To Bretton Woods and Savannah: The Longest Journey

‘In the matter of . . . India’s rights . . . Keynes rendered valuable assistance and guidance.’ Sir Chintaman Deshmukh

INDIAN ECONOMIC ISSUES IN THE THIRTIES

The conclusion of Keynes’s evidence to the Hilton Young Commission on Indian Currency (1926) marked a temporary suspension of his formal links with India which had been forged over the preceding decades of his work on Indian monetary issues. The subsequent period until the outbreak of the Second World War was comparatively quiescent and uneventful in terms of Keynes’s association with India which was limited to sporadic contacts with a select few personalities like Sir Basil Blackett and Sir George Schuster, both Finance Members of the Government of India, and Malcolm Darling of the Indian Civil Service or occasional correspondence with former pupils like B. P. Adarkar and L. K. Jha. Superficially, India would seem to have virtually faded from Keynes’s economic consciousness during the thirties, judging from the absence of any public pronouncements on Indian economic affairs and as confirmed by the recollections of some of his closest pupils and associates at Cambridge during the thirties. Thus Polly Hill recalls: ‘from 1933, when I got to know him well, I do not remember JMK ever referring to India. And am I not right in thinking that he had few Indian friends in Cambridge in the 1930s?’ (letter to the author 1 May 1987). These recollections find an uncanny echo in other communications. According to David Bensusan-Butt (Keynes’s pupil at King’s College (1932–6), ‘I do not remember him [Keynes] talking about India whether in lectures, supervisions, or at the Monday night club I faithfully attended for four years’ (letter to the author 5 May 1987). Likewise, Hans Singer, who did his doctorate at Cambridge during the thirties under Keynes, also does not recall any references to India by Keynes in his lectures or in the Political Economy Club discussions (interview given to the author in
Washington, DC). Sir Alec Cairncross, a prominent member of the Political Economy Club in the mid-thirties wrote as follows:

Keynes did not, so far as I know, take any Indians for supervision in my time (he was only in Cambridge for the weekend plus Monday). In the years I heard him lecture I recall no reference to India . . . when [V.K.R.V.] Rao gave a paper to Keynes’s Club Keynes introduced him as a future Finance member [of the Government of India] . . . But I have no recollection of what Keynes said on India, not even in his summing-up after Rao’s paper, on any occasion when I heard him speak. (Letter to the author, 26 July 1987)

Mr L. K. Jha (ex-Governor, Reserve Bank of India, who was also a member of the Political Economy Club) also confirmed to the author that his ‘conversations [as an undergraduate] with Keynes rarely touched upon the Indian situation’. Possibly the only occasion when the Political Economy Club came nearest to an Indian topic was in the mid-thirties in a paper on the East India Company in the eighteenth century which managed to attract just three students – the person who wrote the paper, Bob Bryce and Lorie Tarshis.1 The fact that Indian matters did not engage Keynes’s attention during the thirties is not surprising considering that there were no pressing issues of Indian economic policy – at least from Keynes’s point of view. This, in keeping with his characteristic intellectual stance, also meant a suspension of interest for Keynes who never had any purely academic interest in Indian economic affairs. Moreover, this was also a period of intense intellectual ferment and preoccupation for Keynes’s transition from the Treatise to the General Theory. Nevertheless, the thirties were not without significance in terms of Keynes’s interest in Indian economic affairs, particularly after the publication of his celebrated essay on ‘The Means to Prosperity’, which used the multiplier concept of Richard Kahn to formulate a world economic recovery programme based on cheap and abundant bank credit and large-scale Governmental loan expenditure. Keynes was concerned to demonstrate that governments should stop ‘thinking of a loan as a liability and more as a link in the transformation of the country’s surplus resources, which will otherwise be wasted, into useful capital assets. . . . It should not be difficult to perceive that 100,000 houses are a national asset and 1 million unemployed a national liability. Yet if we are to raise world prices, which is our theme, loan expenditure must spread its beneficent influence round