



THE UNEXPLORED  
**KEYNES**  
AND OTHER ESSAYS

ANAND CHANDAVARKAR

*a socio-economic miscellany*

# **The Unexplored Keynes and Other Essays**

*A Socio-Economic Miscellany*

ANAND CHANDAVARKAR

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IN LOVING MEMORY OF  
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I

THE UNEXPLORED KEYNES

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# 1

## An Archival Pilgrimage to King's College, Cambridge\*

John Maynard Keynes is by far the most written-about economist. Yet there always seems to be some unexplored facet of this many-splendoured polymath and leading intellectual progenitor of the International Monetary Fund. One such aspect is the supreme paradox that Keynes, who never visited India and had no personal or family links with the country, made major contributions to economics through his analysis of Indian monetary problems. India loomed large in the life and work of Keynes, the economist, statesman, and teacher.

This fascinating, but little researched, theme in Keynes's life occurred to me while I was preparing the chapter 'Money and Credit' for Volume 2 of *The Cambridge Economic History of India*, published in 1983. I followed this with an article, "Keynes and India", in the *Economic and Political Weekly* in June 1983, to commemorate the Keynes Centennial. Still the theme seemed to cry out for much fuller treatment, and this led me to undertake a book on Keynes and India (The Macmillan Press, 1989).

What drew Keynes to India? It was the sheer intellectual challenge of the uniqueness and complexity of India's monetary system. As he put it, "Indian currency can always find something new with which to instruct the student. More numerous and skilled commissions have sat over it than any other currency in the world. Yet no sooner does a Commission rise than this currency presents some further problem...to perplex its official custodians."

Inevitably, the trails pointed to the source—the Keynes papers at King's College, Cambridge, in the loving care of Dr. Michael Halls, its dedicated modern archivist. I was permitted, by courtesy of (then) Provost Bernard Williams, to consult the Keynes Papers in November 1985 as the very last visitor prior to their closure for cataloguing. This was a delightfully rewarding week's archival pilgrimage to King's, the most photogenic of all the Cambridge colleges, and home of a long line of distinguished economists (Pigou, Keynes, Kahn, Ramsey, Shove, Kaldor, Stone and Passinetti) and savants like Forster and Lowes Dickinson.

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\* Reprinted, with minor revisions, from *IMF Staff News*, September 1987.

The Keynes Papers are housed in the King's College Library, which is reached by the same staircase that leads to the suite of Keynes's life-long friend and collaborator, Lord Khan—a charming misspelling with an Indian Muslim twist on the entrance board, noticed by everyone except his Lordship! My window seat in the Library overlooked the rooms occupied Keynes as a Fellow. Truly, a room with a view, and in Forster's College, too! There are, unfortunately, no Keynes memorabilia, except possibly for his small chest of drawers in Dr. Halls' office.

Keynes's unpublished papers reflect his sustained interest in India. He corresponded more with Indian students than with any other student group. A good example is his sustained relationship with a favourite pupil, B.P. Adarkar, the distinguished Indian economist (Chapter 12). The papers also illumine many an episode in his eventful life. For instance, Harrod's biography of Keynes suggests that Keynes's withdrawal from the Vice-Chairmanship of the Indian Fiscal Commission (1922) was because of his involvement with the ballerina Lydia Lopokova (the future Lady Keynes) around that time. But these two events were quite unrelated. Keynes had, in fact, booked his passage from Venice to Bombay on 2 February 1922, but at the eleventh hour the Government of India changed his agreed schedule of stay in India for the Commission. This was unacceptable to Keynes because of his prior commitments in England. This seems a more plausible explanation than Keynes's involvement with Lydia Lopokova, which went back to 10 October 1918, when he first met her at the Sitwells. Lydia's first letter to Keynes is dated 28 December 1918 (Hill and Keynes, 1989). If his inamorata was the real factor, Keynes would not have agreed in the first place to be considered for the Indian Fiscal Commission. Interestingly, Keynes recommended the published report of the Commission as required reading to his students, as recalled by one of them, Harold Dunkerley (c. 1942, King's College). But Keynes's failure to visit India was, arguably, a loss to development economics, as perceptively observed by Polly Hill to the author (1 May 1987). "Like an anthropologist, Maynard was a field worker; to be chairman of an insurance company was necessary for his theoretical work. The pity of it is that he was never a fieldworker in India. Would he have become a development economist had he set eyes on rural India? After all, he loved farming." But Keynes will always be gratefully remembered for his unhesitating willingness to serve under an Indian Chairman, Sir Ibrahim Rahimtoola, in the heyday of the Raj, an unprecedented gesture.

Keynes, after graduating in Mathematics at Cambridge in 1905, served in the India Office from 1906 to 1908, spending the first five months in the Military department and the remainder in the Revenue, Statistics, and Commerce department. Amidst his official work, Keynes found time to work on his King's College fellowship dissertation on Probability, and to amuse himself by copying select quotations from the picturesque 'Ind-lish' articles in Indian newspapers, such as the following: "Mr. Morley [the Secretary of State for India] is a mountain in labour which has produced a huge monstrosity, a thing of shreds and patches. He has brought out only a small rat by boring a hill." (*Akhber* (sic)-*e-Soudagar*, which translates as *Trader's Journal*).

These two years in a Byzantine bureaucracy were an invaluable apprenticeship for Keynes, the future economic policymaker and statesman. Equally, they made him sensitive to the *amour propre* of a subject nation, as in the memorable episode when Indian students were the subject of a scurrilous anonymous article in the *Cambridge Review* of 13 May 1909, referring to the "numerous 'bounders' among them...who are not prepared or fitted intellectually for the University." This provoked a spirited riposte—the only one from a don—from Keynes on 20 May 1909, who "regretted...an article so lacking in discernment and feeling" and "the commonplaces of prejudice, which should not have been brought forward anonymously and unsubstantiated."

Keynes's first publication, *Indian Currency and Finance* (1913), which established him as a monetary economist, is an original and elegant statement of the gold exchange standard and a pioneering formulation of the developmental rationale of central banking (written without the benefit of a 'mission' to India and discussions with the Ministry of Finance). Keynes regarded the Bank of England as too orthodox and therefore an unsuitable model for India. Instead, he commended the examples of the state banks of Germany and Russia in providing for direct credit and rediscount facilities to promote industry and agriculture and recommended the rapid expansion of the bank network of the proposed State Bank of India. Keynes's developmental agenda for India's central bank came to belated fruition in the 1950s. *Indian Currency and Finance*, among others, led to Keynes's membership of the Royal Commission (Chamberlain) on Indian Currency and Finance from 1913 to 1914. Subsequently he figured as an expert witness to two official inquiries on Indian monetary affairs—the Babington Smith Committee in 1919 and the Hilton Young Commission in 1926.



Later, at the Bretton Woods Conference of 1944, Keynes emerged as a persuasive advocate of an appropriate quota for India and a permanent seat for it on the Executive Board of the IMF. What made Keynes espouse India's case? Undoubtedly, he sensed India's 'economic significance' and potential importance in Fund-Bank membership. More than that, it reflected his characteristic concern for the underprivileged. Equally, as an eminent economist he was struck by the highly competent and persuasive presentation of India's case by a high-powered delegation, which included Sir Chintaman Deshmukh (the first Indian Governor of the Reserve Bank of India) and two non-official financial experts, Sir Shanmukham Chetty and A.D. Shroff. They were ably assisted by the meticulous staff work of Dr. B.K. Madan, the Secretary of the Indian delegation (and later an Executive Director of the Fund).

Doubtless, the patrician 'gravitas' and awesome versatility of Sir Chintamani (brilliant civil servant, prize-winning botanist at Cambridge, and Sanskrit poet) must have also struck a responsive chord in Keynes, the Renaissance man. No wonder Keynes remarked: "The excellence and closeness of our relations with the Indian delegation deserves special comment. Sir Chintaman Deshmukh handled his case with high dignity, ability, and reasonableness." The Indian delegation was the only one of the 44 delegations to be so singled out by Keynes, which is all the more remarkable considering that it was also the only delegation representing a dependent country without any political status or influence.

Keynes would have been delighted that the US idea of a full-time Executive Director devoting his whole attention to Fund affairs was, reportedly, fulfilled most completely by one of his most brilliant pupils, J.V. Joshi, the first Indian Executive Director of the Fund from 1946 to 1948. Much later, another distinguished Indian, I.G. Patel, Director of the London School of Economics (and former Governor of the Reserve Bank of India and Honorary Fellow of King's) also served on the Executive Board of the Fund (1958–1961). I.G. Patel knew Keynes from Patel's days as student secretary of the Political Economy Club at Cambridge.

Judging alike by his published and unpublished work and activities, India was the one country other than Britain that figured most prominently in Keynes's life. Keynes's India Connection was, arguably, the longest saga for any economist in time and space—from the spirited defence of Indian students in 1908 to the principled support for India at Bretton Woods in 1944: a glorious epitaph to 'Keynes Indophilus.'