

SPECIAL ARTICLE

India and the Neglected Development Dimensions of Bretton Woods

ERIC HELLEINER

This paper helps correct two common misconceptions about the origins of the Bretton Woods institutions. The first is that the negotiations were primarily an Anglo–American affair in which developing countries had little input. The second is that international development issues were largely ignored during the negotiations. This examination of India’s role in the origins of Bretton Woods shows that both assumptions are flawed. Understanding the history of the birth of the Bretton Woods institutions in a more accurate way provides a useful perspective for contemporary debates about their future.

It is widely recognised today that the Bretton Woods institutions—the International Monetary Fund (IMF) and World Bank—need to be substantially reformed to better reflect the economic weight and development priorities of emerging powers such as China, India and Brazil. What is often forgotten is the role these countries played in creating these institutions in the first place. In this article, I tell the Indian dimensions of this neglected story, with a special focus on the important role that Indians played in pushing for development issues to be prioritised at the famous Bretton Woods conference of July 1944.

The analysis is designed to help correct two common misconceptions about the origins of the Bretton Woods institutions. The first is that the negotiations were primarily an Anglo–American affair in which developing countries had little input. The second is that international development issues were largely ignored during the Bretton Woods negotiations. Both assumptions are flawed as this examination of India’s role helps to show. Understanding the history of the birth of the Bretton Woods institutions in a more accurate way provides a useful perspective for contemporary debates about their future.

Common Misconceptions

The conventional wisdom about Bretton Woods was established early on in Richard Gardner’s pioneering book *Sterling–Dollar Diplomacy*, first published in 1956. As his title made clear, Gardner saw the creation of the Bretton Woods system as a product mainly of Anglo–American diplomacy. That perspective has been repeated in much subsequent literature, including Benn Steil’s recent *The Battle of Bretton Woods*, which focuses very heavily on the roles of Harry Dexter White and John Maynard Keynes, the lead us and British negotiators. Indeed, Steil (2013: 6) even suggests at one point that “other than the United States, United Kingdom, and Canada, few delegations [at the Bretton Woods conference] came equipped to make intellectual contributions to the architecture of the fund or the bank.”

There were, however, 42 other governments represented at Bretton Woods beyond those of the us and the uk, and the newly published detailed transcripts of the conference make clear that many of them participated very actively and made key contributions to the discussions (Schuler and Rosenberg 2012; see also Conway 2014; Helleiner 2014). Recent scholarship has also highlighted how many of the “other 42” were involved in consultations with Anglo–American officials in advance of the

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Eric Helleiner (ehelleiner@uwaterloo.ca) teaches at the University of Waterloo and the Balsillie School of International Affairs, Waterloo, Ontario.

July 1944 conference, in some cases dating back as far as 1942. Some even prepared detailed plans of their own for the post-war international financial order that were shared with others in advance of the Bretton Woods meeting (Helleiner 2014).

The role of developing countries in the negotiations has been particularly neglected in much past scholarship. Representative of the common view are the comments of Gerald Meier (1984: 9)

Most of the developing countries were still colonies, and only a relatively few, mainly independent nations of Latin America, were invited. The political power lay with the United States and Britain, and from the outset it was apparent that issues of development were not to be on the Bretton Woods agenda.

However, a large majority of delegations at the Bretton Woods conference were from poorer regions of world and many were deeply engaged with the negotiations. Particularly important were Latin American countries whose 19 delegations to Bretton Woods comprised almost half of those present at the meeting. Newly uncovered archival evidence shows how the Bretton Woods outcomes were shaped in part by us–Latin American financial relations dating back to the late 1930s. Also highly involved was the Chinese government, which not only prepared a fully-fledged alternative to the Keynes and White plans in the summer of 1943 but also sent the second largest delegation to the Bretton Woods meeting itself (more than twice the size of the UK’s and smaller only than that of the host country) (Helleiner 2014).

This article focuses on India’s participation in Bretton Woods. In most general histories of Bretton Woods, India’s role receives little serious attention. Scholars often mention its unsuccessful effort to secure a larger quota and voting power within the Bretton Woods institutions. Also sometimes analysed are the failed efforts of Indian officials to request that India’s “sterling balances”—that had accumulated during the war in London as frozen funds—be liquidated multilaterally by the new IMF. But India’s participation went well beyond those specific issues. Drawing on new archival material, the recently published transcripts of the meetings, and important previous work by India specialists (especially Simha 1970: ch 14; Chandavarkar 1989: ch 6, 2001; Mukherjee 2002: 161–72), I highlight in this article India’s important role in advocating the prioritisation of international development issues in plans for the post-war international financial order.

This role deserves attention because of a second misconception about Bretton Woods negotiations—that they largely ignored development issues. Meier’s comments above—suggesting that development issues were off the agenda—are typical of the conventional wisdom on the topic. Indeed, Meier (1984: 9) argues that the disinterest in development issues extended beyond the us and British officials to include even developing country officials,

At Bretton Woods, the developing countries tended to view themselves more as new, raw-material-producing nations and less as countries with general development problems. Comprehensive strategies of development and policies to accelerate national development were yet to be identified.

Gardner makes some similar points, arguing that the question of how to assist the development of poorer countries “was not

recognised as a major issue in the postwar planning.” He even dismisses the significance of the creation of the International Bank for Reconstruction and Development (IBRD)—the original name for the World Bank—arguing that it was initially “conceived mainly as an institution for reconstruction” rather than development (Gardner 1985: 30). These arguments have been widely repeated, even in official histories of the bank that suggest that “the distinction between developed and less developed and between north and south—the special problems of the ‘third’ world—had scarcely swum into the ken of post-war planners” (Mason and Asher 1973: 4).

Scholarship on the origins of international development has reinforced these perspectives. Much of this literature suggests that modern concepts of international development were born with us President Harry Truman’s commitment in 1949 to embark “on a bold new program for making the benefits of our scientific advances and industrial progress available for the improvement and growth of underdeveloped areas” (quoted in Rist 1997: 71). That speech is said to have given prominence to the term “underdevelopment” for the first time and justified us intervention in postcolonial contexts to address it. As Esteva (1992: 7) puts it, “Underdevelopment began, then, on January 20, 1949. On that day, two billion people became underdeveloped.” The history of Bretton Woods plays little role in these accounts of the birth of international development.

I have argued elsewhere that new evidence makes these interpretations difficult to defend (Helleiner 2014). Far from ignoring development issues, many of the Bretton Woods architects were keenly interested in pioneering new international rules and institutions that could help support the economic development of poorer countries. This was true of White and other top us policymakers involved in the Bretton Woods negotiations who explicitly incorporated modern conceptions of international development into us foreign policy during the negotiations (and even before, from the late 1930s in the inter-American context). It was also the case for many officials and analysts from poorer regions of the world such as China, Mexico, Brazil, and other Latin American countries. Here, I focus on the Indian role in advocating for the inclusion of development issues in the plans for the post-war international financial order.¹

Indian Participation

Before turning to this issue, it is important to recall India’s unique status in the negotiations. All other governments participating in the creation of the post-war international financial order represented independent countries, with the exception of the Philippines (although it had become a self-governing commonwealth in 1934 and had been promised independence by the us after the war). India was, however, still a British colony at this time and was thus represented by the British-run government of India during the Bretton Woods negotiations.

On the first day of the conference, the status of the Indian delegates was the subject of private discussion within the us delegation. Dean Acheson told his colleagues that “our attitude is to treat them like a Dominion,” although he noted that “the degree of control which the British Government exercises,

or appears to exercise over India depends on what is going on. They can exercise a very high degree of control, or they cannot, as they choose" (*Morgenthau Diary*, Book 749: 13–14). US officials had endorsed India's participation in the negotiations to design the post-war international financial order as far back as White's first plans in early 1942 because it had been one of 26 signatories of the Declaration of the United Nations in January 1942. In April 1943, India had also been included among the 37 governments invited by White's boss, US Treasury Secretary Henry Morgenthau, for consultations on White's first public draft of his proposals for an international Fund (US State Department 1948: 1573–74).

At that time, the Indian government had already been consulted by the British government about post-war international financial plans in late 1942 and March 1943 (Van Dormael 1978: 66; Simha 1970: 406–07). Initially, it had kept these consultations with the British secret from the Indian public, but the government began to solicit broader public input after the Keynes and White plans were made public in April 1943. As noted below, many Indians subsequently expressed strong views about India's role and interests in the negotiations, prompting the government to appoint a delegation to Bretton Woods that involved both Indian and British delegates. The situation prompted White to make the following private comment to his colleagues on the first day of the conference.

The Indian delegation itself presents, nominally, a united front. Actually you have two groups. You have the pro-English group as well as the English advisers who are supposed to defend India's position, and who will do so, nominally. You have, along with them—India has been able to get certain delegates who represent what they call the masses of Indians—they are not the British Government. So there are things going on even within their own representation which will make trouble (*Morgenthau Diary*, Book 749, 15).

In practice, there appears to have been less strife within the Indian delegation than White anticipated. Although the British Finance Member Jeremy Raisman was chair of the delegation, he assigned the key role of representing India's views at the conference to the Indian delegates. Chandavarkar (2001: 2652) argues that "Raisman's role at Bretton Woods was the most unsordid act of leadership actuated by a deep sense of mission that India's permanent interests were best served by Indian spokesmen." Only on the issue of how hard India should press for a larger IMF quota did significant tensions appear to emerge—and then only briefly—between Raisman and the Indian delegates (Deshmukh 1974: 128; Simha 1970: 433–34).

Indian Comments on the Keynes and White Plans

Indian voices were thus clearly heard both before and during the conference despite India's colonial status at the time. What did they call for? The first substantial Indian input into the Bretton Woods planning process came in November 1943 from the board of the Reserve Bank of India (RBI) whose views had been formally solicited by the government in August (Simha 1970: 407–14). At the time, the RBI's role in presenting Indian opinion was important; Chintaman Deshmukh had been appointed the RBI's first Indian governor in August and a majority of its 12 voting directors were Indians elected by the shareholders of

the bank. As Chandavarkar (1983: 795) notes, "The resignation of the Congress ministries in the provinces and the absence of the Congress Party from the legislatures thrust upon the central board of the Reserve Bank the role of the only elected or representative trustees of India's economic and monetary interests."

The RBI board's commentary highlighted the priority its members gave to development goals. Earlier in February, it had already passed a resolution recommending that the government prepare a full plan for India's post-war economic development. Deshmukh himself also had become convinced of what he called in early 1945 "the imperious necessity of planning, of the assumption of direct initiative by the State for a vast effort of development and amelioration" (1945: 17; 1974: 167–69). In its comments, the RBI board noted that India's attitude was "bound to be conditioned by special factors such as its economic backwardness, its appalling poverty, its dismally low standard of living and its just aspirations to make up the long leeway in industrial and agricultural development." If international plans were to be acceptable to poorer countries such as India, the board argued that they should include among their major goals "the making of conscious efforts to raise the standard of living in these countries, although such efforts might temporarily mean a standing-still in the more advanced countries" (quoted in Simha 1970: 415–16).

The board also made a case that poorer countries such as China and India needed greater policy space to adjust exchange rates to insulate their domestic economies from sudden balance of payments problems caused by changes in agricultural prices (Simha 1970: 417). The argument reflected India's experience during the Great Depression when the Indian exchange rate policy had become highly politicised. Despite sharp declines in the prices of India's agricultural exports, the colonial government had refused to devalue the rupee against sterling in the early 1930s. The resulting severe contraction had generated widespread demands from Indian business leaders and nationalists for both devaluation and expansionary monetary policy aimed at supporting domestic industrial growth (Mukherjee 2002: ch 4; Tomlinson 1979: 73–75, 78, 131; Deshmukh 1944a: 96). The British finance member in mid-1931 had even acknowledged that the government's currency policy was "one of the most important factors in the whole anti-British political movement" (quoted in Mukherjee 2002: 103).

In addition to soliciting the RBI's views, the government invited broader Indian views on the post-war plans to be expressed through a new high-level General Policy Committee of the Reconstruction Committee of Council that had representatives from the Government of India, provincial governments, and Indian states as well as non-official members. Records from the National Archives of India show that the first meeting of the committee in January 1944 was a lively affair. Raisman opened the meeting by noting that the government had "not yet undertaken the formulation of its official views of the merits of either plan [British or US], still less committed itself in any way." But he noted that a position needed to be taken soon and the committee's creation was important to this process. "Whatever view may ultimately be taken by the Government of India of these problems,

it is clearly desirable that it should take cognisance of public opinion and in order that public opinion be informed, organised discussion is desirable" (General Policy Committee 1944: 4).

While Indian members of the committee appreciated the chance to provide input, they asked quite pointed questions about process. For example, R K Shanmukham Chetty, who had previously represented India at a number of international conferences, asked for assurance that the government would serve India's interests in the international negotiations without being dictated to by Britain. When Raisman gave this promise, some participants, such as Hoosain Imam, "wanted a further assurance that he would be guided not by the opinions of Indians who were in the Government, but by the opinion of those who were outside the Government" (General Policy Committee 1944: 16). Jamnadas Mehta also "wondered why Indian experts were not called upon to advise when the Keynes and the White plans were being prepared, why there was no Indian plan ready and why India was simply asked to consider what other countries had put forward" (General Policy Committee 1944: 10).

Indians at the meeting also echoed the RBI's comments about the need to prioritise development goals and the distinct needs of poorer countries such as India. For example, Chetty argued, "In evaluating these schemes, the main consideration to be kept in mind was how far they would enable us to raise the standard of life of our own people in India by increasing employment and by increasing the national wealth of the country." He continued,

Unfortunately for us when the European or the American countries spoke in the past of standards of living, they were thinking purely of the security of the standard of living of their own people. Sometimes in a mood of generosity and internationalism, they spoke of raising the standard of life of the vast millions of Asiatics, but if their statements were closely analysed it was always found that their anxiety for the raising of the standard of life of Asia was to ensure a better market for their own products and to expand their own domestic production. If international discussions were to take place on such a plane in future, it would be absolutely impossible to arrive at any rational international action (General Policy Committee 1944: 15).

Development Priorities

Development priorities were also highlighted by Ardeshir Darabshaw Shroff, director of Tata Sons, who had been associated with the nationalist wing of the Bombay business community and was one of the authors of the "Bombay Plan" published the same month (Thakurdas et al 1944; Markovits 1985). Prepared by eight prominent Indian businessmen, the plan outlined an ambitious development strategy for doubling India's per capita income within 15 years through state-led industrialisation. It attracted much attention in nationalist circles and was even backed by the British Viceroy (despite being criticised privately by the government's Economic Adviser, Theodore Gregory) (Lokanathan 1945; Rothermund 1993: 125). In the General Policy Committee, Shroff invoked the goals outlined in the Bombay Plan.

The main test to be applied to any plan was: whether the acceptance of such a plan would impede the progress of the economic development of this country to a stage where the masses of the people would possess the minimum purchasing power and a standard of living

which was considered to be the minimum for the people of the country? If the economic development of the country was to be on a scale commensurate with the growing expectations of the people and if the minimum standard of living desired by the people during the next 10 to 15 years was at least to be doubled, then it would be necessary for India to adopt an expansionist policy. The question therefore was whether the demand for an expansionist policy for this country would be accepted in any of the international plans. If such a policy were going to be hindered by the acceptance of any international plan, India should refuse to be party to it (General Policy Committee 1944: 12).

Indian participants also emphasised that India and other poorer countries should receive special treatment because of their development needs. As N R Sarkar put it,

Countries like India and China with a large population and a comparatively low standard of life should be given special considerations in any international plan ... Any special concession given to her or to China for improving their standards of life would contribute as much towards the advancement of those countries as to the success and stability of the world monetary organisation (General Policy Committee 1944: 10).

One of the special considerations India needed, Sarkar argued, was policy space to adjust its exchange rate.

With the tremendous task of building up the entire industrial and agricultural structure from its very foundations, India could not but follow an expansionist monetary policy, safeguarding, at the same time, the domestic price and income levels. It followed therefore that the maintenance of domestic prices at a reasonable level would be of far more importance to India than the maintenance of stable exchange rates (General Policy Committee 1944: 9).

Sarkar also felt India should be allowed to use tariffs and foreign exchange rationing to protect and strengthen local industry.

Trade Issues

Trade issues had also been raised a week earlier in the first meeting of a "Finance Sub-committee" of the Consultative Committee of Economists of the Reconstruction Committee that had discussed the Keynes and White's plans. Chaired by Gregory and including a number of Indian economists, this subcommittee had discussed the "right to levy protective tariffs and to adopt measures of control for general development." It had concluded that neither the White nor Keynes plan was clear on this issue and it "agreed that the acceptance of any international scheme by India should not restrict her freedom to levy development tariffs or to adopt any other measures for economic development." On exchange rate policy, the subcommittee also noted that it "was not in favour of the gold standard of the orthodox type" (External Affairs Department 1944: 2).

From the Joint Statement to Bretton Woods

The Government of India solicited even wider input from Indians in the wake of the April 1944 publication of the Anglo-American "Joint Statement by Experts," which outlined draft plans for the IMF. In addition to soliciting the views of the RBI, the General Policy Committee and the Consultative Committee of Economists, the government circulated copies of the joint statement to provincial governments and chambers of commerce across India (Finance Department 1944a). Interestingly, the extent of this effort at local consultation was greater than

within most other countries participating in the Bretton Woods negotiations at this time.

One of the first detailed comments was provided on 4 May 1944 by the RBI's senior economist J V Joshi. He objected to the omission of any reference to sterling balances as well as to the inclusion of a transitional period when India would be "completely at the mercy of the United Kingdom" (Joshi 1944: 17). But Joshi was more positive about the provisions allowing countries to adjust exchange rates when they were in "fundamental disequilibrium" (and preventing the fund from opposing requests for adjustments because of the "domestic social or political policies of the country applying for a change;" see Horsefield 1969: 133). Recalling the RBI's earlier comments, he noted that exchange rate flexibility was important because "an agricultural country like India is likely to have violent fluctuations in her balance of payments position if agricultural prices decrease catastrophically as was our experience in the pre-war decade" (Joshi 1944: 8). He also made a broader point.

We desire freedom to change the par value of the rupee on the ground that India's economic plans, such as the development of her industrial and agricultural resources may introduce such disequilibrium in her balance of payments position which can only be effectively and appropriately corrected by a depreciation of the exchange value of the rupee. In such circumstances, the fund should not be in a position to prohibit such devaluation. This non-interference of the fund in the internal economic policies of a country is secured by the provision under this clause (Joshi 1944: 9).

Joshi was also quite positive about the inclusion of the following wording that described the purposes of the fund in the Joint Statement—"to facilitate the expansion and balanced growth of international trade and to contribute in this way to the maintenance of a high level of employment and of real income which must be a primary objective of economic policy." Joshi argued that the endorsement of the maintenance of "high level of employment and of real income" in the fund's purposes reflected an acceptance "in an indirect way" of the RBI's earlier comments. "If backward countries like India and China are to have 'a high level of employment and of real income', it is inevitable that their economic development must be secured by the policies of the International Monetary Fund. We may, therefore, welcome this clause as a tacit acceptance of the proposal made by us regarding the economic development of backward countries like India and China." But he recommended that it might be worth considering whether it was necessary to make the objective "perfectly clear" through the addition of a separate clause that stated "that one of the objects of the fund will be to help in the industrial and agricultural development of backward countries in order to raise their standards of living" (Joshi 1944: 2).

After the RBI board discussed the Joint Statement on 11 May, Deshmukh wrote a memo to the government which repeated Joshi's suggestion that development priorities be stated more explicitly in the fund's purposes.

No international economic co-operation worth the name will succeed and lay the foundation for enduring international peace and prosperity unless the retarded development of important units like India and China receive special recognition and treatment. In the absence of any such recognition and treatment, international machinery, with the

inevitable preponderance of the representation of the more advanced countries, is apt only to serve as a stalking horse for selfish national policies on behalf of such countries at the behest of powerful vested interests and under the guise of plausible economic theories about the division of international labour. In concrete terms, and as an illustration, countries like India are apt to be relegated to the production of primary commodities in the interests of maintaining full employment in advanced manufacturing countries (quoted in Simha 1970: 421–22).

The RBI's views on the Joint Statement were not dissimilar to those presented by other Indians in response to the government's call for public input. In a memo of 23 June 1944 summarising the public comments, an official noted that "the consensus of opinion is in favour of India participating in the scheme," but that "non-official opinion" was concerned about issues such as sterling balances, India's quota size, and the need for India to be completely free to fix its exchange rate. The official also noted that respondents had noted that "the fund should specifically recognise that one of its purposes is to promote internal national development, particularly that of the backward countries" (Nehru 1944: 1).

At the same time that it was soliciting Indian opinion about the Joint Statement, the government began to discuss the composition of the Indian delegation being sent to the Bretton Woods conference. The initial plan had been to include Raisman, Gregory, and Deshmukh, but the issue was made more complicated by a meeting on 4–5 May of the General Policy Committee where demands had been made that the delegation include non-official members because of India's political situation (Merrell 1944). One of the authors of the Bombay Plan, Purshottamdas Thakurdas, was then approached, but he could not travel to the US for medical reasons and he suggested Shroff in his place, a suggestion that Deshmukh endorsed on 8 May 1944 (Deshmukh 1944b). Raisman agreed the next day, but an invitation had already been extended to Chetty after an earlier conversation, and Chetty had accepted immediately. In this context, Raisman endorsed the idea of Shroff as a second non-official delegate and Shroff accepted (Finance Department 1944b). A British official later reported that "Raisman had told me that it was felt necessary that the Indian delegation should include at least one person with strong nationalist views and Shroff was 'nominated' by nationalist interests" (Eady 1944: 1). The delegation was then rounded out with David Meek (Indian Trade Commissioner in London, serving as an adviser), A A Henderson (assistant adviser), and the RBI's Director of Research, B K Madan (who acted as the delegation's secretary).

Inner Circle of Governments

India was then one of an inner circle of 16 governments invited to a meeting at Atlantic City in June 1944 that hammered out the agenda for the Bretton Woods conference. The British had pushed for India's inclusion in this meeting, arguing that it would help build support for the fund in India (British Foreign Office 1944a: 1). White was initially opposed on the grounds that the US had already agreed to the participation of Australia and Canada and that it would be difficult to justify to the American public the inclusion of so many "British Empire" countries (*Morgenthau Diary*, Book 740: 84). But he finally

relected in exchange for the addition of two more countries from the Americas (British Foreign Office 1944b). Raisman, Gregory, and Deshmukh represented India at Atlantic City.

The rest of the delegates representing India then arrived for the Bretton Woods conference, which started on 1 July. The delegation was headed formally by Raisman rather than one of the Indians, a situation which Chetty and Shroff described to the *Times of India* after the conference as “embarrassing and humiliating.” But as noted earlier, Raisman delegated the role of representing India’s views at the meeting to the Indian delegates and both Chetty and Shroff acknowledged that “Raisman’s support of Indian members of the delegation was admirable” (quotes from Chandavarkar 2001: 2652). In their leading role, the Indian representatives impressed other delegates; for example, Keynes singled out Deshmukh’s performance for praise and Brazil’s finance minister told a Brazilian audience after the meeting that India had “brilliant representation” (quoted in Helleiner 2014: 250; for Keynes, see Chandavarkar 2001: 2652). The Indian delegates focused at the conference partly on the issues of India’s quota and voting power as well as the sterling balance. Here I want to focus on the way that they also insisted that the Bretton Woods system be supportive of the development goals of India and other poorer countries.

Indian Push for Development

At the Atlantic City meeting, the Indian delegation had already succeeded in including a proposed amendment to the statement of the IMF’s purposes for discussion at Bretton Woods. The amendment was to the phrase that Joshi had identified and it involved the following:

To facilitate the expansion and balanced growth of international trade, to assist in the fuller utilisation of the resources of economically underdeveloped countries and to contribute thereby to the maintenance in the world as a whole of a high level of employment and real income, which must be a primary objective of economic policy (us State Department 1948: 23; emphasis in the original).

At the Bretton Woods conference, Raisman justified the proposal to the committee drafting the IMF’s purposes on the following grounds, “[the wording of the Joint Statement] gives undue emphasis to the high level of income and of employment in already highly industrial countries...The fund should have as its objective also to bring low-income countries up to a high level quite as much as to maintain the high level in other countries” (Schuler and Rosenberg 2012: 306).

The inclusion of the word “underdeveloped” in this Indian proposal is noteworthy for historians of international development. While many scholars attribute this word’s first prominence to Truman’s 1949 speech, here it was appearing at a major international conference five years before Truman’s speech. And the word was being introduced for a very different reason than that attributed to Truman. Rather than being used to justify us intervention in postcolonial contexts, the Indian delegation employed it as part of its demand for greater international support for India’s state-led development goals. Moreover, far from endorsing the word, the us chose at this moment to oppose the inclusion of this phrase in the IMF’s charter.

The us concern was that this new wording might have the effect of confusing the fund’s purposes with the development mandate of the IBRD. Other countries, such as the Netherlands, Brazil, and South Africa, also expressed this concern immediately. Some other delegations, however, supported the Indian proposal, such as Ecuador and Australia (although the latter suggested dropping the word “thereby,” to which India agreed). Peru’s Pedro Beltrán was also sympathetic, but suggested that India’s concerns might be addressed instead by adding the words “promote and maintain” in front of “high levels of full employment and real income,” a suggestion that quickly gained support (Schuler and Rosenberg 2012: 304–07).

The issue was then referred to a small drafting committee, which came up with the following new wording by the next day. “To facilitate the expansion and balanced growth of international trade and to contribute thereby to the promotion and maintenance of a high level of employment and to the development of the sources of productive power in all member countries as primary objectives of economic policy” (Schuler and Rosenberg 2012: 328–30). The choice of the phrase “productive power” was interesting since it seemed to invoke the kind of developmental language of 19th century economic nationalist Friedrich List. When discussion resumed on the issue on 6 July 1944, Walter Nash of New Zealand asked the precise meaning of the phrase and suggested in its place the word “unused resources.” But China’s Tingfu Tsiang (who had a PhD in history from Columbia University) reported that the drafting committee had already considered and rejected those words “since they implied capitalistic development.” Brazil’s Eugênio Gudin added that “unused resources” were words that “implied investment and were appropriate for the bank,” while Greece’s Kyriakos Varvaressos noted that the drafting committee’s wording was “more comprehensive” than Nash’s suggestion (Schuler and Rosenberg 2012: 347).

The drafting committee’s report was subsequently approved, although Chetty noted that the Indian delegation was not fully satisfied and reserved the right to object later. When the issue was discussed in the larger “Commission 1” that was drafting the IMF’s articles of agreement as a whole on 14 July 1944, Chetty proposed adding to the statement the following final phrase—“with due regard to the needs of economically backward countries” (us State Department 1948: 184). In a statement released to the press, he argued that the explicit reference to “economically backward countries” was needed to make sure that the commitment to the “balanced growth of international trade” was not interpreted narrowly just to mean “an increase in the volume of trade which is about equal in respect of exports and imports so as to avoid disequilibrium in the international balance of payments.” As he put it,

We attach great importance also to the balanced character and composition of international trade. A predominant flow of raw materials and food stuffs in one direction and highly manufactured goods in the other direction is not a really balanced international trade from this latter point of view. It is only by greater attention to the industrial needs of countries like India that you can achieve a real and rational balance. It is for this reason that the India Delegation wants to mention specifically the needs of economically backward countries, in the description

of objectives of economic policy, which the fund cannot directly assist but may indirectly facilitate (us State Department 1948: 1180-81).

Chetty added one further comment to his official statement,

Our experience in the past has shown that international organisations have tended to approach all problems from the point of view of the advanced countries of the West. We want to insure that the new organisation which we are trying to create will avoid this narrow outlook and give due consideration to the economic problems of countries like India (us State Department 1948: 1181).

The recently published detailed minutes of the meeting note that Chetty ended his speech by noting “the psychological value” of his proposal. “If these words are there in a charter of the international body that we are setting up, less advanced countries will then have greater hopes of the possibilities of economic development than they were led to believe in the past” (Schuler and Rosenberg 2012: 130).

UK’s Dennis Robertson replied with the following comment, “We are all in sympathy with those aspirations. Some of us have them very much at heart, but I would urge our Indian friends to reflect at this late hour whether those aspirations are not better satisfied in the framework of the preambles of the bank than in the framework of the preambles of the fund.” He even noted that he and others had already been working on a clause of the bank’s charter, which he felt “fully covers the aspirations which have been so eloquently expressed by the last speaker” (us State Department 1948: 130). The issue was referred to a special committee, which recommended the following wording the next day.

To facilitate the expansion and balanced growth of international trade, and to contribute thereby to the promotion and maintenance of high levels of employment and real income and to the development of the sources of productive power in the territories of all members whatever stages of their economic development as primary objectives of economic policy (us State Department 1948: 697).

When the issue came back to the commission that afternoon, the us, backed by Brazil, advanced yet one more new proposal that changed the wording slightly, including the removal of reference to “the sources of productive powers.” The new proposal read as follows,

To facilitate the expansion and balanced growth of international trade, and to contribute thereby to the promotion and maintenance of high levels of employment and real income and to the development of the productive resources of all member countries as primary objectives of economic policy (Schuler and Rosenberg 2012: 130, 190-91).

The Indian delegation objected to the new proposal and the issue was returned to the special committee once more. When the committee unanimously approved the wording suggested by the us on 18 July, however, White quickly moved the issue to a vote, where it passed (Schuler and Rosenberg 2012: 244-47).

Broader Support for International Development

One “no” vote is recorded in the minutes, presumably that of India. It is noteworthy, however, that at least some “yes” votes were cast with deep sympathy for the Indian position. For example, just before the vote was taken, the chair of the Columbian delegation, Carlos Lleras Restrepo (who later became

president of his country), made a formal statement that was released to the press endorsing the committee’s recommendation on the grounds that it “harmonises the technical orientation of the fund, the resources of which are to be used solely to provide foreign exchange for current transactions, with the desire of the delegation from India to include among the ultimate purposes of the new facilities for the growth of international trade the development of the means of production of the member countries” (us State Department 1948: 1185).

The Columbian delegate went on to argue that the wording implied recognition of “the right of new nations whose resources are not sufficiently developed to move forward on the road which they have already started to travel toward a more complex economy, toward a growing industrialisation which may alter, and probably will alter, the volume of international trade in many commodities.” To reinforce the point, he added the following comment about future trade agreements.

They must not be conceived in such a way that they will become obstacles to the necessary protection which must be given in the new countries to their infant industries, as was given at one time by today’s industrial countries to their own industries during their first steps in industrial development. It is necessary that the conference understand that our assent to a policy of greater trade and greater freedom of exchange for current transactions is given in a spirit of broad concept of international cooperation, which could never be based on the idea that this broadening process could be contrary to the development of our own domestic production and to the integration of our economy through a steady access to new industrial techniques (us State Department 1948: 1186).

It is noteworthy that White responded to this speech by noting that it was “a splendid statement in support of the recommendation” (Schuler and Rosenberg 2012: 247). White’s comments were likely very genuine. He had included strong statements about the importance of infant industry protection in poorer countries in his early drafts of the Bretton Woods plans and he was strongly supportive of state-led development strategies in poorer countries. He had designed the IBRD explicitly to mobilise lending to support development in poorer countries and he saw the IMF as an institution that would help support state-led development both through its lending activities and its provision of policy space through the endorsement of capital controls and adjustable exchange rates (Helleiner 2014).

White’s views on these issues were widely shared in policymaking circles at the time, including by President Franklin Roosevelt himself who was strongly committed to the idea of raising living standards in poorer regions of the world through international support (Helleiner 2014: 119-20). us Treasury Secretary Morgenthau had even reiterated that commitment in his opening speech to the Bretton Woods conference, “Prosperity, like peace, is indivisible. We cannot afford to have it scattered here or there among the fortunate or to enjoy it at the expense of others. Poverty, wherever it exists, is menacing to us all and undermines the well-being of each of us” (us State Department 1948: 81). In a high-profile article in *Foreign Affairs* in early 1945, Morgenthau (1945: 190) had gone out of his way to stress how the Bretton Woods framework was designed to meet not just developed countries’ goals but also the objectives of less

developed countries to raise their levels of industrialisation and standards of living.

The Bretton Woods approach is based on the realisation that it is to the economic and political advantage of countries such as India and China, and also of countries such as England and the United States, that the industrialisation and betterment of living conditions in the former be achieved with the aid and encouragement of the latter.

For these reasons, it is important not to interpret—as some have done—the fate of India's proposals as a lack of interest at Bretton Woods in prioritising the development of poorer countries. It simply reflected a worry that the IMF's mandate might expand too much and overlap with that of the bank (and that India's proposed wording might be also used to force the fund to address sterling balances; Eckes 1975: 148–49). Those concerns were shared not just by us officials but also by delegates from many Latin American countries who were just as committed to international development goals as were their Indian counterparts. It is also important to note that the final wording of the IMF's purposes could still be interpreted—as it was by the Columbian delegate—as supportive of development objectives. And as noted above, the provisions in the IMF's charter allowing the use of exchange rate adjustments and capital controls were seen by us policymakers at the time—as well as by Indians, Latin Americans and Chinese—as providing policy space not just for wealthy countries to protect social security and Keynesian full employment policies, but also for poorer countries to pursue state-led development strategies (Helleiner 2014).

Even more important was that the Indian initiative helped encourage the IBRD's development mandate to be strengthened at the conference, as was highlighted by Robertson's comments to Chetty noted above. The final version of the IBRD's charter did what the Indian delegation had hoped for in the IMF debate—it made an explicit reference to the development needs of “less developed countries.” This had been missing from the initial Anglo-American proposal emerging from the Atlantic City meeting where the IBRD's purposes had included phrases such as assisting “in the reconstruction and development of member countries” and “encouraging international investment for the development of the productive resources of member countries” (us State Department 1948: 366–67). At the Bretton Woods conference, the bank's first purpose was redrafted as follows.

To assist in the reconstruction and development of territories of members by facilitating the investment of capital for productive purposes, including the restoration of economies destroyed or disrupted by war, the reconversion of productive facilities to peacetime needs and *the encouragement of the development of productive facilities and resources in less developed countries* (us State Department 1948: 1049–50; emphasis added).

The bank's general loan provisions were also drafted at Bretton Woods in a way that the institution was required to give “equitable consideration to projects for development and projects for reconstruction alike.” This specific wording had been proposed by Keynes, but it emerged from an initiative of Mexican officials who were concerned that the bank might prioritise reconstruction lending over development lending. The

new wording was strongly supported by the us, Britain, Brazil and other Latin American countries (Schuler and Rosenberg 2012: 528–30). India also backed it forcefully; indeed, Deshmukh had been nominated as chair of one of the committees developing the IBRD's charter and he worked together with Latin American delegates on this issue (Eckes 1975: 156; Simha 1970: 426–27; *Morgenthau Diary*, Book 755: 208). He and other Indians saw the IBRD as a source of useful development finance to support India's ambitious post-war development strategies (Deshmukh 1944a; Simha 1972: 48).

Given all this, it is easy to understand why Indian delegates called attention after the conference to the development focus of the Bretton Woods agreements. For example, in a speech in London in 1945, Shroff invoked Morgenthau's opening speech about poverty in discussing the purposes of Bretton Woods and he noted that one of the goals of the IMF was “to see that the economically backward countries got suitable opportunities for rapid development, and that a substantial increase in the standard of living and real income of the people is brought about” (Shroff 1945: 50). After the conference, Deshmukh (1945: 2–3) also highlighted the development orientation of Bretton Woods in a speech to an Indian audience. His words are worth quoting at length.

The intervening depression taught economists and political thinkers, and even statesmen, more about production and destruction of wealth than two centuries of economic teaching and there may be said to exist today, at least in theory, a more vivid realisation of the causes of poverty and plenty and economic and political friction than at any other time before in the world's history. We all now apparently subscribe to the belief that poverty and plenty are infectious, in the international as well as in the national field, and that we cannot hope to keep our own side of the garden pretty if our neighbour's is full of weeds ... Whether this newly acquired vision will endure and endow international collaboration with sincerity of purpose remains to be seen; but, for countries like ours, which have suffered much from progressive economic maladjustment due to political and other causes throughout our long history, the awareness of international obligations, the signs of which we see all round us, is a good omen and an excellent stimulus to planning for wealth and welfare. In this connection a particularly encouraging fact is that the importance of the development of backward countries appears to be gaining increasing recognition. Even in highly industrialised countries, with large vested interests in world markets, the realisation has been borne in all thinking sections of the populations that poor customers are never good customers and that the setting up of industries in mainly agricultural countries together with an improvement in their agricultural production, does not represent a challenge to the industrialised countries. Although the Indian delegation to Bretton Woods conference failed to get this thought embodied among the purposes of the International Monetary Fund, in the draft agreement relating to the International Bank on Reconstruction and Development we did succeed in getting it included as among the economic goals of all nations.

Conclusions

These statements by Shroff and Deshmukh help to show how participants in the Bretton Woods conference recognised its significance in advancing new concepts of international development at the time. This point deserves underlining, given how many scholars have downplayed this feature of the Bretton Woods conference. Rather than neglecting development issues, the Bretton Woods architects pioneered the creation of a new kind of international financial order that

was designed to be supportive of state-led industrialisation and development goals of poorer countries for the first time. Five years before Truman called for technical and financial assistance to address underdevelopment, the Bretton Woods architects outlined a much more ambitious template for international development that included the creation of the IBRD and support for policy space to enable poorer countries to pursue state-led development strategies.

These development aspirations embodied in the Bretton Woods agreements have been overlooked by much scholarship for a simple reason—they were largely abandoned by us policymakers after Roosevelt's death in April 1945. This is not the place to analyse this dramatic shift in us foreign policy, but its impact was to make the “actually-existing” Bretton Woods system much less supportive of state-led development strategies than had initially been intended. That support was eroded further when the Bretton Woods institutions became leading advocates of neo-liberal policy advice later in the post-war period. Despite these transformations, the original intentions of the Bretton

Woods architects deserve to be remembered, particularly today when emerging powers such as India, China, and Brazil are calling for a more development-friendly international financial order. Those calls are often perceived as challenges to the Bretton Woods system. In fact, they are resurrecting its original goals.

It is also worth recalling that those goals were ones that India, China, and Brazil helped to establish through their active participation in the Bretton Woods negotiations. The Bretton Woods negotiations are usually depicted as primarily an Anglo-American affair, but individuals from these countries—as well as many others—were deeply engaged in the process. Like Chinese and Brazilian participants, Indians played a particularly interesting role in raising the profile of development issues in the discussions. That role deserves greater recognition not just because it helped to shape the final Bretton Woods agreements. It also served to foreshadow the role that contemporary Indian policymakers and those from other emerging powers are playing today in debates about the future of the Bretton Woods institutions.

NOTE

- 1 Although I do not focus here on sterling balance issue, it is worth noting that Indian delegates at Bretton Woods cast it in development terms as well, arguing that the frozen nature of balances constrained India from launching initiatives to raise its standard of living (US State Department 1948: 426, 1173).

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