Present* (Cambridge: Cambridge University Press, 2012), 220; B. R. Tomlinson, *The Economy of Modern India: From 1860 to the Twenty-First Century* (Cambridge: Cambridge University Press, 2013), 109–115. For a useful framework to think about the impact of the war on the global economy, see Adam Tooze and Ted Fertik, “The World Economy and the Great War,” *Geschichte und Gesellschaft* 40, no. 2 (2014): 214–238.

⁴² Dietmar Rothermund, *India in the Great Depression, 1929–39* (New Delhi: Manohar, 1992).

⁴³ Ousep Matthen, “Monetary Aspects of the Inter-War Economy of India: The Rupee Problem, 1919–39,” unpublished PhD dissertation, Jawaharlal Nehru University, 1980, 428.

National Congress. By the 1930s, a businessman like G.D. Birla could help finance the Congress Party, enjoy a close relationship to Gandhi, and deliver speeches about the need for a broad-ranging economic policy that helped to increase the “purchasing power of the masses.” But nationalist sentiment can only partly account for the Indian business community’s interest in wider aspects of economic policy: their appreciation of the opportunities that would be opened up in an industrialized economy was equally, if not more, important.⁴⁴ In 1938, the Congress convened a National Planning Committee with subcommittees aiming to tackle in detail various aspects of planned economic development. The business community enjoyed prominent representation. However, the committee’s work came to a halt in 1940, when Chairman Jawaharlal Nehru and other senior leaders were sent to jail for civil disobedience against India’s participation in the Second World War.

Boundaries between the government bureaucracy, technical experts, and the business class began to blur during these years. It was in part related to how political reform during the interwar period took its course. The 1919 Montagu–Chelmsford Reforms formed an important step in the devolution of Indian political power. The Indian electorate was expanded and certain functions of government were delegated to provincial governments and handled by elected ministers from provincial assemblies that included Indians.⁴⁵ Although such issues as finance did not fall within the purview of provincial governments, debate on economic affairs certainly began to become a force in these assemblies, which the nationalist capitalist class partook in. The subsequent 1935 Government of India Act transferred financial control of India from London to New Delhi.⁴⁶ The same year, the Reserve Bank of India was established.⁴⁷

The professional backgrounds of the men who represented India at Bretton Woods reflected this layered historical legacy of the interwar period. Jeremy Raisman and Theodore Gregory came from the late colonial bureaucracy; the latter had also been a prominent academic economist. As mentioned earlier, R.K. Shanmukam Chetty and A.D.

⁴⁴ Quoted in Chattopadhyay, “The Idea of Planning in India”, 65. See also the excellent, synoptic treatment in Tirthankar Roy, *India and the World Economy* (Cambridge: Cambridge University Press, 2012), 210–223; David Lockwood, *The Indian Bourgeoisie: A Political History of the Indian Capitalist Class in the Early Twentieth Century* (London: I.B. Tauris, 2012); Claude Markovits, *Indian Business and Nationalist Politics: The Indigenous Capitalist Class and the Rise of the Congress Party* (Cambridge: Cambridge University Press, 1985).

⁴⁵ Sekhar Bandyopadhyay, *From Plassey to Partition: A History of Modern India*, 2nd ed. (New Delhi: Orient Blackswan, 2015), 282–284.

⁴⁶ *Ibid.*, 325.

⁴⁷ See Balachandran, *John Bullion’s Empire*, on this.

Shroff represented the Indian capitalist class, although Chetty stood loyal to the empire. All four had been working with Indian economists whom they brought into their fold. C.D. Deshmukh (1896–1982), a Cambridge-trained Indian Civil Service member, had recently been appointed as the second Governor of the Reserve Bank of India. He had been handpicked and groomed by the recently deceased Governor James Taylor and could be relied upon not to deviate too heavily from British interests.⁴⁸ An official representative of the Bank, B.K. Madan (1911–1990), secretary of the delegation, had completed doctoral work in imperial preference in India. He rose to become Economic Adviser of the Government of Punjab in 1940 before becoming the first director of the Reserve Bank's Statistical and Research Section in 1940, which he played a crucial role in developing as a first-rate source of information about the Indian economy.⁴⁹

WAR, THE STERLING BALANCES, AND THE DEFINITION OF A BRETTON WOODS AGENDA

During the Second World War, India's economic contribution to the British and Allied effort considerably exceeded that during the last war. The question of who would pay for India's military commitments reared its head again. Britain and India reached a financial agreement in February 1940 dividing up the costs.⁵⁰ However, the sums involved for both governments were sent soaring by two unforeseen developments. After the fall of France in 1940, India's contribution to the war in the Middle East and North Africa rapidly increased. And then, Japan entered the war. From 1942, not only did British and Indian financial commitments increase enormously, but India's share began to exceed that of Britain's.⁵¹ Whatever the fluctuation in expenditure, Britain

⁴⁸ S. L. N. Simha, "C.D. Deshmukh," *India International Centre Quarterly* 22, no. 4 (1995): 282–286.

⁴⁹ "Obituary: Dr B.K. Madan," *Indian Journal of Agricultural Economics* 46, no. 1 (1991): 110; Deena R. Khatkhate, "B.K. Madan: A Ruminating and Humane Economist," in *Ruminations of a Gadfly: Persons, Places, Perceptions*, ed. Khatkhate (New Delhi: Academic Foundation, 2008), 299–306; *History of the Reserve Bank of India (1935–51)* (Bombay: Reserve Bank of India, 1970), 251.

⁵⁰ Letters exchanged on financial agreement, February 1940, in Sinha and Khera, *Indian War Economy*, Appendix 24.

⁵¹ R. S. Sayers, *Financial Policy 1939–45* (London: HMSO, 1956), 254. Marcelo de Paiva Abreu, "Britain as Debtor: Indian Sterling Balances, 1940–53," *Economic History Review* 70, no. 2 (2017): 586–604.

was not paying in real time for the bulk of its share. The Indian government procured supplies for the Middle East, for example, at its own cost. The British government credited an equivalent amount in sterling, at a fixed exchange rate, to a Government of India account in London. Thus, Britain's share of the joint expenditure primarily accumulated as sterling balances in London. Further, the wartime declines in British exports to India, due both to problems of shipping and the absorption of Britain's industrial output for its own war effort, steadily increased India's sterling balances. Some of these were used to repatriate India's sterling £360 million debt, ending India's contractual obligations to British bond-holders and annuitants.⁵² By 1943 India had transformed from Britain's debtor to creditor. The sterling balances continued to pile up, reaching £1321 million by the end of 1945, a third of the total built up by Britain. To put this in perspective, this amounted to the equivalent of almost one-fifth of Britain's net receipts from the United States under Lend-Lease.⁵³

The sterling balances not only reflected the resources India was contributing in real time. They also exacerbated problems confronting the Indian war economy. The Indian government financed almost a third of war expenditure by turning on the printing presses. This amount was not much short of the share of expenditure incurred by India on behalf of London. Here the sterling balances came in handy. The government asked the Reserve Bank of India to treat sterling balances in London as assets against which it was entitled to print rupee notes about two and a half times their sterling value.⁵⁴ Senior Indian officials associated with the Reserve Bank were stunned by this move. Manilal Nanavati, a former deputy governor, asked the Finance Member of the Viceroy's Council: "Is this not an abuse of the Reserve Bank Act that the Bank should be used to finance these purchases?"⁵⁵

The currency expansion led to massive inflation and an overheated economy. From 1943, hunger and scarcity began to stalk large swathes of rural and urban India. The Bengal Famine was at the extreme end of a spectrum of deprivation evident in every corner of the country

⁵² For details, see, S. L. N. Simha, *The Reserve Bank of India Volume 1: 1935–1951* (Bombay: Reserve Bank of India, 1970), 377–404.

⁵³ These balances stood at £107 million as of March 1940, £108 million as of March 1941, £211 million as of March 1942, £382 million as of March 1943, and £710 million as of March 1944 (de Paiva Abreu, "Britain as Debtor," 589).

⁵⁴ D. R. Gadgil and N. V. Sovani, *War and Indian Economic Policy* (Poona: Gokhale Institute, 1943), 6.

⁵⁵ Nanavati to Jeremy Raisman, 5 March 1943, Subject File 27, Manilal Nanavati Papers, Nehru Memorial Museum and Library, New Delhi.

stemming from fiat-money induced inflation. The Indian government admitted with astonishing candor that “Inflation is at present a greater danger to India than either the Germans or the Japanese.”⁵⁶

The sterling balances amounted to India gaining a claim on Britain’s real resources after the war. If India had not been paid back by British exports during the war, it would have to be afterwards. As the import of the growing sterling balances dawned on the British government, there were increasing calls for a revision of the financial settlement. Influential voices in London argued that Britain was being altogether too generous to India. The *Economist* quipped in March 1943 that “it will surely go down in the Imperial record that Britain gave twice and gave quickly.”⁵⁷ British officials insinuated that Indian supplies were being provided at unconscionably high prices. The following year, John Maynard Keynes called for a revision of the 1940 settlement in an *Economist* article. Keynes advanced a particularly ingenious argument that an increase in financial liability of India would not result in any increase in the real burden on the Indian people. Leading Indian capitalists were already concerned about the mutterings in Whitehall on the sterling balances. They feared that after the war Britain might disavow the balances on the principle of reciprocal aid or whittle down its rupee value by depreciating the pound. Purushottamdas Thakurdas, a co-founder of the Indian Currency League, G.D. Birla, and others responded ferociously to Keynes’ “cynical and fallacious” essay. They argued that it “amounted to a pure and simple repudiation of England’s debt to India,” and that Britain would not contemplate such a move with any of the Dominions.⁵⁸

As the war drew to a close, increases in India’s sterling balances were matched by mounting apprehension among India’s business and political elites about their settlement. The experience of the First World War and the inter-war years as well as calls in Britain to write off “war debts” led the Indians to seek a multilateral rather than bilateral mechanism to settle the sterling balances. This would be a major point on India’s agenda for the Bretton Woods conference.

The sterling balances were also a key source of financing in the leading nationalist capitalists’ blueprint for economic development, which took up the mantle of the National Planning Committee. John

⁵⁶ Srinath Raghavan, *India’s War: The Making of Modern South Asia, 1939–45* (London: Allen Lane, 2016), 349–357.

⁵⁷ Cited in Sayers, *Financial Policy*, 272.

⁵⁸ Frank Moraes, *Purushottamdas Thakurdas*, 232–234; Aditya Mukherjee, “Indo-British Finance: The Controversy over India’s Sterling Balances, 1939–1947,” *Studies in History* 6, no. 2 (1990): 238–242.

Matthai, once a Madras University economist deeply involved with the Indian Economic Association and until recently the Chairman of the Tariff Board, served during the war as Tata Sons' Economic Adviser and led their Statistical Department. Matthai did most of the drafting of what was then called the "Fifteen Years' Plan," utilizing statistics from the National Planning Committee and the Tatas.⁵⁹ Titled "A Plan of Economic Development for India," it sought nothing less than the remaking of India.⁶⁰ Other authors included Birla and Thakurdas.

The Tata-Birla Plan, or Bombay Plan, aimed to double the per-capita income of India by tripling the national income over three five-year plans. A key feature of the Plan was the industrialization of the Indian economy, although it also included a calorie-based minimum standard of living of 2800 calories and a sharp increase in educational and health expenditures for the third plan period. It also proposed liquidation of rural indebtedness. Such a reimagining of the Indian economy as an industrialized arena represented a new chapter in the cognitive reshaping of the Indian economy as a national space.⁶¹ It would cost Rs 10,000 crore (Rs 100 billion, or £18 billion) over fifteen years. A central concern about planning lay in its financing, and here the planners became over-imaginative. The Bombay Plan suggested that a full 10 percent of the financing would come from the sterling balances.⁶² Here lay the nexus between the sterling balances and Indian ideas for development.

In a memorandum to the Government, Theodore Gregory, the Economic Advisor, observed that Indian opinion held that "sacrifices" incurred in accumulating the balances during the war allowed India to avoid many future sacrifices on the path to industrialization: "Thus the question of the Sterling balances has become linked up with an issue—the industrialization of the country—having a high degree of emotional significance to the country as a whole." Consequently "powerful sections of the Indian business world are *not* prepared to receive payment

⁵⁹ The existing historiography on this plan has utilized the name given by others after its completion, "The Bombay Plan" or "Tata-Birla Plan," and it has ignored the fact that Matthai wrote most of it and revised drafts after receiving inputs from the other authors. He was the only person technically qualified to compose such a plan. "Fifteen Years' Plan," File K-135, Kasturbhai Lalbhai Papers, NAI.

⁶⁰ Sir Purushotamdas Thakurdas et al., *A Brief Memorandum Outlining A Plan of Economic Development for India* (Penguin: Middlesex, 1945), 3 (hereafter, *Bombay Plan*).

⁶¹ On the cognitive shaping of an Indian national economy from the late nineteenth century to about 1930, see Manu Goswami, *Producing India: From Colonial Economy to National Space* (Chicago: University of Chicago Press, 2004). On imaginative reconstruction in the production of national economic statistics, see Tooze, "Imagining National Economies: National and International Economic Statistics, 1900–50," 214.

⁶² *Bombay Plan*, 51.

in any other form [other than plant and equipment].”⁶³ Another government memorandum observed that sections of Indian opinion held that British businesses in India might be turned over to Indians to help settle the balances. Further, some felt that “for at least the next decade India should not have to look outside for capital at all.”⁶⁴

Bureaucratic efforts during the war paralleled the Indian capitalists’ interest in economic issues. The viceroy convened a Reconstruction Committee of Council that in its opening meeting in June 1941 decided “India should be prepared with material in the event of a World Economic Conference after the war.”⁶⁵ This newly created body convened a Consultative Committee of Economists to advise them in 1942. One of the seven meetings was hastily scheduled “to provide the delegation to the Monetary Conference, invitations to which might be received at any moment, with the views of the monetary plan which was to be the subject of discussion.” Members agreed especially that “efforts should be made for securing international support for means of securing liquidation of India’s sterling balances.”⁶⁶ When the imperial bureaucracy began to formulate plans specifically, it turned to a civil servant now running Tata’s Iron and Steel Company. Sir Ardeshir Dalal, co-author of the Bombay Plan, became head of the Reconstruction Committee’s Department of Planning and Development. For the British, the advertisement of interest in postwar development schemes also helped manage and placate public opinion against the backdrop of an unpopular war that had unleashed economic scarcity and famine on the nation.⁶⁷

By the time the Bretton Woods conference was announced the Indian agenda was largely in place. India could unlock the potentialities of postwar development by securing settlement of the sterling balances. The Bretton Woods Conference provided a forum whereby India could persuade the world to multilaterally negotiate this settlement. India could also be empowered by a seat at the table in New

⁶³ “The Problem of the Sterling Balances,” Theodore Gregory Papers, Mss Eur D1 163/8, European Manuscripts Collection, India Office Records, British Library (hereafter BL).

⁶⁴ “Sterling Balances and the Association of British and Indian Businesses,” Supplementary paper by another author, Theodore Gregory Papers, Mss Eur D1 163/8, BL.

⁶⁵ “Meeting of The Executive Council held on Wednesday, 4 June 1941 at 1030AM, Case No 27/12/41—Proposed Reconstruction Committee,” Cabinet Secretariat, Executive Council Office, 1941, File 36-ECO, NAI, 6.

⁶⁶ *Record of the Third Meeting of the Consultative Committee of Economists: Held at New Delhi on the 12th and 13th November 1943* (New Delhi: Government of India Press, 1944), iv.

⁶⁷ Sanjoy Bhattacharya and Benjamin Zachariah, “A Great Destiny’: The British Colonial State and the Advertisement of Post-War Reconstruction in India, 1942–45,” *South Asia Research* 19, no. 1 (1999): 71–100.

Hampshire to contribute to a more equitable institutional framework. This would allocate a quota size commensurate to her sterling credits, offer her terms of trade that could elevate her above the current status as commodity exporter to the world, and more generally foster the development of decolonizing nations.

AT THE CONFERENCE

The Indian delegation's efforts at Bretton Woods were driven by four main considerations: to ensure that the remit of the proposed IMF included economic development, to secure equitable settlement of its accumulated sterling balances, to obtain a satisfactory quota for India in the IMF, and to attain a permanent seat on the Executive Board of the new organization. While the last two were by no means unimportant, we focus on the more immediate and pressing issues of development and sterling balances.

On the first point, a consensus developed during the discussions that the Fund should not only aim at the *maintenance* of a high level of employment and real income, applying only to the developed countries, but also the *attainment* of high employment and real income. Shanmukam Chetty succeeded in helping the statement of purposes of the IMF include a point that balanced trade would be concerned with "the development of the productive resources of all member countries."⁶⁸

The second, related objective was to ensure equitable settlement of the sterling balances. As the largest holder of sterling balances, India proposed an amendment, calling on the Fund to "promote and facilitate the settlement of abnormal indebtedness arising out of the war." Chetty said that it was impossible to exaggerate the importance of this problem to the concerned countries. If anything, the problem had magnified to the extent that it required a combination of bilateral and multilateral settlement. Egypt, which held the second largest tranche of sterling balances in London, strongly supported the Indian amendments. But, the Americans staunchly opposed them. Americans saw the conference as the venue to cement their hegemony over the postwar global economy; the settlement of third party wartime debts was an avoidable distraction.⁶⁹

⁶⁸ Helleiner, 254.

⁶⁹ Commission I, Committee 1, Second Meeting, 4 July 1944 in Kurt Schuler and Andrew Rosenberg, eds., *Bretton Woods Transcripts* (New York: Centre for Financial Stability, 2012), 321–324.

Keynes, for long uneasy over the piling up of sterling balances, led the British delegation. He emerged confident from a preliminary meeting with the Indian delegation in being able to scotch their proposal. Raisman could be counted upon not to work against the mother country's interests. Deshmukh would be "loyal and a good civil servant," while Chetty seemed "very amenable and sensible." Shroff, Keynes observed, was "clearly. . . a snake in the grass, trying to catch us out and filled with suppressed malice." Nevertheless, Keynes felt that "we shall succeed in preventing them from making any extra trouble here or in India in connection with the monetary plan as such."⁷⁰

Shroff proved a tenacious customer. While he recognized the power asymmetries at work and could take a clear-eyed view of the scope for multilateral settlement, he was unwilling to jettison the idea easily. "What we ask for," Shroff insisted, "is the settlement of a reasonable portion." These would be deployed for India's development plans while Britain rebuilt its export markets to India. Once multilateral settlement for "a visible portion of our balances" was conceded, it could be put in a formula "devised as not to place undue strain on the resources of the Fund."

Shroff further argued against the American contention that the Fund would not have the resources to take on this problem. Linking India's demands on this point with the discussion on the purposes of the Fund, he pointed out that securing a "high level of employment and real income" for member countries would be impossible without the resolution of major accumulated balances. Turning the spotlight on the power politics threaded through the conference, Shroff bluntly stated: "It may be unfortunate that situated as we are politically, perhaps the 'big guns' in the conference may not attach importance to a country like India." But ignoring a country of the size, population, and resources of India would not bode well for the international cooperation that the IMF sought to achieve.⁷¹

The Americans stuck to their earlier position. This slotted in smoothly with the position espoused by the British. In any case, it was best to discard India's demand for a multilateral settlement to avoid "misunderstanding" the IMF's role in the future.⁷² There the matter rested. The following year, Britain and America signed the Anglo-American Loan Agreement. This placed American claims as senior to

⁷⁰ Keynes to Lord Catto, 4 July 1944, Moggridge, ed., *The Collected Works*, vol. 26 (London: Macmillan, 1980), 79–80.

⁷¹ Commission I, Third Meeting, 10 July 1944, *Bretton Woods Transcripts*, 69–70.

⁷² Commission I, Third Meeting, 10 July 1944, *Bretton Woods Transcripts*, 70–73.

the Indian and sterling-area credits. In part, this was done by dividing balances into those for immediate release, those to be released after five years, and those to be adjusted due to wartime indebtedness.⁷³

The Indian demands at Bretton Woods should be seen within the context of the conference's primary agenda. Fundamentally, this was a conference about European postwar reconstruction and the establishment of a new global monetary system managed by a single body with the adoption of the dollar as the new reserve currency, backed by gold. John Maynard Keynes' proposal from the English delegation was that to prevent competitive currency devaluations, both debtor and surplus nations should agree to have surpluses invested in debtor nations or spent. He further proposed that the international body be in charge of a world reserve currency called "bancor" that could create money as it pleased and act comprehensively to deal with financial crises as they arose. By contrast, the American delegation put forth the plan of Harry Dexter White. This proposed the setup of a body that only intervened to counteract speculation and large decline in the value of a currency. In the end, the Americans' more limited proposal won the day.⁷⁴ To a large extent, this reflected the ascent of the United States as the world's strongest economic power. The resolution of wartime balances with decolonizing nations thus never was the most urgent priority. We may also note that the settlement of sterling balances at the conference would have been a technically rather cumbersome affair, because of Britain's differing obligations with Sterling Area countries and possible ways in which they might be resolved.

BRETTON WOODS IN INDIAN EYES

Shroff did not exaggerate when he spoke of the strong feelings in India about the problem of sterling balances. Indeed, Indian opinion converged across the political spectrum on the issue, particularly because of the connection of the balances issue to postwar development plans. Between 1943 and 1950, the term "sterling balances" appeared in 973 *Times of India* articles, an average of once every three days.⁷⁵

⁷³ Abreu, "India as a Creditor," 11.

⁷⁴ Benn Steil, *The Battle of Bretton Woods: John Maynard Keynes, Harry Dexter White, and the Making of a New World Order* (Princeton: Princeton University Press, 2013); Robert Skidelsky, *John Maynard Keynes: Fighting for Britain, 1937–46* (London, Macmillan, 2000).

⁷⁵ ProQuest Historical Newspapers Database, *The Times of India: 1861–2006*, available via University of Cambridge, accessed 16 September 2015.

Already by late 1944, one economist wrote that the sterling balances might seem to be a subject “quite out-worn” with perhaps nothing more to be added to the existing literature. However, he observed that “a keen interest has been aroused in this subject recently and once more articles are pouring in, in various economic journals and periodicals.” One recent development had been “the international monetary conference [that] was held at Bretton Woods and news flashed in the daily papers that India’s demands in respect of sterling balances were turned down.”⁷⁶

In India, discussion of the Bretton Woods Conference and the sterling balances settlement blended acceptance with bitter disappointment. On the one hand, Indian opinion recognized the merits to participating in the new international monetary system. The Maratha Chamber of Commerce and Industries wrote to the Government of India pointing to the benefits of exchange stability “thereby minimizing the possibilities of world economic depressions which hit relatively more adversely agricultural countries like India.” In any case, India could withdraw from the agreement at any time in case matters took a turn for the worse.⁷⁷ Nevertheless, the conference’s unwillingness to consider multilateral settlement of wartime balances and insufficient commitment to advancing the aims of developing nations rankled deeply. B.T. Ranadive, the senior Communist Party of India leader, considered “the opposition of the British delegation to include at least a part of these balances within the purview of the Bretton Woods International Monetary Fund Conference” as an “unmistakable portent” that “the story of India’s sterling balances promises to add yet another chapter to the history of predatory British finance in India.”⁷⁸ Less dismissively, the distinguished economist V.K.R.V. Rao acknowledged the benefits of signing the Bretton Woods agreement but found three “serious defects in the constitution of the Monetary Fund from the point of view of India”: “the failure to include wartime balances within the scope of the fund,” “the small size of the quota allotted to India,” and “the failure to receive a permanent seat on the Executive Board of the Fund.”⁷⁹ In particular, the sterling balances

⁷⁶ M. V. Bhatawdekar, *Our Sterling Balances* (Bombay: Padma Publications, 1944), 1. Bhatawdekar taught at the R.A. Poddar College of Commerce and Economics.

⁷⁷ “Ratification of Bretton Woods Agreement. Enquiry from Mahratta Chamber of Commerce,” Government of India, Finance Department, Finance I Branch, 1945, File 13 (20)-FI/45, NAI.

⁷⁸ B. T. Ranadive, *India’s Sterling Balances* (Bombay: Communist Party of India Publications, 1945).

⁷⁹ Though subsequently India did secure a permanent position on the Board thanks to the Soviet Union’s decision not to join the IMF.

represented compulsory loans granted by India and paid for by a reduction in the standard of living of a people already living at a lower standard.⁸⁰

V.S. Krishna, Professor of Economics in the Andhra University, wrote a book called *Bretton Woods and After* which observed that negotiations may have entertained more seriously the idea that the IMF's resources could be used "to provide facilities for relief or reconstruction or to settle the debts arising out of the war." After all, the Keynes and White Plans had recognized the need for providing for the settlement of abnormal wartime balances by the Fund.⁸¹ This had been shelved by the time of the Joint Statement on the establishment of the Fund. He alleged that "the restrictions laid on the convertibility of these balances are in conformity neither with the declarations of the statesmen of the United Nations to help the backward countries to develop their industries nor even with the more limited purpose for which the fund is to be organized, viz. to facilitate the settlement of current transactions."⁸²

The Government of India, however, decided to accept the Bretton Woods Agreement without consulting the Legislative Assembly. This kicked off a contentious debate between the Indian and British members of the Assembly. Manu Subedar, the President of the Indian Merchants' Chamber, found the signing of the Anglo-American loan agreement "behind our back" to be treacherous. His Majesty's Government's attitude in the matter is such that I can only illustrate it by the Indian proverb which says "Mukhme Ram, bagal me chhuri" (literally, "with a face of the Lord Ram whilst holding a knife by the side").⁸³ America could afford a longer term for debt repayment than India, for whom the balances represented a far greater proportion of her national income.⁸⁴ In 1948, B.T. Ranadive published another pamphlet on the sterling balances titled *The Sterling Balances Betrayal*, accusing the Americans and British of a vast conspiracy via the Anglo-American loan agreement that prevented India from receiving debt

⁸⁰ V. K. R. V. Rao, *The Post-War Rupee: Being an Essay on Prices and Exchange in India During the Post-war Period* (New Delhi: Indian Council of World Affairs, 1945), 39–41.

⁸¹ This was a point picked up on by the first Government of India advisory body composed exclusively of expert economists, the Consultative Committee of Economists. "Proceedings of the Finance Subcommittee of the Consultative Committee of Economists," Finance Department, Planning-I Branch, 1945, File No-1(8)-P-1/45, NAI, 3.

⁸² V. S. Krishna, *Bretton Woods and After* (New Delhi: Indian Council of World Affairs, 1946), 12, 13.

⁸³ The proverb connotes innocent appearance alongside conspiratorial plotting.

⁸⁴ "Speeches on Bretton Woods Conference Agreements in the Legislative Assembly on the 1st March, 1946," Finance Department, Finance I Branch, 1946, File 11(73)F/1/46, NAI.

repayment for the time being while Britain first honored its obligations to the United States. Washington's opposition to debt repatriation did not augur well for India, and she was slowly falling into "the Anglo-American war bloc."⁸⁵ Concerns about the unfairness of the Bretton Woods conference outcome were not only voiced by Indians. A call for the full repayment of the sterling balances also came from the Fabian Society in Britain. They even made a comparison between Germany's occupation of Bulgaria and the clearing balances that arose from Bulgarian export earnings and financing of German war efforts: "substitute Britain for Germany and the parallel is unpleasantly close. Assume that Britain insists on India's sterling balances being scaled down and the parallel is almost exact."⁸⁶

In the event, it turned out that Indian concerns about the fate of the sterling balances were not entirely unfounded. By early 1946, Keynes was advising the British government that while they should confirm that there would be no unilateral writing down of balances, it was "absurd to construe it as implying that HMG [His Majesty's Government] could not make any suggestion of a reduction." Mandarins in the British Treasury felt that while India may not agree to any reduction, delayed repayment coupled with low interest rates would effectively write off a chunk of India's sterling balances.⁸⁷ This course of action was confirmed after February 1947 when India broke off talks at Britain's suggestion to treat the balances as war-debts and scale them down. Thereafter, the two sides negotiated a series of agreements to release sterling credits bit by bit—at each point India's requirements outstripping the amount on offer from Britain.⁸⁸

This had two main consequences. First, the British strategy of slicing the bottom off India's balances worked even better than imagined. Apart from the interest foregone by India, Britain managed "concealed cancellation" by such methods as higher pension charges from India as well as overt action such as devaluation of the sterling in 1949. In all, some 31.5 percent of India's sterling balances were written down. In real terms, the consequences of delayed repayment were worse yet. Recall that India wanted to use these balances primarily for its

⁸⁵ B. T. Ranadive, *The Sterling Balances Betrayal* (Bombay: Communist Party Publications, 1948), 36.

⁸⁶ A. C. Gilpin, *India's Sterling Balances: A Report Prepared for the Indian Affairs Group of the Fabian Society* (London: Fabian Publications, 1946), later cited in C. N. Vakil, *Our Sterling Balances* (Bombay: National Information and Publications, 1947), 37–38.

⁸⁷ Abreu, "India as a Creditor," 12.

⁸⁸ The best account is G. Balachandran, *The Reserve Bank of India, 1951–1967* (Delhi: Oxford University Press, 1998), 593–621.

economic development by import of capital goods from Britain. Between 1945 and 1952 the price level of British iron and steel manufactures practically doubled.⁸⁹ Not only did India get less of what it was owed, but also less out of the sums received. Second, and equally important, India was never able to deploy the sterling balances for its development in the systematic way that war-time planners across the spectrum had envisaged. The scale of the lost opportunity can be gauged from the fact that India's balances in 1945 amounted to almost 45 percent of the Marshall Plan for Europe.⁹⁰ Yet by the time, India's sterling balances wound down in 1956, the country was at the cusp of a serious balance of payments crisis. Paradoxically, these crises forced India to engage more closely with the IMF.

That said, we should note that some members of the old Indian civil servant class found the settlement of the sterling balances issue acceptable. Great Britain was, after all, left in a pitiable financial position after the war. And similarly, some attempts, if inadequate, were made to settle the balances equitably. Chintaman Deshmukh, governor of the RBI, who had been at the Bretton Woods Conference and went on to serve as the Indian Finance Minister from 1950 to 1956 recalled in his memoirs that the settlements "have not been unduly inconvenient to us; in fact, the entire relationship has been maintained without turbulence and trouble and with a well-balanced sense of accommodation."⁹¹

CONCLUSION

India's participation in the Bretton Woods conference presents a fresh angle from which to consider the liberal international order that came into being as the curtains fell on the Second World War. India secured a seat at the table because of its peculiar significance to the global economy, the nature of which was radically transformed during the course of the war. The ideas that India sought to inscribe on the conference's agenda arose from a discourse of development that came to be shared over the past decade by officials and experts, industrialists and nationalists—one that was shaped by India's prior engagement with international institutions. Embedded within this broader conception of development was the more immediate question of using

⁸⁹ Abreu, "India as a Creditor," 20–27.

⁹⁰ Cf. figures in Abreu, "India as a Creditor," 2.

⁹¹ C. D. Deshmukh, *Economic Developments in India—1946–56: A Personal Retrospect* (New Delhi: Asia Publishing House, 1957), 118.

wartime sterling credits to finance postwar reconstruction and development of the country. The Conference provided an opportunity for India, a subordinate but systemically significant actor in the international economy, to lobby for those claims and settle war debts multilaterally. After all, Britain could not pay out enough of these obligations alone. But the dynamics of global power, especially the United States' determination to establish its hegemony even at the cost of allies such as Britain, ensured that India could not have its sterling balances negotiated in this forum. Ultimately, the bilateral UK-India balances settlement followed America's extraction of a promise by Britain to settle its debts to America first. Hence, there was a wide current of dissatisfaction in nationalist circles in India with the conference.

Our account suggests that while India was present at the creation, its first brush with the liberal international order proved to be a salutary reminder of the asymmetries of power embedded in the new institutions. The willingness of the United States and Britain to talk about the needs of the underdeveloped countries should not obscure the fact that when it came to the crunch the developmental demands of these countries could be ruthlessly set aside. The participation of countries like India did shape the contours of the conference, but the notion that the conference brought the agenda of multilateral development to the forefront of global politics can be misleading. Questions of development at Bretton Woods were unavoidably mediated through the realities of international power. And at the moment of creation, they were decidedly less important.

The experience of Bretton Woods arguably left India with a foundational ambivalence toward the new liberal international economic order. An important and recurrent feature of India's participation in these institutions involved lobbying for greater concessions toward developing countries and resisting their prescriptions for Indian economic development. For example, the 1949 proposal for an Economic Development Administration with committed capital for developing regions by V.K.R.V. Rao, the Indian head of the United Nations Subcommittee for Economic Development, was originally thwarted by the United States and Great Britain as infeasible due to scarce resources. However, it was later accepted with modifications as part of the Special United Nations Fund for Economic Development, which became the United Nations Capital Development Fund.⁹² The Bretton Woods Conference thus provides a crucial

⁹² Tawale, *India's Economic Diplomacy at the United Nations* (Delhi: Meenakshi Prakashan, 1975), 108–131.

starting point to uncover the longer histories of international economic bodies like the UNCTAD and UNDP. In so doing, the article suggests that historians have to pay as much attention to national economic histories as to the global context, to power politics as much as discourses of development.

At the height of the 1970s campaign for a New International Economic Order, the Indian political scientist S.N. Tawale called for the study of "U.N. economic diplomacy": a "diplomacy of economic cooperation for world economic development in general and the development of underdeveloped countries in particular." Immediately discernable are the echoes of calls by Indian economists for "international cooperation" in the inter-war years and voiced again at the Bretton Woods Conference. At a time when India is regarded as the fastest growing emerging economy and the future of the liberal international order looks uncertain, recovering these forgotten voices and submerged histories acquires new importance.