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**TRANSCRIPT OF INTERVIEW OF**

**I.G. PATEL**

**BY**

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**Baroda, India, 9 March 2001**

YVES BERTHELOT: This is for the oral history, an interview of I.G. Patel on the 9<sup>th</sup> of March 2001. We would like to have some words from you on what influenced you when you were a young man—your education, your family background, and your training here in Baroda and then in Cambridge. So what are the events and names you would like to mention?

I.G. PATEL: I grew up in the city of Baroda. I was not born here, but I grew up here. I did all of my education, until my graduation, in the city of Baroda. And I graduated from Baroda College in 1944. At that time, it was part of Bombay University, and Bombay University spread all the way from what is now Sindh, in Pakistan, to Gujarat, Maharashtra, and parts of Karnataka, so that it was a very, very large university.

As far as my influences are concerned, like in everybody else's case, my parents, a few teachers, and I think this city itself had a certain culture of education. It was an Indian state, not a part of British India. But the ruler in Baroda at that time was a very enlightened person, and he had, long before this became fashionable or popular, had a primary school in all his villages. He had a library in all of his villages. Even in the city of Baroda, we had a children's library and a major general library. You also knew that there were scholarships to take you to England. So I must say that I was then—and even now—in favor of the welfare state.

As far as economics goes, we really did not have much formal training in economics in Baroda College. It was a minor subject. It was also the time of the Quit India Movement. The college was closed for one year. So my two years of graduation—there were only two years of graduation at that time—were interrupted. But the one teacher, who really only stayed for a short while, but really made me interested in economics, was a person called Professor D. Ghosh. He actually, later on, worked for the UN for some years. But he was a very brilliant economist, Cambridge trained. And although he did not teach me for long, it was from him that

I first learned words like “Cambridge,” “King’s College,” and “Keynes.” And he said you must go there when you finish. He was not here when I graduated. So I would like to mention his name, insofar as economics goes and insofar as he did work for the UN—not for a long time, I suppose; it must be around 1949 to 1951, the very early years.

Then, of course, I should say that I did well enough to get a scholarship. It was wartime. I graduated in 1944. Therefore, the question of going abroad was not there. But somehow or other at that age, you are a little adventurous. So I wrote a letter to King’s College, submitting my name, saying, “I am so and so, and I would like to come.” And I got a letter saying, “You cannot come now, but when you can, do come. You are admitted. And bring your documents at that time.” I went to Thomas Cook and said, “Can I go?” They laughed. They said, “There is a war on. How do you want to go to Cambridge?” I said, “Never mind.” I was in Bombay at that time, and for my postgraduate school I joined the Bombay School of Economics, just for three months.

As luck would have it, they called me a few days later and said, “Can you leave within a week? There is a ship coming from Hong Kong which has been converted to civilian use to evacuate the families of British missionaries in China. They are coming to Calcutta and Bombay also, and if you can go within a week, you can go.” So I did. It was not easy. But they awarded me a scholarship without any difficulty.

In Cambridge, I did my Tripos in two years, what we call the B.A. Honors degree. I did well. It was a very exciting period. It was a forty-eight day sea voyage that took me from here to there, and I read a few books on this voyage which I think made me really first understand economics, although I had graduated in economics with honors. But I read *The Social Framework* of [John] Hicks; then I read Abba Lezur’s *Economics of Control*; Professor James

Meade's *Economic Analysis and Policy*. I think I also read Mrs. Joan Robinson's *Imperfect Competition*, and [John Maynard] Keynes' *General Theory*, which I did not understand at that stage. But the others I did understand, and it made me realize what economics is all about and how economics policy can be effective, to the extent that one can at that age.

I have to say that before I went there, we were all very strongly influenced by the nationalist movement. And the nationalist movement in India was a movement which discussed economic issues at great length. [Mohandas] Gandhi was a great advocate for removal of poverty. [Jawaharlal] Nehru was a great fighter for rapid industrialization. There were others, the so-called socialists and the communists. So all of these things to a young mind—we were vaguely familiar. I won't say we were well-read or understood well, but we knew what Gandhi stood for. They were not quite the same thing as Nehru's views, not quite the same as the communist philosophy. The days of independence for a young man were days of great intellectual turmoil and excitement. You talked, you listened, you argued.

Therefore, I think I was not a blank slate when I came to Cambridge, as far as that is concerned. But the formal, analytical structured economics I began to understand on the boat, and of course at Cambridge. There wasn't much lecturing in those days. When I went there in 1944, there were very few teachers. Most had been recruited during the war. So what you had were women like Mrs. Joan Robinson, or leftists like Maurice Dobb, or relatively old people, but very good people, like A.C. Pigou, and Gerald Shove. I don't know if you heard his name, but he was one of my tutors at King's, one of the best teachers you could ever have. And, of course, Pigou also was my teacher.

But the good thing in the first year was that the London School of Economics (LSE) was in Cambridge, because it got transferred during the war to Cambridge. So at that time in

Cambridge, Nicky Kaldor was lecturing; [R.H.] Tawney was lecturing; [Harold] Laski was lecturing; [Friedrich] Hayek was lecturing. So you had, you could say, all marginal people in British economics because the rest were recruited during the war. But these were people who were foreigners or old or unconventional. Nicky Kaldor was absolutely brilliant as far as I was concerned. So was Tawney. Hayek taught very limited economics, but he taught methodically. Laski I would say was no great inspiration. He was anecdotal, rather than methodical.

Then, of course, things changed from 1945. But by then I was reasonably confident in it. The war ended and more people came. Some of the students from other countries—Commonwealth countries, particularly, and Americans who could not be sent back to Canada or America—were given the permission to stay in their khaki uniforms in Cambridge and attend the classes. They were given a concessional course. If you passed three or four papers, you were given a degree in the class. They were all people who had done economics before in their lifetimes but then were drafted.

That year was very rewarding from the point of view that there were many new faces. Harry Johnson came, for instance, in that class. And Robin Maeris was there. Eric Russel—an Australian, a very bright person—but he died early. We were a good group of friends. So I think that was a very productive year. You learn a lot from each other, and that happened in that year. And, of course, D.H. Robertson returned, and he was lecturing in the second year. Keynes returned. He wasn't lecturing, but he gave a couple of talks. And Richard Kahn came back, and LSE left. So one group left, but a whole new group came.

It is the tutorial system which, I think, does a lot in Cambridge. They don't teach you anything formally. They don't tell you what to read. The exams can be anything. Lectures—they give you lectures on whatever they like. But they made it a point to make you

write every week something. That was valuable training. But what I did not have training for was how to handle facts. It was all theoretical. There were statistical papers, but it was minor. The whole national income accounting had not yet started, and I graduated in 1946. They had just come and started it in the Applied Economics Center. That was a bit of a handicap when I decided to do research. Nobody encouraged us to do a Ph.D. at Cambridge. But I had a scholarship for the third year, so I thought I would stay and read.

I thought about international trade and economic development because those two things did not get enough attention in my day. It was all closed economy macroeconomics, to be quite honest. It was not microeconomics. So as an Indian, I felt that I was going to study economic development. I was interested in international trade and how it interacts with economic development. So roughly and vaguely I thought I would do my thesis on that. I was interested in those days in that kind of subject.

Then, when I got a fellowship to go to Harvard for my fourth year, I said, "Now I can't justify merely reading. I must seriously think of research." At Harvard, I seriously worked on my thesis and made it into a case study of Japan and Argentina, primarily Japan, and some theoretical work. Harvard has a wonderful library. You get access to almost anything you want. But there was not much literature on economic development at that time. There was not even that much literature on the extension of Keynesian economics to the international sphere. And the international economics was more of a traditional kind. And on development there was hardly anything. [Paul] Rosenstein-Rodan came later. Ragnar Nurkse came later.

My reading of Japan was very interesting. So that is where my later interests in terms of development and international trade evolved at that time. Joseph Schumpeter was lecturing at that time, and he was brilliant. He was probably the only lecturer worth attending at Harvard at

that time, I have to say, because what Professor [Gottfried] Haberler had to teach I more or less knew. What Hansen and others were teaching, I more or less knew. But Schumpeter was absolutely brilliant. He gave a lecture on economic models. It was a history of economic thought course, telling you that each economic model was a period of history. Therefore, you move from one model to another, which means you move from one phase of history to the other.

So it was good training. I went back to Cambridge and finished my thesis. I then went back to Baroda, taught for a year, and then joined the IMF (International Monetary Fund) in 1950 as a young economist. I later on became assistant chief in the Financial Problems and Policies Division. Those four years, I think, were very important from the point of view of my economic training. That is where I first learned to handle facts, to look at balance of payments, budgets, balance sheets, and at practical problems as they arose from day to day, and to deal with the country as a whole or the problem as a whole. And I must say that the research department at that time was very good.

You had people like Edward Bernstein, who really took me in hand if I may say so because he was told when he hired me by the government of India that “we don’t want people like him to stay there. You train him and send him back to be a good economist.” He said, “That’s my job.” And he did it conscientiously, to the point of bringing me with him to India when he was invited for a mission. Normally, no Indian was allowed to join a mission going to India. But he said, “You are different.” Jacques Polak, Sidney Alexander, and so many others—Marcus Fleming—were also there.

So how to handle practical problems, how to handle statistics, how to immediately respond to emergency situations and all that. That was the kind of thing that I got there. So when the chance came for me to come to the government of India—that was in 1954, as deputy

economic advisor in the Ministry of Finance—Bernstein said, “Go.” But he was good enough to say, “Go for a year. If you don’t like it, come back.” But, of course, I came to India and stayed.

And, as you probably know from my biography, I stayed for four years in that capacity. They were very good years, in terms of really getting involved. Initially we were merely backroom boys, writing briefs and writing speeches. But very soon the momentum was so rapid, particularly during the early years of independence. I got immediately thrown into the middle of all that. And then the foreign exchange crisis came in 1956. From then on, the attention turned to more external economic relations in terms of aid and what have you. In 1958, I was posted in Washington. B.K. Nehru had a team of three of us to really advocate aid and see if we could create some kind of momentum for concessional aid.

Now where the UN comes in in all of this is that when I was in the Fund that is the first time I became aware of what the UN was doing. To some extent, we had to rely on them. I have to say that subsequent generations have not fully given credit to the UN for the initial years in which they really put international economics on the map by systematic collection of data. The UN Statistical Office’s work at that time was done in collaboration with the Fund. But the UN’s work on population and national income accounts, at the time when the information was scanty, you had to be creative about how to fill in the gaps. I think that deserves—I am sure the people who write the history will do that recognition—but that to my mind was a very important contribution.

YB: Michael Ward will write a book on that.

IGP: Yes. But the other part was that we were becoming conscious of our problems of development. And knowing that in the Bank and the Fund there was a certain hierarchy of power, we were already very active in the UN to cultivate opinion for the things which we



wanted but were not easy to get in Washington. Already in the SUNFED (Special UN Fund for Economic Development) it was being talked of Dr. V.K.R.V. Rao of India had played a major part in getting the SUNFED resolution passed. And I can say that our contribution—not necessarily mine—during the three years from 1958 to 1961, when I was in Washington representing the government of India, and as the alternate executive-director of India in the Fund, I must have gone to New York several times in the Second Committee of ECOSOC (Economic and Social Council).

But I think one of the major things we achieved at the time was that we did not get the SUNFED as such, but I think the propaganda we made for concessional aid and various other things certainly led to the creation of IDA (International Development Assistance), and certainly led to the creation of the Aid India Consortium. The Aid India Consortium was, of course, our direct objective and the first major achievement in the breakthrough on aid, in terms of concessional aid—in the recognition that we cannot just rely on Bank credit and commercial credit. We need concessional aid. And the 1 percent aid resolution was very largely the work of the Indian delegation, most notably of B.K. Nehru. And the 0.7 percent concessional aid resolution was during this period, from 1958 to 1961.

So while we were working in Washington—and our objective was the British government, the American government, [John F.] Kennedy and all that. We were in and out of government offices. I sat in Kennedy's room several times writing speeches for him, along with his assistant Fred Holbern, so that he could use them, for whatever it was worth. And that was the period when there was a lot of friendliness in America towards India.

On the second five-year plan, here we ran into trouble. We had foreign exchange difficulties. So for the first time after 1956, we suddenly got catapulted into being aid

negotiators and aid seekers. And much of my life later on was really spent on that. And that meant being in touch with UNCTAD (UN Conference on Trade and Development) and the UN to create opinion here and there.

So I missed no opportunity of going on any UN committee where I was invited. And, as you know, I was there at the expert meeting convened before the first UNCTAD conference in Geneva. We were in Delhi working hard at the second UNCTAD conference. Sidney Dell called several meetings for the international monetary reform, and later on the Committee on Development Planning. Those were instruments which we tried to use effectively, both intellectually and otherwise, to create a world public opinion. This I think did have an impact on the Bank and Fund policies. Maybe there was a certain amount of dilution, but certainly there was impact. The UN people, they said, “We can’t have another World Bank, but you can have a UNDP (UN Development Programme).” But still it was something. But more than that, the 1 percent resolution was maybe never honored in practice but it always helped in terms of goading people. It certainly helped countries like Norway, Sweden, and the Netherlands to do more. They had an objective that 0.7 percent of GNP should be contributed as concessional aid. That was a very major step, and I think for years it remained a standard by which we measured things.

And the whole concept that you need concessionality, which later on was translated into the statement that you need preferential treatment for the developing countries in trade and in other matters, both in terms of imports and in terms of exports, to some extent, even if not fully came to be accepted. But even the Fund later on accepted that concessionality has to be in the Fund also. You cannot have it all done by the same rule.

The work we did in these UNCTAD committees under Sidney Dell—I remember sitting up in the Tudor Hotel all night and writing up my paper on why an SDR and why no backing?

In the Fund too debates on this thing started as early as in 1961. But the UN had people like Nicky Kaldor and Richard Kahn and others on advocates too. [Vladimir] Alkhimov from the USSR (Union of Soviet Socialist Republics), of course, was there, and we became very good friends. That was at one meeting. There was more than one meeting of that kind. There were subsequent meetings where we all argued that if there was no commodity stabilization, that if there were no more facilities for primary producing countries, then prices would decline.

Various other things like that came through this intellectual effort, and if you like, public relations effort creating a climate—propaganda if you like. But it was also a sounding board where we could get the input of intellectually more committed developing country friends to say, “No, this is not quite right.” People like Nicky Kaldor and Kahn were not going to let you go away with an imprecise formulation. They would say to you, “You must make sense out of it.”

And I think that was a very, very vital period. In 1961 I came back and became chief economic advisor. Then in 1967 I became secretary of economic affairs. But all through it, I told my government that I valued one or two visits abroad of this nature, on which I would write papers. And I did. Many of them were on the UN or UN agencies. Some of them, of course, were from outside. Some were World Bank and some were Cambridge University. But those were useful for both training, in one sense, and input in economic diplomacy. And it helped us, to some extent at least, in achieving our national objectives.

YB: It is very interesting that you underlined the dialogue between the IMF and the UN. And some ideas matured in the UN, having some impact on the IMF policies. Were you the only person, or had you other colleagues from other countries moving from Washington to New York and contributing to this exchange of ideas?

IGP: I don't remember anybody who was working with me as an economist in Washington, when I was there, who later on became active in national life. We had, of course, in the developing world, apart from myself, other people, basically from Brazil, et cetera, who were on the same wavelengths. Some were not, but some were. Some were really extreme, like Samir Amin. And we really had to keep away from that kind of thing because it did no good to us in that sense. But there were very sensible people. In the Fund itself, there were people who were responsive. I think we—if I may talk about Indians, not only self but others—we did make a lot of difference in those days because we had formal education, we were articulate, we knew how to use English. We had friends in the UN and the World Bank. We were not strangers there. In the World Bank and the IMF we were one of the five permanent members. We had the right to elect our own executive-director. It changed much later, when we did not keep pace, sometime in the 1960s. But for the first several years we had as important a position as any developing country would want.

So there was a lot of give and take. The Americans, in those days, were not so rigid as they are now. Remember that it was the Kennedy era. There were people like Max Milliken, Walter Rostow, and [Paul] Rosenstein-Rodan. They were all urging the administration to move in the direction of doing more for developing countries. Even under [Dwight] Eisenhower, once [John Foster] Dulles was not there, people like Douglas Dillon came on the scene. You can't imagine a more progressive official than Douglas Dillon. And Kennedy continued with him in his administration. So things were not all that dark—the resistance was mainly from Germany and Japan. England was quite friendly. America was quite friendly. And, in fact, the Americans and the British used a lot of their influence to turn the French, and the Germans, and the Japanese, and the Italians around to thinking in terms of the international community. The

Canadians were always with us, but the Scandinavian countries were not very much in the picture. They came around very quickly, but later. Not at that point in time.

The fact that these were all players in the UN also helped, because you met them in the UN context also. So you were not talking only in one forum, but you were talking in other forums also.

YB: Before you joined the IMF, was there no assistance in the IMF for development?

IGP: When I was there—I was there from 1950 to 1954—it really was not a very active organization. The Americans said, “We are giving money to the Marshall Plan, so you don’t need to come in.” The developing countries were not yet in need of money. Occasionally we borrowed, but we were not in need. We brought our resources. The Korean War had helped everybody. So in 1954, the picture for developing countries was not bleak. The richer countries were told, “We have the Marshall Plan, don’t come here.” The Fund was very inactive. We used to jokingly say, in those days, that there were two kinds of economists—the balance-of-payments economists, and economists. And the Fund has few economists; they have only balance-of-payments economists. Even the Bank was inactive, relatively speaking. It had just finished reconstruction and had just begun to work in India with the railways. Yes, they did well in India’s water settlements—that was a major achievement. That was not strictly economic, but diplomatic.

It was only after the 1956 foreign exchange crisis in India that I think our own attitude changed, and we took quite an active part and we tried to mold public opinion. And I think the conjuncture at that time was such that, after a while, Kennedy—and we had a very good Republican ambassador in India.

YB: Chester Bowles?

IGP: He came later, under Kennedy, but under Eisenhower he had Sherman Cooper. And he and Kennedy actually made a bipartisan issue of India. So it is always called the Kennedy-Cooper resolution that they passed in the Congress, saying that India needs help. So those were very exciting days. Since we are talking of the UN, I want to say that the UN was on the sidelines, but it was not therefore not important. We made good use. As I said, I used to, from 1958 to 1961 when I was posted in Washington, take my car, leave it in the Washington airport, attend meetings there, and come back. And it was a big achievement. We were very proud of the fact that we got the 1 percent resolution passed. Also, it helped in the IDA and the Aid India Consortium and on trade matters when UNCTAD finally was formed. Not much, maybe, or for long, but for some time it was possible.

And these were not arguments that were developed only for the developing countries. People forget that these are the same arguments which were used by the British after the war to say that there should be discrimination against the dollar, that the IMF should not insist on full convertibility for some time. Permanent dollar shortage was a thesis which was started by Mrs. Robinson, to say that countries like England are at a disadvantage vis-à-vis America and would remain so for a long time because America has flexibility and mobility of resources, continuing technical progress in all areas of the economy that we do not have.

So I think, to some extent, most of us really developed those arguments in a broader context. We were not, if you are honest, in India too much impressed by the dependency thesis, that we would be dependent on them always and get marginalized. That is the Latin American thesis. We had just become independent, and we were conceited enough to think that we could handle the advanced countries, that they could not dominate over us, and that they could not marginalize us. We had probably that degree of confidence because we had leaders like Nehru

and Gandhi and Patel in those early years. And even Mrs. [Indira] Gandhi was a match for that kind of maintaining a bold face. So we were not obsessed by that kind of thing.

YB: That sounds very fascinating, because I think [Raúl] Prebisch developed theories which were convenient for the dominant powers in Latin America at that time.

IGP: I think all of us knew that—let's face it—the developed world has been doing that all the time. And that is why, when I mentioned earlier that we were very much influenced by the national struggle—people of my generation—it was always in our mind that we had been dealt a bad card historically for 200 years. Now it was our time to see that we led with some good cards and that we would progress as rapidly as we can. And we would wipe out the humiliation of the previous 200 years. So the urge for rapid progress and for equal rights—you may say that they were somewhat unrealistic, but they were.

But they were natural instincts for a people who felt that history had dealt a dark chapter for them, and that now it was time for us to move on to a brighter chapter, and that we could do it because, after all, we were the first country to be made independent from that part of the colonial world. And we had struggled for it. We weren't given it on a platter. That led to some difficulties and it led to some mistakes. But I think that is very much a part of the mental make-up and the policy initiatives of my generation.

YB: You mentioned the Marshall Plan. What was the reaction in India vis-à-vis the Marshall Plan? You had the impression that it should be extended to you one way or another?

IGP: What happened as a point of fact—it is a part of history that not many people know—when the Americans were asked why they were doing so much for Europe and nothing for us, just as they did UNDP with technical assistance, they did start a so-called technical assistance, Point IV. The Colombo Plan was set up. But very soon it got mixed up in the Cold

War. They had the SEATO (Southeast Asian Treaty Organization)—Turkey, Iran, Pakistan. And there was the feeling that they wanted to extend that. And there was talk of, “We will give you a Marshall Plan if all of you get together. We will give you big aid and then you will join in.” We did not become a part because it meant that you were part of SEATO, which we didn’t want. It was a Cold War strategy by then, because this was no longer 1946 or 1948. This was later on. The U2s from Pakistan were already detected by the Russians. So no public opinion here would stand for that.

There were, however, meetings. I remember attending a conference at Simla to say, “Why can’t we do something like that?” But we knew, in our situation, that Pakistan would always play the card, saying that they must have the largest share. And the money that would come to us would never be on the European scale, and it would never be something that would be left totally to us. So it was more of a way of enticing you.

By then our own crisis had not come. This was before 1956, I am talking. This was around 1955 or 1954, when the Cold War had hit hard enough and SEATO had come. SEATO came in 1952, I think. So, yes, there were feelers of that kind, but they were so wrapped up in the Cold War SEATO strategy. We were not inclined to go that way.

As it happened, however, we ran into trouble. Then we tried to internationalize the issue. We said that it was not a question of one part of the world but concessional aid for all former colonies. That’s what our strategy was. Under Kennedy, a special plan was started for Latin America. By then, people like Kennedy and Cooper fully appreciated—and there were others—that if we went under in a foreign exchange crisis that would do no good to the U.S. So as much as they had made their pacts with Pakistan and others, the neglect of India under Dulles began to disappear under Eisenhower. As I told you, Douglas Dillon was the first one. Nobody



talks of the United States Development Loan Fund, which was the predecessor of IDA, which was preceded by the Aid India Consortium. We had received aid under the U.S. Public Law 480 for food. Why not other aid in the same pattern? And the Development Loan Fund was started, entirely at the initiative of Douglas Dillon. That was when American aid would be given for buying other items like machinery, but the repayment would be in rupees. Later on, of course, it was dropped. But then other things took over, like the Aid India Consortium.

YB: In this period, there was Bandung (Asian-African Conference) also. Had it an echo? Was it important?

IGP: Bandung was during my student days. Bandung took place when I was still a student, in 1949.

YB: Bandung?

IGP: Yes. Zhou Enlai, and all that. Yes, I remember vaguely that it was in 1949 because I was to return to India and a plane going from India to Jakarta crashed, and there were some stories that it was sabotaged by the Americans. Therefore, I cut out my tour of Europe that I was taking before I returned to India. I thought that my parents would be worried because I was coming by plane. So I cut short my trip. That must be 1949. But that was political, and I was very young then.

YB: It did not contribute to create waves in the IMF—the first group of several Third World countries?

IGP: I don't remember. I don't think at that time there were any Third World groupings in the IMF. They came later. It was probably more when UNCTAD and other things came that it happened. I don't remember any talk of a Group of 20 or 24 at that time.

YB: Also during this period of time, there was the sterling balance dispute.

IGP: A dispute in what sense?

YB: I think between India and the UK.

IGP: You see, we had always—sterling balances were always an emotional issue for India, because during the war we were compelled to do without things. Even the railway lines were scrapped for miles here so that the rails could be used for the war effort. We were deprived of so many things which we needed. The unwanted export surplus resulted in the sterling balance. It caused real hardship, including even to some extent, calamities like the Bengal famine because food could not be imported and could not even be transported domestically. So basically these were hard-earned savings of ours which should not be dissipated, which should not be written off. After the war you must pay that back honorably and honestly. There were lots of people, including Keynes and others, who were saying that part of it should be written off. They were working on the American government to say, “We cannot handle our balance-of-payment problem unless we write off this load of debt, or you help us to pay part of the debt.” It was that which led to the Anglo-American loans in 1945.

Even then the Anglo-American loan agreement was ambiguous. I confronted Keynes himself. Keynes gave a talk on that when he returned to Cambridge after signing that agreement, which was a great achievement for him because he got a huge loan from America on terms which I wish later on other people were able to get. But there were contradictions in the agreement. At one point, it said that Americans were giving it to enable the British to honor their wartime debts. So that was not displeasing to us. At another place, it said that if Britain were in difficulty, it should not pay its other debts but pay the American debt first. This meant that we were on the other side. When I asked the question, “Which of these is true?,” even D.H. Robertson followed me and said, “I am glad it was asked. I had the same question.” And

Keynes just brushed him aside. He said to Robertson, “You are telling me, I am no good at drafting. You were very good at drafting at Bretton Woods. You used to help me to draft things which made everybody happy. Now you are telling me that without you I am so bad at drafting.” But he admitted that it was double-talk, but he didn’t want to say it in so many words. So we were always emotional about this.

Sterling balances were not literally written off. They did not say 20 percent would not be paid. But a good part of them were written off effectively because of inflation. A very low rate of interest was paid—1\_ percent or something like that, even afterwards. Then the devaluation of 1949 reduced the value. And for many years, they used to block it, saying, “You can convert the balances into dollars only to the extent of 40 million pounds,” or something like that. And the interesting thing was that those 40 million pounds were counted in that Colombo Plan document as aid to India. They were saying, “We are giving 40 million pounds of aid to India.” I got them to remove it at their conference in 1956 in New Zealand. I said, “What kind of economics is this? This is not aid. This is paying back your own debt.”

But ultimately, we used up the balances pretty fast, although we did not get enough value out of it, perhaps. But the 1956 foreign exchange difficulties—until then we had not used those balances. But within a couple of years, we had to use up a lot of them. Once they started talking of joining the European Union, the sterling arrearments collapsed. Until then, all of our dollar earnings had to be converted to sterling, and all of our reserves were in sterling. I think that must have started changing in a small way much earlier.

YB: So after your time in the IMF, and as an alternative director of the IMF, I think we may move to the internal—

IGP: I returned to India at the end of 1961, or the beginning of 1962, as chief economic advisor. Then in 1967, I became permanent secretary in the Ministry of Economic Affairs, until 1972 when I came to the UNDP. That period was the busiest period of my life because I worked very hard—but as far as the UN is concerned, I already told you about how I took every opportunity to attend these meetings and make such influence as we could. With the Fund and the Bank, of course we dealt with them on a daily basis through speeches, through writing. But internally, of course, those were very difficult years. I came in 1962, and before we finished our budget, the Chinese war came along. That meant a tremendous change in the situation, pressure, and assorted developments, what have you. By the time that was over and we had come to some degree of balance, the 1965 Pakistan war came. Then Lal Bahadur Shastri was beginning to turn things around, after Nehru's death, and then he died. Then, of course, our internal situation—inflation rose and all of that. The Bank started becoming a little more aggressive, and all the pressure for devaluation came. Those were not easy years.

When Mrs. Gandhi came to power in 1966, we internally knew that devaluation was inevitable. But it was not easy to convince people, and it was not easy to swallow. Then came Mrs. Gandhi. I remember going with her to America the first time she went there. But she was brave, and we told her that this is it. In a way, we were already committed to it. We knew that this was inevitable. And she did it. But unfortunately, it did not work because that was the first time that we were let down by our American friends. By then, there was a change. We were promised large non-project assistance if we devalued, and huge Bank and Fund money. It didn't come. To add to that, we had three successive bad monsoons. So the whole administration became thoroughly unpopular because prices rose. Therefore, devaluation did not do as much good as it might have done. President [Lyndon] Johnson started his "ship to mouth" policy,

pressurizing us, releasing food by small doses, saying, “Unless you do this, you don’t get the second shipment.” It was a lot of pressure.

YB: The conditionality started at this time.

IGP: A lot of pressure. But in all fairness, I must say that we handled that very well. We took what we thought was appropriate. We changed the entire food situation because we took dramatic transformation of economic policy on the agriculture front at that time and ushering in the Green Revolution. In two or three years time, we turned the thing around. We turned the thing around foreign exchange-wise, albeit by cutting investment. For three years we stopped all planning. We had no plan for three years. We said, “What is the point of planning? We have no resources.” It was more a question of managing things.

By 1970 or 1971, when the Bangladesh situation developed, we were worried that we may have a situation where the Americans would stop aid and ask others to stop aid to us. How did we manage? We were getting 10 million refugees during all that. And I was able to assure Mrs. Gandhi—I was the permanent secretary in charge of finance and for handling foreign exchange—I said, “Look, somehow with all the difficulties we had in 1966, 1967, and 1968 we have by now managed to have food surplus. We have managed to have an increase in foreign exchange reserves. We have 10 million tons of food. We have got 1 billion dollars in reserve,” which was in those days very high. So I said, “Even if the Americans turn nasty, we can manage. We can manage to see that the Americans will be isolated.” And we isolated them. In country after country I visited, no country supported the United States on the Bangladesh war. We were afraid of Japan, but Japan also did not. So no country stopped aid to us. Only the Americans did.

It was a bad chapter. We had a very bad time with 10 million refugees. So those were very difficult years, in 1971 and 1972 with all those refugees, to deal with a situation where we may have a war, or we may not have a war. And [Richard] Nixon and [Henry] Kissinger were absolutely hostile—they had set their eye on China. And Pakistan was their friend for doing this. So they were not interested in India, and they did not want to annoy Pakistan. It all was happening while the Bangladesh refugees were coming here.

So that was a very difficult period, in 1971 and 1972. But we overcame that also. Mrs. Gandhi's popularity, of course, shot back and she won with a very huge majority. Then in 1972 I came to the UNDP.

YP: Before moving to UNDP, when you were in finance as advisor and then as secretary of state, you had to deal with the planning policy here. You had the first, second, and third plan. I think there were certainly disputes, differences of view between the Planning Commission and the Ministry of Finance.

IGP: No. I think that is all not true. At the time of the second five-year plan, from 1956 to 1961—after all we started planning in 1951, and that plan was not ready until 1954. There was a lot of controversy about the second five-year plan. That happened before I went to Washington in 1958. And there was a lot of discussion and controversy. International experts came, and what have you. The second plan did run into difficulties, but once it ran into difficulties, we had to re-phase the second five-year plan. And, as I said, all this aid started coming. So to some extent how much we could do at home was determined very largely by how much foreign exchange would come through aid or otherwise from outside. After that, in 1961, there were no great arguments between the Ministry of Finance and the Planning Commission. In fact, even in the second five-year plan, I was the intermediary between the Ministry of

Finance, the Planning Commission, and the Indian Statistical Institute in Calcutta. And we worked jointly to prepare the draft plan of the second five-year plan.

We had reservations, but at the same time we thought that if it worked it would be a very good thing. There was the optimism of which we were all guilty, if you want to put it that way. We thought that if we could bring it off, it would be certainly a very good thing. Bring it off, meaning if you don't have inflation and if you don't run into balance-of-payments problems. But we did run into balance-of-payments problems. After that, really, much of the planning became entirely a matter of year-to-year financial resources management. Apart from the distribution of resources between the center and the states, which was an important function—semi-political—but the economic part was very much a matter of how much we could manage rather than bold ideas.

So the second five-year plan, from 1961 to 1966, had to be re-phased. In 1966, as I told you, we were in so much difficulty that the third five-year plan did not start for three years. We declared a plan holiday for three years. And that took us to 1969. So the third five-year plan started in 1970. Then came the Bangladesh war. So it was very much a matter of day-to-day management of the economy and day-to-day management of resources. Planning was there, to the extent that we had a certain public investment and how to take care of it. I am afraid by then the superstructure of controls had become so unmanageable and multiplied like anything in no time.

YB: In the discussion around the plan, and maybe also within the Planning Commission and within the Ministry of Finance, there were discussions about the role of exports?

IGP: This is again one of those things. People go by clichés. Yes, if you want to argue about the second five-year plan, that we did not take into account a possibility of meeting our

requirements through international trade, and focused too much on creating capacity for machine-building in India, yes, that was there. It was deliberate. It was not even that consciously we were pessimistic about exports, or anything like that. We wanted to do this because we thought it was a shortcut whereby we could have much more rapid progress later on. And we would manage, because as I said until then we had comfortable sterling balances. We had not drawn on them to the extent that we thought that we might. So we thought that we would be able to manage. We thought that we could raise domestic supply of consumer goods through the cottage and small industry, so that it would not require much capital. So that would not cause much inflation. And we could manage the balance-of-payments because we had sterling balances.

When the crisis came in 1956—and it came very quickly—after that all that changed. There was no question of export neglect. We did everything that we could, both to reduce imports and to increase exports. The multiple currency exchange rates applied both to imports and to exports, so there was no question of arguing about exports or not. The routes chosen for both promoting exports and for making us more independent of imports were, I am afraid, too rigid and state-controlled. Undoubtedly, there were people even then who thought that it was a mistake. Some of us thought it was a mistake. But you don't realize how bureaucracy and interests develop, particularly in a democracy, and how it grew. Even today, I don't know how in a matter of two or three years, the thing really proliferated to the point of establishments and agencies being set up to scrutinize everything.

YB: Some of the debates are maybe more abstract debates than real debates when you are in the day-to-day life. Was there any debate on light industry versus heavy industry?



IGP: Yes, but that debate was over in 1956, because by then the heavy industry argument, having been accepted, to some extent we developed the heavy industry. The unfortunate thing is that we tried to do everything. We encouraged the small industry by giving them protection and reserving certain areas for them. We encouraged the cottage industries by giving them a lot of subsidies. We encouraged the so-called organized consumer goods industry by giving them virtually 100 percent protection against imports. And we invested money in heavy industry. It was just too much to do altogether. Therefore, none of them really worked because how do you encourage anything without taxing somebody else? So indirectly, everybody got subsidized and everybody got taxed.

YB: Maybe to make a link with the UN, I think during this time there were already some debates in the UN on issues which were of importance for India. There was this conference of the FAO (Food and Agricultural Organization) on food in 1974. There was this debate on food in the UN. Later on, there was the Lima conference on industry. And, on another issue, there was the issue of demographics, which was raised in the UN. And, also employment was addressed in the ILO (International Labour Organization).

IGP: I was already in the UN by then. I came in at the end of 1972. So all that you are saying actually happened while I was in the UNDP.

YB: The way that I would have liked to put the question is, as far as you know, even though you were not directly involved in Indian politics, did all of these conferences and these debates within the UN have an impact on Indian thinking? Or is it the other way around—

IGP: I am sure that it had effects both ways because we were active participants in all of these conferences. Also, in a way, just as the different agencies become vested interests and empires of their own, our ministries dealing with them also become empires of their own. For

quite some time, that is to say until I left for America, no brief to any UN agency went out except with the approval of the Ministry of Finance. Actually, I was the person in charge of writing and approving the UN briefs when I was a junior officer. Because we said that these are all external economic relations, which have to be of a piece—it is not just agriculture doing one thing and administration doing another. But all that went off. We had some strong finance ministers who left.

So FAO became very much the privilege of the food and agriculture minister and so on. So I don't think there was a very well-coordinated Indian view on this thing. But because we were, as I said earlier, we were actively internationalist in our general outlook thanks to Pandit Nehru. So we actively participated in all this. And we had competent people in all these ministries. But I would like to say that, just as in my experience of dealing with the Americans or the UN and the Bank and the Fund, the interaction was mutual. We learned something from them, and they learned something from us. We influenced them and they influenced us.

I think the same is true in other areas. There are all of these conferences which you mentioned. I think they were very useful devices for not only awareness but also collection of information, for exchange of people, for getting to know people at a personal level. We may argue, but when you have known each other together for having spent ten days at a conference, later on we argue in a different way. We forget that you have one nationality, I another. All of these are very valuable things which people don't fully emphasize. It is not just a matter of how many resolutions are passed and how many resolutions are accepted. It is the question of creating a community of like-minded people around the world who can then deal with each other in a more, shall I say, international way or in a more objective and cooperative way.

And I think over the years the level of international communication, debate, understanding, gets enhanced by these things. They may be talk-a-thons. A lot of time may be wasted. But the same is true of the Bank and the Fund. There also it is the same processes which are, to my mind, more valuable. And I think people tend to underestimate it. I can say personally in my life that I have learned a great deal by that. When we in all of these difficult periods, wherever I went I could find some people to whom I could go and say, “Look, what can I do? Can you help me? Am I right? Am I not right?” This is in any country, whether Japan or Germany. All of that is important. That is because we took part in all of these conferences, seminars, and debates.

YB: I fully share your view. But I think it is important for the history.

IGP: That is why I am mentioning it.

YB: So you went to UNDP. So maybe you can tell us why and speak about your time in UNDP and its policies.

IGP: That is, quite honestly, a rather difficult thing for me to do. Although I spent five years there, I have to say that from a purely professional point of view, they were not as rewarding as I thought they might be. They were rewarding in one sense, that for the first time I was learning something about the whole of the developing world—Latin America, Africa, the Middle East. So I learned something beyond India, and I think it adds to perspective. Also the UNDP is not just economics, but industry, environment, health, education. So you learn something a little bit more. For the first time in my life, I came closer in contact with FAO, UNESCO (UN Educational, Scientific and Cultural Organization), WHO (World Health Organization), and other bodies. So that also adds to knowledge, although not very deeply

because you are not dealing with any of them at great depth. I was in charge of programming and policy, so I was in charge at UNDP of programs.

What was disappointing about the UNDP was that—and this is difficult for me to say so, because I have not said it before and I don't want to appear in a critical sense—but there were two or three things which were wasteful in a sense. I am very used to an active life and working very hard. I would look at these governments—can you imagine a governing council of forty members, meeting twice a year, one month each time, once in New York, once in Geneva? Which organization can spare first secretaries for such periods? So second secretaries, third secretaries take over. They don't have much to do. Even their governments did not know what they were saying and what they were doing. So they interfered with the work of the UNDP—much too much, because they needed to justify their time. So they passed resolutions. For the amount of work they were doing, they were absolutely over-governed. Whoever's point it was, whether it was the point of the bureaucrats or the governments, it was time consuming. And you could not change it because the people who came and spent their time in Geneva or New York did not want it otherwise. You can't imagine anything more over the top than that.

Secondly, we did not have much substance. The amount of money we had and the kinds of things which we could do—for that, there was a lot of hype because the agencies were interested and each one thought as if we had billions of dollars to give. There was a lot of hype created by the Jackson report (*Study of the Capacity of the UN Development System*) about country programming and this and that. So, apart from the governance being overburdened, the day-to-day work was also overburdened. There were too many mechanisms created for dealing with what was not that much to deal with. If you were interested in using money wisely, you

could do it in more efficient ways. There was no leadership from the UN, in the sense that there was nobody in the UN who had any ideas about this.

But the other more surprising thing was that from the outside we were using the UN to criticize the Bank and the Fund. I mentioned to you that we always used the UN to criticize the Bank and the Fund. When I came to the UN, I found that in day-to-day practice it was a far more—call it reactionary or conservative—body than the Bank and the Fund. The same things that were done in the Bank and the Fund already could not be done here. At the Bank and the Fund there was no difficulty by then in using the Bank money to buy goods in India. In the UNDP you simply could not: “Oh, no, this is for aid. How can you use aid money to buy something local?” You could not send an Indian scholar who might be studying in California to India.

So everybody wanted jobs here and there. I said, “Are you out to help or are you not to help?” If you are out to help, you cannot make these rules. Get the best thing possible. And it took me so much time to fight this sort of thing. There were other things. You could not use more than 5 percent for capital goods. Therefore, you could buy a car, you could buy this or that, but if it was a machine you had to justify it. I tried my best to fight. I produced a paper. I remember sitting up one night and saying, “I have got to try to change that.” I called it, “New Directions in Technical Assistance.” And I got them to accept it. It was a hard fight, but I got people to accept it. And I think we did succeed in changing some of these things, although I am told that later on it dropped off a great deal. People complimented me and whatnot, but it sort of dropped off.

The other element, the difficult part, was that they were following certain procedures. When I came, I could understand total financing. That you could take on a project and approve it

when you have total financing for it. Say, 100 million dollars for India. The projects take three or four years to finish. So obviously there are a lot of unutilized funds. This was being seriously criticized. Developing countries were saying that we were not doing enough. The rich countries were saying, "They are not using the money. How can we give you more money?" So that was going on. There was a lot of pressure to say, "You don't follow this procedure but you expect the money will come."

So we did that. We were in financial crisis. And then the blame came on the UNDP. It was a financial crisis entirely created by the donors, and to some extent by the recipients. But it was just like the devaluation. Instead of increasing, their money came down. And then you have a crisis. I hope some day somebody writes the history of the UNDP and they write it properly as to how the financial crisis came about. I was asked—I don't remember by whom—and I told them what my opinion was. So that also created a little bad feeling in the situation.

Then there was the oil crisis. The internal politics of it—I do not mention names because it is difficult—but by then within the UN administration, the more conservative view was that some people had run away with too much leftism and now it was time to correct it. It became difficult to recruit the right kind of person. I was lucky enough to have, at that time, the second administrator, what was his name?

YB: Bradford Morse.

IGP: Yes. And the second oil crisis came. I wanted Sidney Dell as my assistant administrator because I knew he was a very bright person who knew what was to be done. And we had very weak staff. From outside people came and went. I was unsuccessful in doing that. They were not making him assistant administrator in the UN for reasons they themselves know. I brought him in that capacity in the UNDP. So we worked very hard. But then again these

financial crises came, and later on I was to leave. I was very grateful to Brad Morse. I said to him, "Please see to it that Dell doesn't suffer when I leave, because I brought him here and I have the highest regard for him." There were some problems—some initiative regarding help to Africa, of which Brad was in charge, and he put Dell in charge of it.

But the point was that you did not have the freedom to recruit the staff. There was such a rigmarole of politics, and "Can you help this one out?" So when you have an organization which has a very limited mandate, but a lot of hype created because a lot of agencies are interested, a lot of governments are there, which is over-governed, and then you have this kind of financial crisis at a time when the world is turning a little more reactionary—yes, as I said, at a personal level it was a very good period because my family was happy. New York was a good place. My daughter was growing up well. I learned a great deal about different parts of the world and all that. And within the UNDP personal relations were very good. There was no problem. Rudy Peterson was first class as a person and as a human being. And Bradford Morse, we got along very well. And the Scandinavian chap, what was his name?

YB: Lindstrom.

IGP: Yes. We had very good relations with both him and his wife. And there were several others. But I had a feeling that bright people felt let down because there wasn't enough to do. They could not do very much because they were hampered. There was too much talking with second secretaries and third secretaries.

YB: I think it is an interesting issue of the relationship between governments and institutions that they have created. Where is the difference with the World Bank and the IMF, where you can recruit better people, give them a better salary, and you deal with ministers of finance or very close advisors? Whereas, as you say, in the UN we deal with third secretaries.

IGP: It's a fault of the governments. It's not a fault of the organization. But I am saying that it was created as a kind of sop: "You want this, we can give this." Then human nature, being what it is—if they had a little less ambitious image of themselves, you could do a lot. I must say that I do think that technical assistance is very important. I don't think that is a minor part of the total package of what developing countries need. By no means. But some of it could have been done better. I would have wished, for instance, that a larger proportion of it could have gone to what is called the international part of the IPF's. But you could not win that battle, because everybody was country-focused so much, and then the regional takes over. The international gets very little.

But there were very major international issues at that time, to which we could have devoted this technical assistance money. There were all of these issues related to setting up intellectual machineries in the Third World. I made a proposition at that time. I did not get very far. They were always saying that the rich countries have an advantage because they have think tanks that do all the thinking for them. We don't, in the developing world, have anything equivalent. I said, "Why are we begging for it? If all of us give even 1 percent of our IPF, we would get 9 or 10 million dollars a year. Let's start it with that. We could say, 'This is an international project from the UNDP. So give us this money, and we can set it up in our own way.'" I came to Mrs. Gandhi and I said, "I want your support." She said, "Yes." And I talked to various people. But that is not the thing that we have become. People said, "Very good idea, very good idea." But it did not go anywhere because somebody had to make a request of that nature and say, "Let's have it."

A lot could still be done. I was very fascinated by one fact—here was the World Health Organization, [Robert] McNamara, the UNDP all interested in a major problems in Africa—the



drought problems in the Sahara, on the control of onchocerciasis (river blindness). But those imaginative, longer-term problems got a short shrift because, as I said, everybody wanted a little bit of gravy for their country. I would have trebled the ratio for international programs and used it for this kind of thing. But we were not free to do that. A World Bank president would have been able to do that, you see. But here, even at my level, we didn't have that much power. Everything was circumscribed by what the system, the agencies, and the governments wanted. And we were not able to change that rapidly.

YB: This question of having a think tank for the South has also been discussed in UNCTAD. From time to time, UNCTAD would say, "There is the WTO [World Trade Organization], so let's make UNCTAD a think tank of the Third World countries to prepare positions and to develop ideas about development and so on." But it did not work either.

IGP: May I use the phone for a minute? Can we stop momentarily?

[The interview resumes.]

YB: So during this period, you mentioned the oil crisis. Then, after that, there was the New International Economic Order. On that, what would you like to say?

IGP: Well, we needed time to sort of make it acceptable. I wasn't all that actively involved in that. Let me put it that way. When I returned from the UNDP, I went to the Reserve Bank, which was not in the international arena at all. I had no opportunity then to link up with the UN or anything like that. But, I was always a little skeptical—in the following way. We know that there is such a thing as unequal distribution of power, internationally, both economically and militarily. There is not very much you can do about it. But the oil crisis gave the developing countries a kind of feeling that we could have a countervailing power, and we can meet the power that exists by a countervailing power, and a new international balance could be

arrived at. I didn't believe in that very much for two reasons. I knew the developing world was divided. I knew the oil producing countries and the developing countries were not on the same wavelength. I remember attending two Tidewater [Group] meetings, in fact one Tidewater meeting in Africa, but the way the oil producing countries reacted to me, no developed country person had talked to me before in that way. My predecessor at the UNDP, a Frenchman who was present there, was so shocked. And he interfered to say, "Wait a minute, you can't talk like that to I.G."

YB: Was the Frenchman Stéphane Hessel?

IGP: Yes, Hessel. His conscience was sort of hurt by the fact that somebody was talking so arrogantly to me. I knew of any number of meetings where in the developing world we would discuss something, and my Mexican or Brazilian friend would go and inform the U.S. ambassador the very same evening that this is what the Indians are thinking. So to think that the developing countries would take up a common front as a power bloc with common interests was, for me, a non-starter. And, perhaps naively, I believed that power exists and it has got to be faced and tackled, and it could be tackled by intelligent dialogue, and that that was a better approach than trying to confront and say, "You do this for me, and I'll do this for you."

And to some extent my experiences justified me in thinking that way. We were able to get something. We were able to influence people in some opinions. It wasn't only in the Bangladesh crisis that we were able to totally have a victory and isolate the Americans. Even in 1982, when we had a large drawing from the Fund, and the [Ronald] Reagan administration had come, and new conservatives started it again—they were totally opposed to the loan to India from the IMF. And we got the loan because we got everybody else with us. We persuaded them why we were justified. And the Americans ultimately had to abstain rather than vote against it.

So it wasn't as if we were helpless. The developed world is also not a monolith. There are also people within America—in fact, being a democratic world, you can find even within each country people with different points of view. So my approach to this problem was that it was too confrontational. I was never very happy with this sort of developed country/developing country dichotomy. We have got to live together with whatever difficulties and inequities there are. One has to rely on the power of reason and mutual understanding, because what other power do we have at the end of the day?

YB: So that is a question of relations of power. But on the economic content, what was it?

IG: Economic issues are also governed by economic power. On the Committee for Development Planning (CDP), I was a member for quite some time. But, again, after a while I was not too happy with that, you see. It was the same sort of thing, asking for special favors by each group of countries. We divide further. We will go to least developed countries (LDCs) and give them all the goodies and not give them to big countries like India. So that went on. By then I think I was sufficiently convinced within myself that the dirigistic policy we were following was not right. Always asking for favors was not right, either within the country or outside. We had to deal with it on a more normal basis of mutual give and take. So I feel as if I was getting a little more conservative myself. And I have to say that there was a feeling amongst some of us that the UN agencies were not quickly moving towards taking the changes in the world as they were coming. They were still fighting yesterday's problems, rather than tomorrow's problems.

The Committee for Development Planning I found less and less interesting, but I still continued to be a member of the CDP after I went to the LSE. I felt a little out of touch. Nobody took notice of them, anyway, so we just went on. That's why, in the Commission on

Global Governance, when some people were saying, “If we are going to have a reform of the UN, then we have got to have some genuine family planning in the UN also.” And I went along with it, with some reluctance—but not too great a reluctance, I would say.

YB: In the book, which was in your honor when you left the London School of Economics, it is written in the foreword that you had always managed to find a way of improving the North-South dialogue. Was it referring to your experience in IMF and then later on?

IGP: Where is that written? I have never seen it. Well, this was not when I left LSE.

YB: I know. I’m sorry.

IGP: This was before I went to LSE, when I was sixty. This was when I left the Reserve Bank. I don’t know what it says. I have forgotten what it says. What is it you’re reading out?

YB: I was referring to your ability to maintain, or to improve, the North-South dialogue.

IGP: I honestly believe in it. I spent a lot of my time—you can call yourself an economist, or an economic advisor. I ended up largely being an economic diplomat and spending a lot of my time either negotiating individual loans or drawing this or that for India, or taking part in all of these international discussions. This happened by accident, as I moved in and out of the years. I do believe that there is no escape, at the end of the day, from living together in this world and improving the understanding with each other.

I’ll give you an example. When I was with the UNDP, I was the deputy administrator in charge of programs in the UNDP. My first administrator was Rudy Peterson. Now Rudy Peterson was one of those, as was Bradford Morse, he sort of totally trusted you and said, “You do it.” At that time, Ed Martin from the OECD (Organisation for Economic Co-operation and Development) had started the Tidewater Group. It was a group of donors.

YB: The OECD Development Centre?

IGP: And Ed Martin, when he was the chairman of that, he thought that they should all meet. So the principal donor countries, their representatives—

YB: Oh, I see. You mean the DAC (Development Advisory Committee).

IGP: That's it. The Development Advisory Committee. And the chairs of the international aid agencies, meaning the World Bank and the UNDP, these were the members of the Tidewater Group. I said, "Rudy, what can I do?" He said, "You represent the UNDP." So I used to represent UNDP. So you can imagine—here are all of these developed country people sitting there, while I was there also as a donor! At one meeting in Germany, as the oil crisis had started in 1974, these people were discussing their strategy against the oil producing countries. After that, I told them, "I feel very awkward because you are talking of strategy vis-à-vis the oil producing countries. I am here as a donor, but I don't feel myself as a part of this. Shall I leave the room so that you can discuss things more freely when I'm away?" So at that point, they felt very embarrassed.

So afterwards, I said, "What is wrong in having a representative group where you are discussing common problems? You have plenty of other opportunities of discussing among yourselves. If you are having a group, you are discussing common problems. Why not invite some of us in our own right, not because I am deputy administrator of the UNDP. Invite some developing country representatives, some oil producing country representatives, in their own right, because without talking to each other, how are you ever going to resolve this?" I remained a member of the Tidewater Group for several years after that. But that is the only way to go on.

Let's face it, there is no common thread between all the developing countries. There is no common thread between all the developed countries. We are all having our own circumstances, whether they are good or bad. But we all have to get together, for whatever

common purposes there are. We are unequal. Well, we know that. We know that the WTO may be an international body, but they pull more weight. They do things according to their system, and we have to go along. We can't just stop everything. At the end of the day, you ask, "What's the alternative?"

YB: During your time in UNDP, there was the Stockholm conference on the environment (UN Conference on the Human Environment). Did that have an impact on UNDP thinking and priorities?

IGP: Stockholm came rather a bit after I left. But the ILO conference on employment (World Employment Conference) was there, which I did attend. And I did write a paper there which was slightly different. It was more as an Indian, rather than as an ILO thesis. It is published somewhere. Two collections of my writings have come out. And I think that has been published in one of them. I am not sure which one.

YB: You refer to CDP, or the UN in general, as having been very lively at the beginning, with high-level people and a freedom of sorts. There was a dialogue, an intellectual dialogue with the IMF. Then, after that, the UN tended to fight the battle of the past a little bit too much.

IGP: Those were the professional people who came every year. I tried, at one point, to persuade some of the people who were complaining in the developed countries about the CDP—I said, "But you don't send the right people. Why don't you send the right people? You have a right to send the right people." So I persuaded the British to send Ken Berril. But thereafter, they said, "What are you doing? Nobody listens to us. We don't have time to spend like this." The one thing is—it's probably unavoidable, but all the UN things become very time-consuming. CDP meetings lasted for a week or more. There are people probably in many

countries who are happy to go and spend a week or more there. But other people who are engaged in day-to-day work cannot spend that much time.

YB: But there is an issue which was pushed by the World Bank and the IMF, and that the UN needs to address, in my view. But I would like to hear your view. It's the governance issue. I am focusing on national governance. Have you a comment on that? It was totally left to the IMF and the World Bank.

IGP: That is very recent. We are talking of more recent things, now.

YB: Yes, yes. But just to get your personal comment.

IGP: It is an issue, which we all know. I don't think it is an issue which can be tackled at the international level. My country, for instance—I don't want to talk about other countries because I don't know—but we definitely have a deterioration from where we were twenty years ago and where we are now. It is largely a matter of governance. It is the system of governance, the quality of governance. But the governance today is not of the kind that I can talk about in 1950 or 1960 or 1970. It is different. There are other reasons for it. Nothing that the UN, or the IMF, or the Americans can do will make this change. It is such a deep issue. You can have a conditionality. The Bank can say, "Unless you do this, we won't give you a loan." That is only foolish. How would you implement it? You are not going to send an army. You don't have any way to say to the prime minister of India, "You promised this but didn't do it." You have no freedom.

Those changes, yes, can be done more intellectually. You can deal with the problem of corruption in an analytical way. You can do comparative studies and show where something has worked, and where something has not worked, and what can be done. You can argue that there are ways of handling certain issues, like government contracts, which can be done this way or

that way. You can handle privatization in a certain way. You can make intellectual studies and comparative studies. That can be done.

This is one of my greatest complaints against the UN. There was a time when the UN was intellectually active. I am afraid it has not been for quite some number of years. You do not get any intellectual contributions. It is left to the World Bank. I am not against the World Bank doing it, but I want the UN to do it because it would be listened to. WIDER (World Institute for Development Economics Research) started doing it and then WIDER fell off. There is no reason they cannot do it in collaboration with the World Bank and the IMF. The Bank and the IMF, rightly or wrongly, are identified with one set of values. And when we are talking of governance, we are very much talking of values. I am one of those who believe that there are no separate values for Country A and one set of values for Country B. Values are values. I don't believe in, say, the Malaysian prime minister saying that eastern values are different from western values.

But nevertheless these are matters that are so much of a part of an individual country's situation. Yes, there may be some totally failed state situations where, probably, the UN can do something directly, in which case we would have to stay there for twenty years, either to get back some type of enlightened colonialism there, if they are willing to tolerate it in a tiny country here or there. You can't do it in other countries. So it is a major issue. Actually, the governance can only be changed by those who are being governed. It cannot be changed by outsiders.

YB: I think your point to distinguish between an exchange on governance, experience, and imposing through conditionality—

IGP: Yes, and I would question very much that the UN spent a part of its resources on—this is why in the report of the Commission on Global Governance, we gave so much



importance to what we called the Economic Security Council. It is not so much that the Economic Security Council that will take decisions—it won't take decisions—but it can be the think tank. We don't want a think tank separately for the developing countries, but we want a think tank where we can say that the secretariat of the Economic Security Council is of the highest caliber. It represents no longer secretary this or secretary that. Well, if the pope were to invite Nobel laureates, or were to invite people to sit with him and discuss with him, and make recommendations which have some chance of being implemented, not just in a perfect world, but taking everything into account. That was a specific thing we wanted. Let us not talk of a perfect world, but given all of the realities, what can we do?

And this was the fiftieth anniversary of the UN University, and by that time can we create some opinion in favor of it? That was one aspect. The other commissions that Willy Brandt had been responsible for setting up were sectoral. He wanted to deal with all the issues together in an integrated way, not just environment somewhere, and economics somewhere else, and security somewhere else—everything together, including the organizational and the governance aspects of the UN system. He also wanted to focus not on the ideal, but on what could be implemented. It is a very ambitious kind of project. Well, we did the best we could.

YB: So one of the ideas was the idea of the Economic Security Council?

IGP: Yes, but I am afraid that I have to say that nothing has happened. On the Economic Security Council, nothing has happened. All the ideas on the reform of the UN as an institution, and the Security Council, nothing has happened. All the ideas we had about reforming the economic institutions of the UN, nothing has happened. So, in a way, if Willy Brandt said, "Have you published a report which has been implemented?" We would have to say, "Regretfully, no. It hasn't been a report which has been implemented. One can say that it has

affected something here and something there, but the occasion came and went, and we didn't see any dramatic changes. But we have to take the world as it is.

YB: So you elaborated already a little bit on the Economic Security Council. But what is the resistance against the Economic Security Council?

IGP: Sometimes it is an issue, not so much of resistance but inertia. I don't think anybody is opposed to it in principle. But people ask, "Why do we need it? There are other forums where we can talk. Will any prime ministers come? Would anything happen? In any case, you can have a meeting. Why do we need an Economic Security Council?" The resistance is due to the fact that those in power will not be part of it.

YB: And they don't want to be part of it because it is a UN structure where the major powers are less at ease than in an IMF forum.

IGP: And you and I know that in the UN structure also they have their way.

YB: Yes.

IGP: It is no longer a question that a majority of the world decides. All the real issues are not decided by a majority vote. In the Security Council also, what happens? It is no longer the case. Either they don't decide anything, or they decide what the powers want them to decide. And that is an issue. In the UN, are they willing to change the Security Council? The Security Council is a much worse institution from the equity point of view than the World Bank. So it is not a question of saying that they don't trust the UN. The UN itself is something which is power-driven.

YB: A quasi-personal question, in all the references you made to the UN since the beginning, you never alluded to the regional commissions, and to ESCAP (Economic and Social Commission for Asia and the Pacific) in particular.

IGP: I'm glad you ask that question. I think one thing which people, including myself, have not fully understood or documented is that there was such a thing as the Economic Commission for Europe (ECE), which really did extremely useful work. People like James Meade, Kaldor, and various other people worked there. And in the initial years, they gave an impetus to a certain kind of thinking. Later on, I don't know what happened to it. It sort of became inactive. But I think any history of the UN should really devote some chapter to the earlier contribution of the European commission. Many things we talked about later had originated there. Maybe it was overtaken by OECD, or whatever it may be.

I don't know much about ECLA (Economic Commission for Latin America). I told you that it got associated with dependency thinking. ECAFE (Economic Commission for Asia and the Far East)—I told you that even from the Fund days I attended one or two meetings in ECAFE. I was sent to represent the Fund there. They somehow never had proper leadership. It never meant even as much as ECLA. With ECLA you may or may not agree, but you cannot argue about its intellectual vibrancy and creativity, you see. And the Economic Commission for Europe certainly had done that. As I said, I don't know the later history, but earlier they had done that.

Again, I think it had the same sort of problems as the whole of the UN system. The reason may be that the Asia Pacific region is too diverse a region. And we did not take ownership of that organization in the manner that the Latin Americans took ownership of ECLA. I don't think the Asian and Pacific countries were united enough to take ownership of ECAFE and say, "It is our institution." Maybe it was too large for this region. But, broadly speaking, that is my feeling.

YB: Just a parenthesis. I was the last executive-secretary of the Economic Commission for Europe. What I can say is that it continues to be a convention and a norm-building institution, which was started by Myrdal. So we continue to do that on issues of common interest where there is absolutely no solution if we try to address them on a national basis. So that has continued. Then, of course, the change—and when I was the executive-secretary, it was normal East-West because it was during the transition period. And here I have to say that, at least intellectually, we played a role on the transition process in putting ideas on the table. But, unfortunately, and it is one of the problems of the UN, our ideas were not received and there were the Bank and IMF advocating shock therapy and advocating policies which led in Russia to the financial crisis. Now we have the pleasure—but what is the meaning of this pleasure—to see that now the common wisdom in the World Bank and the IMF on the role of institutions and institution-building in this country is what we saw in 1991.

IGP: You see, when I was in the UNDP, one of the problems that fascinated me, because as I told you, I was more interested in international and regional programs, rather than in small chicken feed country programs—in India, for instance, had also a regional thing. We are a developing country, but there are regions. And the global facility programs were cleaning up the whole of the Danube, cleaning up the Mediterranean. These are the kinds of things that an international agency alone can try to tackle and bring the national governments in. That is why I always felt one of the biggest services that the World Bank did to South Asia was the Indus water dispute settlement. I wish that they were even more active in doing similar things elsewhere. They had given up on it after that, you see.

But these bodies, like UNDP, and the regional commissions, if they are really intellectually alert and active, can do that. And I think we did something in that area in Europe.

And I was similarly looking for major projects in Africa, like the Sahel. We could have done, either under World Bank leadership or UNDP leadership, something, at least between Nepal and India and Bangladesh, if not with Pakistan and India. Those are things where some kind of name of the UN, and the aura of intellectual leadership can help.

YB: This is the end of tape number one.

YB: This is the beginning of tape number two. I thank you very much for accepting to continue for a few minutes this discussion. We were, at the end of the tape, on the question of the regional commissions. The other question is that we have no mention at all of the other actors. We discussed the role of governments and the role of the UN. But, today, it is fashionable to refer to the NGOs (nongovernmental organizations). Have you ever, in your experience in UNDP, or with your other experience, something to say about this?

IGP: I have, to be quite honest with you, rather contradictory views on the subject of NGOs. When I returned to India from the London School of Economics, the first thing I did was to be the chairman of one of the NGOs, because I had the feeling that I did not know enough about what was happening on the ground and I wanted to be able to do that. And I have been associated with several nongovernmental organizations in India. In fact, I have not been involved in any other activities as far as anything else is concerned. I do know that in a very large country, NGOs are an essential ingredient of a democratic set-up. Therefore, I am very positive. For instance, the earthquake in Gujarat.

This region has such a tradition, because of Mahatma Gandhi, of nongovernmental organizations. They have made a response coming from the people and in organizing, acting as an in-between agency between the government and the people. They are playing a very useful

role. So as a trend towards what you might call a self-aware society, a democratic society, a participating society, they are very important.

My difficulty with them at the same is that the same things we talk about in the UN comes in the category of the NGOs also. You have international NGOs which are far more financially powerful. They finance most of the NGOs in these countries. So they get much more power, and the attraction of being able to meet in America here and there. And they wield far more influence. Today, if an important NGO doesn't want the World Bank to do it, let alone the UN, the World Bank president cannot do it. They will agitate and they will say, "You cannot do this in this country or that country." So they have, in some instances, become even more powerful than the governments. Some of them are almost as powerful as the American government, and they are single-agenda NGOs. They have only one agenda. They are either for environment, or they are against dams, or they are for something else. And they have all the glamour and popular appeal and access because of their money-power.

That, I think is an unwarranted and unjustified use of their moral power, if you want to call it moral power, because it is as much financial as it is moral. They are not accountable. There is no system whereby you can say that the NGO community will govern itself. And we know that there are all kinds of NGOs—human nature is such. How to balance this? I think the NGOs also have to be bluntly told, "You are important, but you cannot take over from the governments, nor can you take over from the people. And you are accountable. Like everybody else, you have to be accountable." And we have to tell them that life is far more complex than your own individual agenda. Some things are very important, but they are not the only thing that is important.

Again, there is no solution to this problem in terms of saying, “If you do this, this problem will disappear.” I don’t think the problem will disappear because it is a part of human nature. But there again, one should ask what is a good governance system of NGOs. If NGOs are necessary, then what is a system of good governance for them, internally, as well as between them and between international NGOs and national NGOs? That is a subject that I think needs to be debated and discussed much more than anybody at the moment is prepared to do.

They are such an important and necessary—I am not in the least bit saying that they are not necessary—part of our public life. Therefore, they must be susceptible to as much scrutiny as governments or universities or anything else. But I don’t like the way that everywhere you have to make a fetish of saying, “Yes, we have an NGO conference.” It sometimes becomes tokenism. Sometimes it becomes slogan-shouting. And to some extent, I almost feel that about some of the people who agitated against the WTO in Seattle.

YB: Yes.

IGP: They are hired. I am not even sure that they are all genuinely, highly-motivated individuals. There are professional protestors nowadays. You can find them in many places. But that is the way it happens in human affairs. They are two sides and you have to balance them. So the balancing depends really on—I wish there were an NGO charter for administration that says, “To be an NGO, you have to have this kind of structure, this kind of reporting, this kind of accountability.” I wish very much that Indian NGOs did not depend as much on the financial support from international NGOs as they do, and from international governments as they do.

Everybody who wants to help, including the European Union, says, “We won’t give any money to the government. We will give it to an NGO.” So the NGOs have tons of money they

don't know how to administer. It has now become a fashion to say, "Only through NGOs, not through governments." By no stretch of imagination can you get rid of governments. NGOs at best account for 10 percent of the finance needed for doing what needs to be done in every sphere. But yes, they can act as a good go-between. They can act as a check. They can act as a local touch. And there should be more and more.

But it is a partnership which, I think, has to be developed on the basis of an acceptance of mutual importance. You cannot play an adversarial role all the time with the government and then still think that you will be useful. And too many NGOs are in a just adversarial role or confrontational role. They are not in a role of participating, working, negotiating, discussing, arguing.

YB: I think that, in addition to the roles you have mentioned, I would have added the role in follow-up—in follow-up of global conferences—to remind the governments.

IGP: Very much so. And I noticed it because, as I say, I have been associated with NGOs. There is no question that people will talk more freely to an NGO. I saw this at the earthquake in Gujarat. My wife was there on the day of the earthquake, so I am a little more emotionally involved in it. She came back safely, but that is a different matter. But therefore I know what the volunteer organizations are doing. It is absolutely important. This is a problem, for instance, which we will have to deal with for the next five years. The region has to be reconstructed to some degree of viability. And it is absolutely necessary that some NGOs stay with it to see how well things are done, even if they are done with government money.

So there is no escape from that. In fact, that is one of the major messages that Gandhi used to give: "Constructive work by the people is the only work that survives." And he set up a



lot of such similar little bodies for constructive work. He would say, “Go and start this. Go and start a school there.” That is ultimately what works, you see.

YB: The participation of NGOs in international negotiation—do you see a possibility for them to play a role?

IGP: What international negotiations? Let’s take a parallel example—academics. Do they not have a role? After all, intellectually they are the ones who are generating knowledge. They are the ones who are sifting facts. Are they an NGO? If they are an NGO, they certainly have a role. I am saying that those NGOs which have knowledge to contribute, information to contribute, experience to contribute, certainly should be involved in any decision-making process at a national or international level. But those who are activists and agitators and confrontational, I think are not useful in a negotiation setting. These are forums for persuasion, forums for argument. They are not forums for activism and confrontation. But how do you draw a line? I realize that it is not easy to draw a line.

YB: I remember in Nepal a conference in preparation for the least developed conference in 1990. In Nepal the discussion was exactly on all the issues you have mentioned. The most difficult point was the point you have raised—the accountability. Their relationship with government adds confrontation versus participation. Again, it exchanged ideas, but it did not set up, as we expected, some rules which could be used.

IGP: But I think we have to accept the fact that, in human affairs, there will always be gray areas. There won’t be perfection. But one just works at it and works at it, and hopefully reduces the dangers. I don’t think that you can totally—there is the English saying that the road to hell is paved with good intentions. The people with good intentions often go off the track. But on the other hand, without people with good intentions, we won’t achieve anything.

YB: I am just looking at my paper. I see that we have jumped over your time in the London School of Economics, because we went to UNDP, to global governance.

IGP: But that was a very different kind of occupation, more related to the area of higher education. But while I was at LSE, I continued with my activities. During that period, all of that period, I was a member of the Group of 30 (G-30). During that period, initially I was in the GATT (General Agreement on Tariffs and Trade) group. For some time, I also continued to be a member of the Committee for Development Planning. So I was not divorced from this. At the behest of the Ford Foundation, I visited, I think, some research establishment in South America. But I took the opportunity to go to ECLA. My interest in international affairs, of course, continued within that period also. But I had no direct involvement in any of those things.

Intellectually, in LSE at that time, I don't know that people were working a great deal on the UN. We had a Center for Global Governance, but it started after I left. Somebody donated some money for it. But like all academics, they were, of course, interested. But where I think LSE made more of a contribution during my period was on the human rights side. I think LSE people were more involved in the Commission on Human Rights, and more involved in the day-to-day international code—in other words, in legal and rights issues rather than economic issues. To the extent that they were interested in the debt problem or the management of the financial system, they were international but more Fund-related than UNDP.

But the UN, now that you ask me, we had Professor Rosalyn Higgins. She was a member of the Commission on Human Rights. She has now been made a dame.

YB: But half of human rights is also economic rights.

IGP: Of course. That goes without saying.

YB: So you cover the whole aspect of human rights.

IGP: Yes, but I'm just trying to remember what the active involvement of the LSE community was in UN affairs. I think they were more in that area. Our economists were, I think, more British-oriented and oriented towards issues of financial management.

YB: I think from this point of view, you had some relationship with UNCTAD at this time. I remember that I was in UNCTAD before going to ECE, and there were some of your students who came to UNCTAD just to observe the views of UNCTAD in the debt crisis.

IGP: Yes, it is quite possible. But LSE was, in my personal life, a very happy time. I enjoyed it great deal. If you talk of governance, I must say that I have visited many institutions in the world—the IMF, World Bank, universities—but the LSE has a governance which is, in a sense, unique and complicated. But it works. And it creates a kind of mystique which you need to create about an organization. When I joined LSE, I did not know much about it. I had no connection to it prior to this. But quickly I had to size up things because we were in a financial crisis like all British universities. And the University Grants Commission came and asked me, “How do you explain this? There is a certain mystique about LSE. People talk of LSE.” I gave an answer which was probably more on the spur of the moment than well thought out. I said, “I think the real secret of LSE is that we have a system of governance which has a very fine blend of participation and decisiveness. This makes the thing really work.” It was really true. It is a very participatory institution. There are all kinds of structures for participation for teachers and students. There is a governing body of 100 people. The good and the great in the British society are all there. Even Margaret Thatcher was a member of our governing council. It gives you a kind of support system.

At the same time, it is not a talking shop. It takes decisions because the structuring is such that every part of the governance areas are strictly defined. You can participate in this, but

you cannot intervene in that. And it gives the director sitting in the center of all these participating communities a unique position, not that he can do what he likes—because you have to take all this into account—but the area that remains, because everybody has something left over, he has to somehow take hold of that. Ultimately, somebody has to decide. Sometimes he doesn't decide. But it works.

Basically, it is this. It creates an image and a pride in itself that this is what we do. I must say that the original founding fathers had instilled in it certain basic principles which are very sound. For instance, way back in 1896, the founding fathers had in the constitution that no consideration of religion, politics, sex, or opinion of any kind expressed on any subject would come in the way of any kind of association with LSE. They did not say race because at that time it was not all that important. But that was absolutely true, that nobody at LSE dare say that, “Oh, but you can't appoint him because he's Jewish.” Or, “You know, she's a feminist.” Or, “He's a homosexual.” Or anything like that. It was taboo. In LSE we do not stand that kind of nonsense. It was almost a religion. That gives a kind of bond. People feel free to come and say, “Why do you do this?” If students came and said, “Why do you invest in South Africa?” you would have to take it on board. You cannot just say, “None of your business.”

So you had to deal with everything. Your soul had to be identified and defined. What are you here for? That had to be very clearly defined. And what would you do? And what will you ultimately not do? But within that participation and exchange of views, and the fact that at the same time we had to get along and do things—how you do things is a different matter. But I have to say, since you asked and you are talking about governance, that here was one instance of governance which I felt very happy with. Even as a director, somebody would ask me, “But what can you do? How did you do it?” So I was able to say what you could do and how you

would do it. I had all the participation I wanted. The structures were laid out. At the same time, it left me with enough initiative if I wanted to do something. And they accepted it. There was a certain mystique about it.

Of course, in turn, I had to also understand what I could do and should not do. I asked my chairman of the governing body, when I first took charge, I said, "I haven't got any document which says what the powers of the director are. So what are my powers? What are my limitations?" The reply was, "Dr. Patel, you have all the powers. The governing body has delegated all the powers to the directors." Then he stopped for a while and he said, "If you believe it, you won't succeed as a director. But if you don't believe it also, you won't succeed as a director. Where you have to draw a line is for you to decide. But because all powers are delegated to you doesn't mean that you don't have to draw lines. You have to draw lines, but that is left to you. That only thing which we have not delegated to you is to decide your successor. That right you do not have."

And it was true that I could get away with whatever I wanted. But I had access to their advice. I had access to participation. And we could do that. Even if it came to raising the fees, I could form a committee of the students and say, "Alright, we are training you in finance. You tell me. I will give you all the books available to me. Tell me what my options are. What should I do? Treat it as a project." And they were interested to do that. They came up with very sound advice. They at one time came and said, "Don't increase the fees by 8 percent. Increase them by 12 percent. But reserve the 4 percent for scholarship." After all, they were also grown up people. That tradition was there. It evolves. It was not something that was laid out on a piece of paper.

YB: Your definition of governance in the London School of Economics is very similar to the definition of tactfulness, which is to know how much you can go too far. So there is no definition. Precisely as you have this margin of maneuver, after you arrived at the London School, after a while you had some objectives of things you wanted to do?

IGP: No. People ask you, “Do you have any objectives?” My answer was very simple, that this is an institution which has been going on for so many years. It has been doing very well. So I had a minimum objective that I should not leave it worse than I found it. And my ambitious objective was, if you like, to say that I should leave it much better than I found it. But what is that much better? So I said, from my talking to the people—because the financial crisis was on us, and they were very worried about whether the process of retrenchment would continue; would there be a process by where the staff to student ratio would further worsen? Would there be a situation where we would be doing this or that? And I said, “I can promise you on each of these fronts that my objective will be to do better. I will improve the staff to student ratio. I will increase the number of staff. I will raise more resources. I will not take a negative, defeatist view on that. But beyond that, I have no objectives because I cannot rewrite the objectives of the London School of Economics.” It has served the community well.

But yes, there is a particular situation in which I have power. And I will deal with it. And we dealt with it. I must say that my major weapon to do things in a positive way was to raise more money. You cannot raise more money from the government. That was a foregone conclusion. Their help was going to go down. More money by asking people to contribute, yes. But they don't contribute that much. You could not collect millions of pounds by asking your alumni. So I had to raise fees. That was very unpleasant, coming from a developing country, to do that when nobody else in the British system was doing that. But I persuaded them, through

the students' cooperation. And I had only two arguments. One argument was that the British government is giving me £5,000 per British student. To a foreign student, I am charging only £3,000. So that only means that I am tempted to take only British students, and not foreign students, because I get more money. Now that is not economically right. So as long as I raise the fees for foreign students to the level of what I am getting per British student, I am making the right composition. So I said that was my justification. And secondly, because some students come from poorer backgrounds, we will raise money for scholarships and also keep a part of the fee money for scholarships. So my students were even more responsive than me. In fact, when I said, "8 percent," they said, "12 percent, because you are saying that you are not able to give full scholarships to people coming from very poor countries. We are ready to give some money for full scholarships to some students."

The staff to student ratio improved. We increased the number of staff all around. And then we worked on the British government also. We said, "You are talking of quality. You are talking of accountability. You are talking of our raising resources. But you are cutting us all short. You are saying, 'One year it is £6,000; the next year it is £5,000.' Where is the accountability?"

So I went and saw Margaret Thatcher. She said, "Well, what do you mean?" I said, "At least give some consideration for quality." They introduced that, not for 60 percent of the teaching part, but 40 percent for the research part. And they said that would be given not equally, but after an assessment of the research work. We came out on top in successive years, so we got a much larger share of that kitty. So, in a way, I got more money from the government. So luck was on our side, anyway.

But basically it was true that I refused to adopt a confrontational attitude with Margaret Thatcher. I said, “No, they are the government of the day. I have got to deal with them.” But LSE has friends in that camp. Allen Walters was a student of LSE. Hayek was a teacher at LSE. Mrs. Thatcher’s main advisor was sitting there, a man called Griffiths, was at LSE before. I said, “We can talk to them.” Not that you always succeed, but there are ways of doing things where you take people into confidence. You talk to everybody.

When the Greater London Council (GLC) was abolished by Margaret Thatcher, all the property that belonged to the Greater London Council became Treasury property. And she gave an order to dispose of it all and raise money. Now, all the LSE buildings were on lease under the Greater London Council. So they all became government property. And if they were sold off, where would we go? Now, I can’t fight with her. But I have to get a way out. So we argued and argued. And finally I said, “It won’t be good for you if we are on the street. Give us a permanent lease.” They said, “What price?” I said, “I can’t bring you a market price. You won’t give me the money for it. So let’s find some way of valuing generously the lease that we have.” We raised some money from the banks and got some money somewhere else. The valuations were done in a spirit of generosity. And we got the money. But if I had fought with her and said, “No, you can’t do this,” we would not have gotten anywhere. We got our way, not 100 percent. It was concessional aid, if not a gift.

YB: On the issues discussed about the teams, you did not change? You cannot introduce a new discipline?

IGP: We did a lot in that direction. But there was again a culture in LSE that I was talking of. We had fourteen or sixteen—I don’t remember—different departments. The culture of LSE was that academic initiatives all come from the academics. But we tried to do as much as



we could, which was more a matter of raising money. The allocation of funds within the different departments was also done by a joint committee. So it wasn't done entirely by me. It was done in a caucus. But it had some principles by which it worked.

One of the things we did was, if somebody leaves, that money doesn't go to the department. That money comes to the total pool. We are free to say, "You don't get another teacher. I will give it to another department by common decision." We evolved some rules where there was some marginal freedom. You can't dismiss people. You can't make changes by dismissing a whole group or anything like that. You only make changes at the margins, as you get more money or money gets freed. So we take that in the central pool. Or, if we raised money specifically for something. We started a business history unit. We started a management group. We started centers, other than departments—centers cutting across different departments. But those are devices to raise money.

YB: There is, maybe different from the LSE, but because you mention it—conditionality, and the evolution of conditionality over years. Would you like to come back to this issue?

IGP: I have written on it in more than one place. But my own personal view is that conditionality—you totally cannot avoid it. But conditionality must be strictly related to the thing. When you go for a Bank loan and they try to increase conditionality beyond what relates to the particular project, I think you are trying to achieve things which cannot be achieved. So I am against using, in a railway loan, conditionality about child labor, or this thing or that thing. That is why I am also saying they cannot do much about governance conditionality. Even in the Fund, I was against major prescriptions or policies. Advice is one thing, but to say, "Unless you

do this by this date, you won't get it," you are not able to follow. You are run by your major powers who will not allow you to practice it against Mexico.

The year they were opposing loans to India, the very next year the Mexicans had their crisis. They ran to give money to Mexico. They forced the Fund to give money to Mexico. Who would believe in conditionality in those situations? That was exactly what happened. India was opposed by the Reagan administration, tooth and nail. I had argued: "If you are not able to follow conditionality yourself, what credibility would conditionality have? To be able to be a judge, you have to be impartial. Are you able to be that? You are not able to be that. So why make a big fuss about it? By all means, give advice. Leave it to the good faith of the people. Convince them."

Half the time, when I was in the government of India, I was arguing against the Bank and the Fund and defending something. The other half of the time, I was telling the government of India that we were wrong and they were right. And that we should change our policy. That happens all the time. But with conditionality, people make another big mistake. They try to rule the country indirectly.

YB: Yes.

IGP: They say, "Oh, I.G. Patel is against devaluation. So and so is for devaluation. We must see to it that he is favored." You will ruin the man. The moment that it gets known internally that the World Bank is trying to upgrade so and so, you will ruin the fellow. His effectiveness is reduced. It is not the way. You cannot run something that way. Even within the government, we are not able to implement conditionality vis-à-vis state governments. Why? Because different state governments are run by different political parties. And we all know that ultimately political considerations will come when it comes to helping states.

So to talk about conditionality when you are not in a position either to follow your own logic or to impose your logic—it is better to do whatever you think needs to be done in a more give-and-take manner. And yes, sometimes you just say no. If you are not satisfied that they will make good use of the money, you just have to say, “Sorry. We cannot give you the money.”

YB: But I think the process you advocate, which is a give-and-take discussion and avoidance of views which are not adapted to the circumstances of countries—I think so. It is one o’clock.

IGP: I think I should go now.

YB: If you can spare some time tomorrow afternoon, I would be very happy to have your comment on positive discrimination.

IGP: It is difficult for me to come. It is not that easy. And my major answer is that 90 percent of it can only be done through growth. But 10 percent you still have to do by special assistance—people who are either not lucky or who are badly affected. You cannot do without some direct assistance. Perhaps 90 and 10 might be wrong. Maybe it is 80 and 20. But it is of that nature. So you cannot really say no direct attack on poverty; everything through growth. Neither can you say that only by direct attack will you achieve major results.

YB: Yes, there is no automatic trickle down.

IGP: But it does trickle down. Ultimately, there is only growth which spreads. Other things don’t spread. Other things get lost in the middle of doing it. When you try to subsidize things, half of the subsidies don’t go to the people.

YB: But it does not automatically trickle down.

IGP: Of course not. You must take positive actions to train people, educate people, give them information.

YB: So it was wrong that on privatization you said you are—

IGP: Yes, I am absolutely for privatization, for more than one reason. Basically I think government has so many other things to do which they are not doing—governance, health, maintaining good, sound, overall economic conditions. With running private industry, they are just not efficient. Examples are—you have seen them every single day. This is not to say that when you say private it will be perfect, but at least it will release the government to deal with more attention to what they have to do. In some places, some regulation will be needed. Have that, but don't own it and run it.

YB: Thank you very, very much.

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