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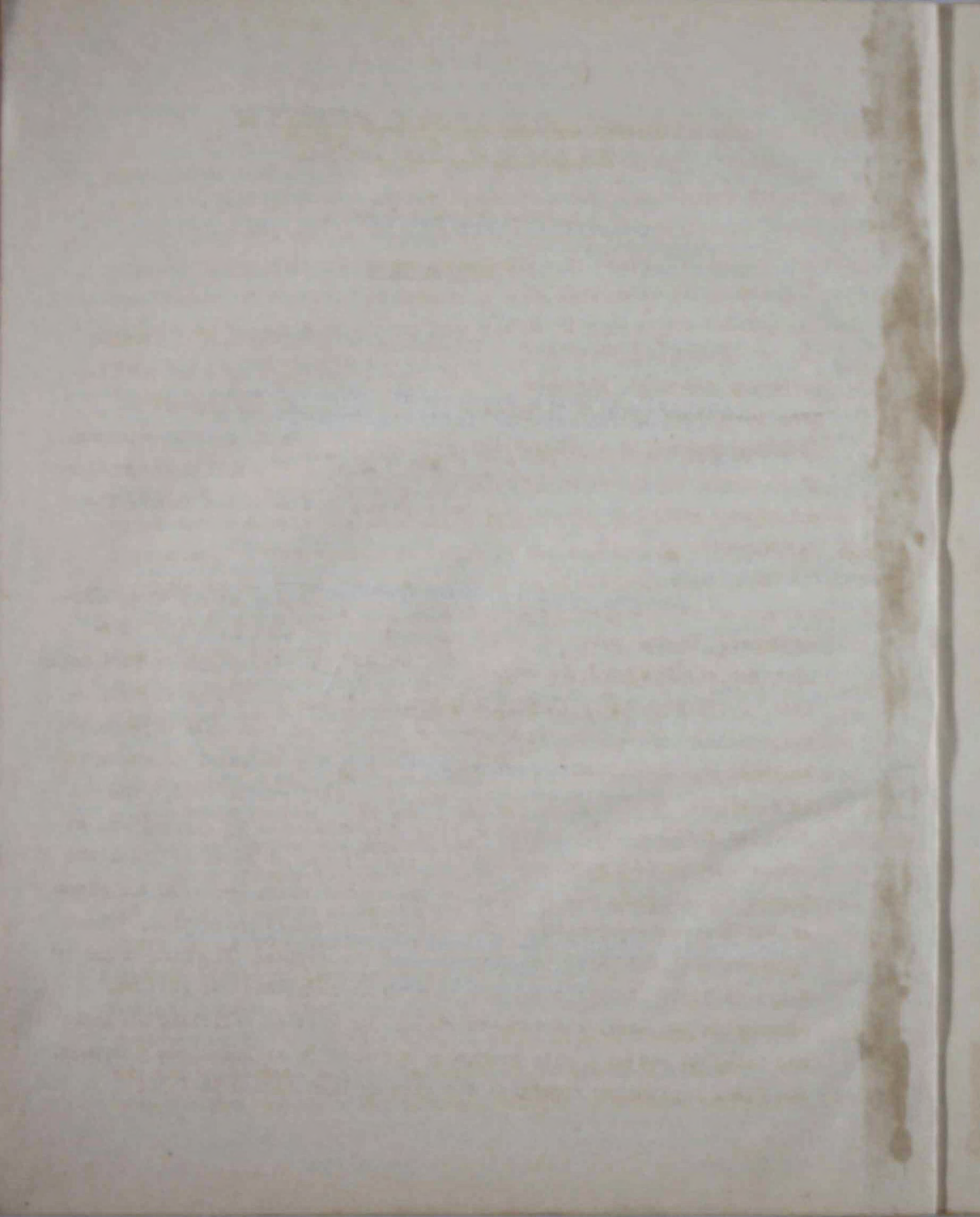
An early British Government Initiative
in the Genesis of Indian planning.

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AN EARLY BRITISH GOVERNMENT INITIATIVE IN
THE GENESIS OF INDIAN PLANNING¹

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I : Introduction

In most of the existing literature on socio-economic planning in India, the word 'planning' has an aura of progress attached to it. Even to authors critical of Indian five-year plans, the concept of planning relates to a progressive phenomenon. Indeed, in the existing historiography, planning has assumed the character of an independent and autonomous effort by Indian nationalists led by Jawaharlal Nehru, its 'architect'.

In general, the historiography on the subject starts with Independence. In the works of those few authors who went into the 'pre-history' of planning, the chronological sequence starts almost invariably with M. Visvesvaraya's Planned Economy for India, published in 1934² - which is claimed as the 'pioneering effort' - and then goes through the National Planning Committee, formed by the Indian National Congress in 1938, to the 'Bombay plan' of the Indian capitalists in 1944. The 'Peoples Plan' and the 'Gandhian Plan' are mentioned en passant and an acknowledgement is sometimes made of the efforts of Ardeshir Dalal who headed the Planning and Development Department which produced the plans of the British Government of India in the mid-nineteen-forties. The 'pre-history' ends with the formation of the Advisory Planning Board by Nehru in 1946. In all this, the fact which is missed out is that, already in the early nineteen-thirties, the British officials in India had tried to set up a plan machinery and that in at least one province, the U.P., a planning committee had already been formed in 1934.³

The explanation of this omission lies in the ideology of all these historians, both of the 'Right' and the 'Left' variety. 'Planning' to them is a part of a nationalist offensive, developed during the struggle for independence, within the overall strategy to bring about a bourgeois-democratic revolution - if not socialism - in India. Hence the search for Indian 'pioneers'. In search of this Indianness in planning, some historians travel back to the last decade of nineteenth century and find the idea of planning in the étatisme embryonic in the ideas of the 'early nationalist economists' like M.V. Ranade, Dadabhai Naoroji et al.⁴

It is widely acknowledged that the success of the first plan in Soviet Russia during 1928-33, in sharp contrast to the crisis of the Great Depression in the capitalist world, made the entire world 'plan-conscious'.⁵ That success led many of the non-socialist nations to take up planning as a serious measure to develop their economies and to attempt to solve their economic problems through planned state intervention. In the USSR the idea of planning served as a political concept to mobilize the entire people to transform society. Since the Soviet State had socialised all the major branches of the economy, it was incumbent upon the state to direct and control and thus plan all economic activities. But planning within that system was more than just an alternative to a market-based economy. It was a central aspect of the socialist ideology of dictatorship of the proletariat. Rapid industrialization of the society was a part of that Leninist ideology, but industrialization as such was not its goal. Even in Russia, the first plan was launched eleven years after the establishment of Bolshevik rule and only after solving the major problem regarding land-relations in rural Russia. But the aspect of Soviet Planning which attracted the non-socialist nations was not its function as the means to achieve a comprehensive social transformation but its mechanics, that is, planning as a technical economic method divorced from politics and intended chiefly to bolster capitalism through

state-intervention. This was the politics of planning in the non-socialist countries. Planning, treated as an economic exercise could help to maintain the stability of a capitalist economy. It also enabled, as we shall see, the colonial power in India to attempt a planned economic management to serve their own purpose of political legitimization of the Raj through economic measures. The failure of British effort in India signified the inseparability of the economic from the political.

The Indian 'pioneers' responded to the British effort by producing their own plan programmes. The early, and later, Indian planners adopted a similar stance. From Visvesvaraya, the first Indian planner, to Nehru, its principal architect, all the 'pioneers' emphasized on the industrializing aspect of planning. 'Industrialism', as Visvesvaraya put it, was the talismanic concept to solve all the problems of poverty in India. But, while in the free capitalist world planning was an effective method to stabilize a crisis-ridden system, Indian planning was soon to be associated with the concept of freedom and nation-building. After independence, the new rulers had the task of proving their worth in nation-building. Since no drastic measure to change the basic structure of social relations was on the agenda and reforms were opted for on all issues of property relations, planning as an economic exercise played a major role. The new rulers had the dual problem of maintaining a progressive facade within a capitalist framework and having to appear independent from any imperialist influence, material or ideological. The concept of Nehruvian socialism, to be actualized through planning, was a solution to the first problem. The claims of Indian origin in the thinking on planning was necessary to establish the ideological autonomy of the new state.

Existing historiography on Indian plan efforts is yet to break away from this nationalist paradigm. The 'Left' in India, with their

unquestioned acceptance of the equation between industrialization and socialism, did not find it necessary to challenge this paradigm. Indeed they remained, by and large, part of the same nationalist tradition.

Even to E.M.S. Namboodiripad, one of the very few authors to situate the idea of planning within the framework of Indian economic and political thought, the criticism of Visvesvaraya's Plan is meant not to 'detract from its importance as the first serious attempt at tackling India's basic problems'. He regards Visvesvaraya's book of 1934 as 'the precursor of the subsequent efforts made by the bourgeoisie to reorganise and modernise Indian economy along capitalist line', and cites it as evidence in support of his own generalization that this bourgeoisie, once entrenched in power, could 'use the state machinery as instruments of struggle against imperialism'.⁶ He thus concedes the claim made by the bourgeois nationalists to have originated a wide-ranging and effective strategy for opposing the imperialist presence in India. In addition, he seems to suggest that 'planning', even of the Visvesvaraya kind, was the only means of tackling India's basic problems. Here he is on common ground with bourgeois ideologues such as Nehru.

Although Visvesvaraya is generally considered as the 'pioneer' in India in speaking out about the necessity of planning in India, the evidence contradicts the myth and shows that he was only one among a number of Indians who started talking and writing on the subject during the period immediately after the Great Depression. S.C. Mitter published, in 1934 itself, a large book chalking out a plan for the economic development of Bengal.⁷ Again, in that same year, G.D. Birla⁸ and N.R. Sarkar⁹ - the two leading spokesmen of the Federation of Indian Chambers of Commerce and Industries (FICCI) - made planning the central theme of their speeches in the annual session of FICCI. The year 1934, in a way, stands out as the bench-mark in the history of the idea of planning

in India. The Central Assembly and a few of its provincial counter-parts were also seized with the question of planning in that year. All this goes to show that by that year Visvesvaraya was not alone in his effort to bring about a 'planned economy for India'. As a matter of fact, all these individuals' contribution to the discussion on planning had been preceded by a bureaucratic initiative towards planning through proposals formulated in 1930 by some members of the Viceroy's Executive Council of the Government of India. Indian thinking on the subject in 1934 must be regarded primarily as a response to the official moves in the direction of planning during the early 'thirties'.¹⁰

This is not to say that the Indian thinking on the question of planning ^{was} simply borrowed from the British. As opposed to the nationalist paradigm there exists an imperialist paradigm of Indian history which portrays the entire nationalist movement as the product of British efforts in enlightening the ignorant Indians. Everything that happened in the last few decades prior to the 'transfer of power' is supposed to have been orchestrated by the British and Indian elites only played second fiddle to the British master. Here we should reiterate the fact that the idea of planning was already a globally accepted state strategy. While in 1934 the immediate impetus to Indian thinkers came from the efforts made by the Government of India during 1930-34, and the latter in its turn learnt its lesson from the global effort at that period, the long-standing anti-Laissez-faire tradition in Indian economic thinking had already prepared the ground.¹¹

While the idea of planning emerged as central to Indian nationalist economic thought only after the election of 1937, economic planning was a known concept to Indian thinkers in early twentieth century. Gokhale in 1903,¹² and K.T. Shah¹³ and Visvesvaraya¹⁴ himself, during

the early 'twenties, had stressed upon the importance of economic planning. In the early years of the 'thirties, people like Visvesvaraya, Mitter, Birla and Sarkar were enthused by the de facto recognition by the British rulers of the age-old Indian demand for a positive role of the state in organizing socio-economic development of the country. This allowed them to formulate the blue-prints of plans and appeal to the colonial regime to implement them.

The present article discusses the early British effort for planning in India with an attempt to explicate the logic of this effort and of its failure. Although no comparison is made here between British and Indian thinking on the subject in pre-independent India, it may be discerned from what follows here, that the mode and the economic objectives of planning attempted at by the British officials during 1930-34 did not differ qualitatively from what Indian planners were to advance later. This study, it is hoped, will enable us not only to understand better the ideology of the colonial state during the last two decades of British rule in India but also that of a bourgeoisie which grew up under colonial aegis and aspired to build up its own new state.

II : Schuster's "Notes on Economic Policy"

In 1930, Sir George Schuster, the then Finance Member of the Viceroy's Executive Council, circulated a paper, 'Notes on Economic Policy'¹⁵ within the different departments of the Government of India. The idea of planning was mooted for the first time in the official circles in India in these 'Notes'. Although it was circulated by Schuster, that paper was more than an individual's brain-child, as witnessed in the introductory lines of the 'Notes'.

In the following paragraphs (writes Schuster) I set out certain general ideas which have been the subject of conversations between myself and several of my colleagues - principally the Hon'ble Member of Commerce and the former Hon'ble Members of Education, Health and Lands, and Industries and Labour. These conversations led to the preliminary discussion of a proposal for constituting in India something on the lines of the Economic Advisory Council which has been created by the British Government'.¹⁶

The idea of an 'economic Advisory Council' for India, thus, arose out of the one recently formed in Britain. The British Indian efforts, however, envisaged a scope for the proposed council far greater than that chalked out for the one in Britain. Before going into the details of Schuster's 'Notes', a few words on the evolution of the Economic Advisory Council in Britain may not be out of place here.

The British Economic Advisory Council was formed in January 1930 by the second Labour Government in Britain soon after Ramsay MacDonald and his party had been elected to office in 1929.¹⁷ England was facing acute unemployment problems. The Council was intended to advise the Government on all matters of economic policy and to 'make continuous study of developments in trade and industry and in the use of national, imperial and international economy with a bearing on the prosperity of the country'.¹⁸ The Council in England was shortlived - 1930-32 - but it 'served as an essential stepping-stone towards the more ambitious advisory system devised during the early stages of the Second World War, when it was transformed first into Stamp's Survey of War Plans and then, via the Central Economic Information Service, into the Economic Section of the Cabinet Office'.¹⁹

The inspiration and rationale for forming the Economic Advisory Council in England derived from the Liberal 'Yellow Book' on Britain's Industrial Future which had been produced in 1928 by a distinguished group of experts under the chairmanship of Walter Layton. This group included Keynes and Henderson. It was widely recognised that Britain faced special problems of a structural character resulting from the long-term decline in competitive power of the basic export industries, notably coal, iron and steel, cotton and shipbuilding. 'Rationalisation' was the all-embracing solution offered to the problems of these industries and entailed the elimination of excess capacity and reduction of costs through re-organisation into larger production and marketing units.

The much avowed laissez-faire philosophy was already on its way out and was being replaced by new ideas of the role of the state in Britain itself. The Great Depression and the international liquidity crisis had sounded its death-knell.²⁰ Although the concepts of managed economy and Welfare State were to gain a firm foothold in English political philosophy only after J.M. Keynes published his The General Theory of Employment, Interest and Money in 1936, Roosevelt, in U.S.A. had already anticipated a number of so-called Keynesian ideas in his New Deal much earlier. Even in England in the late 'twenties, Keynes was not alone in his economic thinking. Keynes and Henderson were the liberals who argued for the cause of managed-economy.²¹ Within the Labour Party itself there were people like G.D.H. Cole, R.H. Tawney, Ernest Bevin and Oswald Moaley who preached their peculiar mixture of Keynesian liberalism, Hobsonian socialism and Italian fascism, while within the Conservative ranks were those, such as L.S. Amery, Oliver Stanley, Robert Boothby and Harold Macmillan, who believed in 'positive' economic policies.²² Indeed, such an attitude cut across all three of the major British political parties, though it was yet to gain acceptance as the dominant view of any of them. The role of the state in sponsoring rationalization

and in arresting the process of decline by means of various expedients, ranging from export promotion and tariff truces to a full-blooded system of protection, had become a major area of policy debates in the 1920s. These debates led to the formation of the Council in 1930.²³

In India too, economic thinking and political perspective were shaping up for a change. The growing tide of agrarian and urban unrest had worried Delhi and London since 1928. The rulers in India were well aware of what they saw as the economic causes of these unrests. Linlithgow, in his capacity as chairman of the Royal Commission of Agriculture, had written to Baldwin in 1927, 'Our troubles in India are due at root far more to economic causes than many of the clever ones suppose. Unless by good administration we secure to the cultivator, "a fair share of the good things of life" we shall lose our jobs and we shall deserve to'.²⁴ Regarding the labour situation the Viceroy, in 1928, wrote to the Secretary of State, '... the most effective way to remove industrial unrest is improvement of labour conditions. The nettle has to be grasped some time and what better time is there likely to be than now when ... it is important to show that the measures for maintenance of order do not mean want of sympathy with labour'.²⁵

The political agitations had a direct bearing on constitutional reform. But the appointment of the all-white Statutory Commission in 1928 helped to stimulate political actions rather than lull them to sleep. The Government was alarmed at the unity of Indian opinion against the Simon Commission. Anticipating a boycott of the Statutory Commission's recommendations, Irwin made his famous declaration about Dominion Status as the goal of British policy in India.

The Government's initiative to rally the 'moderates' by these declarations was however nullified by the Congress response. On 2 November 1929, the Congress had issued its 'Delhi Manifesto' and in

December 1929 the Lahore Congress, with the 'left-wing' in control, passed resolutions to the effect that the ultimate objective of the Congress was severance of the British connection.

To the rulers of India the increasing popular struggles for freedom in the subcontinent made no sense except in terms of economic grievances. During the 1920s most sections of Indian businessmen also had reacted sharply against the government's economic policies. Great battles were fought on the rupee-sterling ratio question. There were other issues, such as those relating to protection of the cotton textile industry, which engaged the business classes in bitter conflict with the Government. They gravitated towards the Congress, since the movement led by that Party looked as if it might prove a useful platform for voicing their economic demands. In other words, they were eager to mobilise 'nationalist' support in order to impress on the British authority the need for concessions in favour of indigenous enterprise. However, when the Congress Conference at Lahore in December 1929 rejected the Delhi Manifesto as too mild and called for the repudiation of Indian debt and a movement for complete independence, and Gandhi prepared to launch Civil Disobedience, some businessmen felt extremely perturbed. One of them, P. Thakurdas, urged liberal and moderate leaders like Sapru and Malaviya to unite the rest of political India 'to make up for this lapse by the Congress'.²⁶ At the same time he wanted to press it home on the Government that the best way of strengthening the hands of the liberals and the moderates would be to grant generous concessions to India.²⁷ But Britain, caught in the throes of a general economic crisis, could not afford such concessions. Far from yielding to the pressures of Indian business interests, the Government of India, therefore, responded by foisting on the country a stringent monetary policy which, taken together with the negative aspects of the depression, merely helped to stiffen the attitude of many businessmen. 'Unless there is a general improvement in the economic

condition of the people and the cultivators have a stake in the country', wrote Ambalal Sarabhai to Thakurdas, 'Bolshevik propaganda will find fertile soil in India'.²⁸ Matters were made worse when, in March 1930, the Government hustled through the Cotton Protection Act, with a preferential treatment for Lancashire. A large group of opposition members led by Malaviya resigned from the Legislative Assembly.²⁹ Many spokesmen of business interests urged support for the Civil Disobedience movement as a means of strengthening Gandhi's hand in negotiating with the Government.³⁰

Gandhi launched the Civil Disobedience movement in April 1930. By the middle of the year his business allies had moved closer to the attitude adopted by their 'moderate' colleagues. To keep the agitation alive, Nehru and others urged a more active campaign. But 'uncontrolled' unrest grew in the countryside. The no-tax campaigns showed strong tendencies to turn into no-rent movements. Economic distress, police brutality and hopes of 'Ras-Raj' aroused by Gandhi combined to create a difficult situation for the British authorities in India.³¹

On the economic front Indian industrialists and business groups continued to clamour for a change in fiscal policy and full-tariff protection for indigenous products.³² Birla, in his presidential speech in the Annual General Meeting of the Federation of India Chambers of Commerce and Industries (FICCI) in February 1930,³³ pointed to the economic plight of Indian people as the most important cause of the prevailing 'discontent in the country'. The industries, in his opinion, were anaemic because of the extremely low level of purchasing power of the people. India being mainly an agricultural country and partly an industrial one, 'production should be increased in both fronts'.³⁴ He warned that things could not remain as they were: 'the placid contentment of the masses is already disturbed. Even the worm at a certain

stage begins to turn, and the dissatisfaction of the dumb millions, unless its causes are removed, is bound to make itself felt one day'.³⁵ He, therefore, appealed to all concerned, urging them to 'adopt in time a far-sighted policy'. He particularly called on the Government to promote 'a national policy, which might be summed up as "India first and India last"'.³⁶ Birla's Presidential speech would have reflected the opinion of the majority of Indian industrialists and merchants. And it was addressed directly to Schuster who chaired this meeting as the Viceroy's representative.

The 'Notes on Economic Policy' was written in the context of changing economic thought and political developments narrated in brief above. The Government was called upon to take certain steps to ameliorate the poverty-stricken condition of India. The problem however was not one of poverty alone. The indigenous capitalist class had already established itself firmly in the political arena and their plea for concessions was made and heard as a distinctly nationalist demand. Politically the situation was volatile. To make matters worse, the boycott movement had begun to affect British business interests in India.³⁷

It is in the light of this looming politico-economic crisis that the 'Notes on Economic Policy' by Sir George Schuster has to be reviewed. As already noticed, the idea of forming a body similar to the Economic Advisory Council in Britain was first put forward by Schuster among his colleagues in the Viceroy's Executive Council during the winter of 1929-30.³⁸ It was understood by Schuster and his colleagues that there was a 'growing appreciation among the Indian public of the importance of economic questions, and a growing demand, first, that the Government should frame and pursue a constructive economic policy, and secondly, that unofficials should have a share in framing it'.³⁹ The political importance of such a demand could hardly be doubted : it was indeed to

a great extent no more than a natural symptom of the growing demand in India for representative and responsible government'.⁴⁰ This was by no means a uniquely Indian phenomenon. On the contrary, it was, according to Schuster, the expression of a very general and world-wide 'tendency'. For the First World War had 'upset the ordinary process of economic life, and created forces and oscillations of an artificial and unprecedented kind which have forced Governments to intervene and give a lead to the concerted national effort ... required to cope with these conditions'.⁴¹

Schuster drew his examples of such state intervention from countries like Australia, Germany, Japan, the U.S.A. and, naturally, Russia.⁴² The Russian case attracted his special attention not only because of the success of planning in Russia - and he quoted from Maurice Dobb's review on Russian planning to emphasise this point - but also, because, 'there [was] said now to be a tendency for the "advanced" youth of India to look more and more to Russia as an example and a guide'.⁴³ Thus the political consideration was already there. Although laissez-faire was still the avowed policy of the rulers in India - and Keynesianism was still a far-cry even in Britain - yet what we find here is that the state was seized with a political problem for which it was trying to find an 'economic' solution. George Schuster's effort at 'planning' was not simply an individual's benevolent or far-sighted attempt for the amelioration of poverty. It was the state which was speaking through him and groping for a solution.⁴⁴

The year 1930 marked a critical juncture in the career of the colonial state. Never before had it felt itself more alienated from its subjects. For that year saw the culmination of a decade of the most momentous political developments in the subcontinent. The Congress had emerged in that period as a massive nationalist force, equipped with a vigorous, if small, left-wing which, under the leadership of the young

Jawaharlal Nehru - indoctrinated in socialism from his sojourn in Europe - was vocal about its anti-imperialist and socialist views.⁴⁵ A Communist Party, too, had already been formed. The organization of the workers in a trade union movement and of peasants in Kisan Sabhas was understood by the authorities as the symptoms of a growing radical challenge. (The Kanpur Conspiracy Case was their first awkward response to what they feared as the advent of Bolshevism).⁴⁶ Altogether there was a pervasive mood of impatience and restiveness which was difficult for the Government to ignore : even the habitually obsequious class of Indian businessmen and industrialists had gone so far as to unite themselves under the aegis of the FICCI as a petulant gesture of defiance against the Associated Chambers of Commerce (ACC), formed as the exclusive club of European capitalist interests in India. And if all these signs of alienation added up to veritable crisis of authority for the colonial regime, it was compounded further by the crisis of world capitalism caught up in the throes of the Great Depression.

Altogether the situation called for an intervention by the state in the life of the colony in a manner more direct and positive than ever before. One of the consequences of such intervention was to demonstrate, with unprecedented clarity, the political character of its economic measures. This is made explicit in Schuster's 'Notes' in so far as they acknowledge that 'all economic discussion in India is conducted, not with scientific accuracy on the basis of reliable statistics and impartial evidence, but in an atmosphere of political bias',⁴⁷ and assign to the proposed Economic Advisory Council the role of an instrument 'for co-operating with unofficial opinion so that Government may not only get the advantage of advice and ideas from those who are actually engaged in economic activities, but also carry public opinion to some extent with it in its actions'.⁴⁸ That the 'Notes' were not merely designed by its author with political consideration in mind, but was indeed read as a

political document by others, is illustrated further by the response it evoked in official circles. 'What is wanted', wrote J.A. Whitehead, the Trade Commissioner, in his comments on the document, 'is not so much the provision of more economic statistics as the presentation of the statistics already compiled, the deductions to be drawn from those statistics and an explanation of what Government does in various directions in a readily readable form in current newspapers'.⁴⁹ It is comments like these which help clearly to identify Schuster's 'Notes' as a political document born of the crisis of Britain's Indian empire and recognize the primarily political character of the planning processes and institutions envisaged in it.

III : Responses to Schuster's Proposals

To go back to the history of planning, Schuster and his colleagues' proposal for the formation of an advisory council was initially confined to the members of the Viceroy's Council. It was a closely guarded secret, and although Schuster wanted to make a statement in his budget speech of 1930 'to the effect that the Government were considering action on these lines and would be glad to receive suggestions from the unofficial benches',⁵⁰ the Council decided against it on the grounds that 'it would be dangerous even to throw out this general idea until we had considered more carefully how far we were prepared to go'.⁵¹

But, by this time, the idea of an Economic Advisory Council had attracted the attention of a part of the Indian elites as well. This was evident during the budget discussion, when Mr. R.K. Sarmukham Chetty declared from the opposition benches :

... the Honourable the Finance Member should concern himself, not merely with the task of balancing the

Budget, but of improving the general economic situation of the country, improving the agricultural and industrial situation in the country and in that task, may I give him a suggestion? He must appoint an Economic Advisory Council, on the lines of the Council recently announced by the Labour Government, so that such a Council might, from time to time, advise the Central Government as to the measures that are to be taken for developing the vast natural resources of the country, and thereby increasing the national wealth of the country and place at the disposal of Provincial Governments funds for nation-building services.⁵²

Once the issue was raised by the 'unofficial' side in this manner, Schuster had his way cleared. It was settled after a further discussion in Council that he should give a sympathetic response to Mr. Chetty's proposals in winding up the general debate on the budget, and invite the unofficial leaders to confer with the members of the Council informally upon it.⁵³

Accordingly, a meeting was held on 16 March 1930 at which were present the Members for Industries and Labour, Commerce, Finance, and Education, Health and Land representing the official side. The 'unofficial' representatives were G.D. Birla, S. Chetty, M. Cooke, M.A. Jinnah and P. Thakurdas. But the time chosen was not conducive to any agreement between the official and unofficial points of view regarding the formation of such a Council. The budget of 1930 itself led to a revival of political movements. The Cotton Protection Act which the Government introduced in a hurry to protect Lancashire through a preferential treatment, made matters worse. Although Gandhi's movement was not due to start until April 1930, the meeting held on 16 March already foreshadowed the coming alignment of different political views. While M.A. Jinnah, whose differences with the Congress Party were pronounced,

supported the idea put forward by Schuster and his colleagues, Birla was definitely against it. He 'feared that such a Council would be bound to consider questions of policy on matters which properly fall in the sphere of provincial governments and that constitutional difficulties would arise'.⁵⁴ Thakurdas also was not keen to accept the idea. He was of the view that no constructive economic programme in India could be effective unless it included a full-blooded protectionist policy.⁵⁵

Thus the political import of an Economic Advisory Council was not missed by the leaders of Indian business at all. Schuster grasped this very clearly indeed, and summed up the difficulties as follows : first, he feared that 'the political parties would seek to control policy through such a council and might not take much interest in it if this were not possible', and secondly, there would be 'constitutional difficulties between the Central Government and the Provinces'.⁵⁶ Eventually, the only recommendation on which all parties attending the meeting could agree, was that it 'would be valuable to constitute a Council on the lines suggested, recognising that its sphere for the moment might be limited to one of research'.⁵⁷

Although the meeting did not yield any concrete proposal for the formation of an Economic Advisory Council, Schuster and his colleagues in the Viceroy's Council did not let the matter end there. They wanted to go forward and organise an economic conference of the representatives of the provincial governments in May or June of that year at Simla. However, as a first step it was suggested that, prior to any official communication with the provinces, the Viceroy might write personal letters to the Governors inviting their opinions on the general idea.⁵⁸ This was done. The responses of the Governors were mixed. While the Governor of Bengal heartily welcomed the proposal, Montague Butler of the Central Provinces was quite sceptical about the efficacy of such councils. For the

central issue was very clear to him: 'Economics in India tend to be treated politically'.⁵⁹ The Governor of Punjab thought that the Local Board of Economic Enquiry in Punjab was already working in the same direction at the provincial level and could be emulated for the formation of the Central Economic Advisory Council.⁶⁰ In spite of all reservations, however, the idea of the Council was accepted by all the provincial governments, and they started making preparations for the forthcoming Economic Conference proposed by the Viceroy.

Schuster also wrote to Sir Arthur Salter, Secretary of the Economic and Finance Sections of the League of Nations, for information about the steps taken in other countries in the direction of planned economic development. Salter, who had made a detailed study regarding the role of the state for economic development in many countries, supplied Schuster with the relevant documents.⁶¹ These show that the idea of an Economic Advisory Council was not a novel one. Russia of course had constructed its own planning machinery soon after the October Revolution. Germany had set up its Economic Advisory Council as early as 1920. Some of the other European countries like France, Italy, Poland and Greece too, had already developed such councils to look after their own economic problems, while in Australia an informal committee, headed by its Prime Minister, S.M. Bruce, had been functioning since the spring of 1927 in order to assess, from time to time, the efficacy of the methods used to enforce its policy of protection.⁶² So the notion of harnessing a degree of economic expertise into the affairs of the state with a view to monitoring its activities and steering it towards some determinate objectives, was by no means an Indian or British innovation. If anything, India and Britain were relatively latecomers in the field of managed economies.

Schuster had not given up his hope of establishing a degree of rapport with the 'unofficial advisers' in India. However, the political

possible, and secondly, there would be 'constitutional difficulties' between the Central Government and the Provinces'.⁶³

situation soon became so volatile that he could not make much headway in that direction. 'If political conditions had been normal', he wrote in some frustration, 'I should have felt the arguments to be very strongly in favour of continuing and expanding the informal discussions started in Delhi. Even though I recognise the dangers of discussing such matters without having carefully worked out our own plans, I should have been prepared to take this risk for the sake of the political value of impressing on public opinion both that we are "getting a move on" and that we are prepared to take account of unofficial views and wishes, even in the early stages of formulating a plan'.⁶³ In the prevailing political climate, he had no option other than to concentrate on the official side and make his 'Notes on Economic Policy' the basis of a discussion of economic perspectives at a conference between the Commerce and Railways, Education, Health and Lands, Industries and Labour, and Finance Departments. According to him, the aim of such a conference would be to improve the machinery of Government for planning a constructive and co-ordinated economic policy, to develop contacts between the representatives of official and non-official opinion, and to encourage the creation of an intelligent public opinion on economic questions, and as a means to this end, the provision of accurate and instructive economic statistics.⁶⁴

To achieve these he proposed, among other measures, that the Provincial Banking Enquiry Committees should be kept alive to utilise them as the nucleus for a continuous study of possibilities and developments in the economic field, and that the Commercial Intelligence Department should be incorporated in, or at least associated with the permanent establishment of the Economic Sub-Committee of the proposed Council. He also wanted to have Sir Arthur Salter invited to India the following year in order to make an economic survey, and in terms of general policy, he recommended that the Punjab model should be followed by the Provincial Governments.⁶⁵

The 'Notes on Economic Policy' generated an interesting variety of response among the heads of the departments and other British officials in India. The Trade Commissioner J.A. Whitehead conceded that something had to be done along the lines indicated in that paper, but was against the inclusion of non-officials in a Council. 'It would be unwise to give non-officials a direct share, in association with the Members of Government, in the planning and framing of economic policy'.⁶⁶ For he feared that Indian non-official, particular commercial, opinion would try and make use of the Council in order to force a change in the policy of the Government of India.⁶⁷ His other objections were related to the problems of a clash of interest and authority between the Centre and the provinces. Whitehead submitted that instead of an Economic Advisory Council, a Central Board of Economic Enquiry should be formed. The function of such a board would be to conduct enquiries, but not to formulate policies. This, he thought, would help to prevent the devolution of unwarranted power in the hands of the Indian members which was a distinct possibility if Schuster's advice were to be favoured.

Sir George Rairy, the Commerce and Railway Member, suggested that a Civil Research Council, following British precedent, should be formed initially. Such a Council could complement the work of the Agricultural Research Council, which was already there, in dealing with non-agricultural matters.⁶⁸ He also apprehended constitutional difficulties with regard to Centre-State relationship, etc., arising from an Economic Advisory Council. He inclined, like Whitehead, in favour of setting up an Advisory Council devoid of any decision making power. 'The rule should be that the Council should consider and investigate only those subjects which are referred to it by Government, but should be free to suggest subjects which it thinks ought to be discussed. I would not go further than this, for if we surrender control at the initial stage, the Council may lead us a pretty dance'.⁶⁹ Another problem which worried

hairy was that of the forthcoming Simon Commission Report. He felt that the Simon Commission Report was certain to have much to say on the question of the future direction of the Government of India's economic policy and that in any case the issue of the Economic Advisory Council was bound to be sidetracked once the Commission's recommendations were published, pressing more urgent issues on the administration for at least the next twelve months.⁷⁰ These opinions were shared also by the Railway Board, which saw in the function of the proposed Council a threat to its own right to make decisions about railway freights and tariffs.⁷¹

A very interesting comment on the role of State in economic development came from Sir Frank Noyce, Secretary to the G.O.I., Department of Education, Health and Lands. After enumerating the problems of Indian industries, Noyce observed that it was 'axiomatic' that private enterprise could not undertake the task of solving them. 'It does not, at least in India, command the requisite resources either in men or money. The State must, therefore, step in. In a country of the size and political tendencies of India, it is also evident that the organ of the State that can most efficiently play the role of co-ordinating agency and of guide is the central government; otherwise there will be neither a national outlook nor a national policy. Provincial particularism and, possibly provincial inequalities of resources, will lead if not to actual inefficiency at least to a failure to achieve efficiency in the fullest measure possible'.⁷² This could have been the view expressed by any nationalist of the time.⁷³

With all such reservations, however, most of the members of the policy making body of the Government of India accepted the idea of an Economic Advisory Council. They differed with Schuster, when they did so at all, in the details about the modus operandi of such a Council, which, if not properly thought through, might, they feared, tempt the non-official members to use the Council in furthering the cause of the

Indian economic and political nationalism and create constitutional difficulties between the Central and the provincial governments. In other words, there seems to have emerged, at this point, a consensus in the highest official circles about the need for a direct political initiative on the part of the State itself to evolve a machinery for economic planning in India.

IV : Salter's Visit to India

It was Schuster's idea (as noticed above)⁷⁴ that Sir Arthur Salter, who was the Secretary of the Economic and Finance Sections of the League of Nations at the time,⁷⁵ should be invited to India to advise the Government of India on the proposed Economic Advisory Council. Accordingly, Salter arrived in India in January 1931 at the invitation of the Government of India 'to give them the benefit of his special knowledge and experience of organisation existing abroad for the study of economic questions including both the continuous interpretation of current developments and the consideration of plans designed to achieve particular purpose and to advise them on organisation matters in relation to the associated position in India'.⁷⁶ By now the Government of India was convinced about the efficacy of having an Advisory Economic Council. Salter's visit to India was viewed by the Government of India as a positive step in that direction.⁷⁷ The tour which included Bombay, Calcutta, Cawnpore, Lucknow, Lahore and Madras in its itinerary was preceded by a meeting between Salter and the heads of the Departments of the Government of India in Delhi at George Schuster's house on 18 January to discuss different aspects of the proposed Council.⁷⁸ That discussion, held under six headings - (i) Composition etc. of the Council, (ii) Subjects for discussion by the Council, (iii) Question of publicity, (iv) Financing of the Committees etc., (v) Balance of competencies and (vi) Basis for organisations, - was important enough to merit a review. To start with

the 'composition of the proposed Council', it was envisaged that a two-tier system had to be evolved. Together with a Central Council there had to be provincial councils, as many of the economic programmes were to be taken up only by the provincial governments. But since a new constitution based on the Simon Commission was in the offing nothing could be done at that stage to give any permanent shape to the proposed Council. Its composition too, could not be determined. It was thought that the Council and the provincial committees would be wanting in a sense of responsibility if these were made up of too many 'non-officials'. If non-officials were inducted to such committees then the danger was that the opinions or advices of such committees would be unacceptable to the government concerned. On the other hand, if the committees were composed of only the official members of the Central or the provincial governments, then they could lose their representative character and would not be acceptable to the people. Caught in this dilemma, the meeting failed to reach any firm conclusion regarding the composition of the Council or of its associated Committees. It was understood, however, that 'non official experts would have to be included in the committees with sufficient safeguards for the governments concerned'.⁷⁹

On the 'subjects for discussion' for the Council, however, the meeting was more specific. Schuster conceived of the Economic Council 'not as a body treating detailed day-to-day problems of immediate and practical import, but rather as examining large questions and in general exploring the economy of the country'.⁸⁰ As such, examples of the subjects he wanted for discussion at the Council would be the establishment of tobacco monopoly and jute control by the state, financial questions such as co-operative marketing, land mortgage banks and the establishment of warehouse certificates to link up indigenous trade with the money market, production of salt, extension of hydro-electric power and so on.

But even the issue of the 'subjects for discussion' involved politics : How could the Council be stopped from launching out on 'undesirable questions'? Salter suggested some alternatives : Anything not specifically referred by Government would be out of order; the Committee would have initiative but subject to a veto by Government, or the internal safeguard that the decision to embark on a new subject should require a substantial majority of the full Committee, i.e., two-thirds or three-fourths.⁸¹ But it was understood that none of these alternatives could ensure popularity of the Council. On the other hand, some safeguards were in any case necessary so that the future government under the new proposed constitution should not have its freedom of action and policy undermined before it came into existence. As a result it was proposed that only the research side of the Committee's future activities would be undertaken at that point of time, 'in order that the materials might be got together at once upon which a future government might base its policy'.⁸²

The question of 'balance of competencies' was another issue which bothered the members in the meeting. It was decided that this should be considered under two heads, different principles being adopted in each case. The first question was how to get the expert elements, and the second, how to get the representative elements, both being required on this body. Salter asked if it would be safe to ask the universities and other organisations to nominate economists. The members were against it and Schuster said that 'Chambers of Commerce should certainly not nominate Economists'.⁸³

Although no reason was given for the exclusion of the 'Economists', it was perhaps not unrelated to the fear, expressed in another context by Sir Fazl-i-Hussain, about 'the danger of politics dominating such a body', for, according to him, 'The Inter-Universities Board, for instance, had

manifested a strong leaning towards the political handling of academic bodies'.⁸⁴ So the economists would have to be excluded from being nominated by public bodies to avoid politicization of economic policies and researches.

The meeting thus could not decide upon the structure of the proposed committee and its mode of operation in any concrete form. It was decided, however, that if the political situation permitted - a Round Table Conference was soon to be held and the reaction of the Indian leaders on a number of important political developments was being closely monitored⁸⁵ - a conference of representatives of the provincial governments, and experts nominated by them, would be organized in Simla using Salter's report as a basis for its discussion.⁸⁶

Failing in his effort at eliciting any conclusive guidance from his meeting with the Government of India's departmental heads, Salter decided to delimit the scope of his enquiry to two sets of issues. One of these related to questions concerning the constitution of the central body, the role of expert and representative elements, Central and Provincial elements, staff, sub-committees, power and procedure, and the relation of the whole of the proposed organization to existing and contemplated Central and Provincial bodies and institutions, e.g., the Imperial Council of Agricultural Research, the Tariff Board, the Railway Rates Advisory Committee, the Indian Central Cotton Committee, the Central Jute Committee (when formed) and the Reserve Bank (when formed).

The other set of issues which figured in Salter's enquiry and presumably in his report concerned more general issues about the purpose of the organizations contemplated and their operations for gathering, processing and producing information about Indian economic performance. As such, the co-ordination of economic policy, inter-departmentally as

well as between the Central and Provincial Governments, was one of his main concerns. Equally so were matters relating to the improvement of the statistical and commercial intelligence, research into economic questions by experts, and the provision of machinery to inform public opinion.⁸⁷

The response evoked by Salter's enquiry in the top echelons of the bureaucracy correspond in many respects to that evoked earlier by Schuster's 'Notes' among the officials. One of the latter, Dr. D.B. Meek, the then Director General of Commercial Intelligence and Statistics, had already met Salter in Calcutta and sent him a detailed note on the subject of the proposed Council.⁸⁸

In its intelligence as well as in its disapproval of the idea of an Economic Council, this note was representative of much of official thinking at the highest levels. Meek had no difficulty in grasping the overall developmental aim of the proposal as that of 'increasing the national income, the supply of food and the standard of living',⁸⁹ and in identifying its 'two immediate reasons' in the need for specialised knowledge and the support of unofficial opinion in framing economic policies.⁹⁰ But his opposition to the notion of a Council derived from attitudes characteristic of high officialdom. In the first place, Meek, like many of his colleagues, feared the changes, bound to be brought about by such a Council, in terms of a reduction of the virtual autonomy of all departments of Government. The Simon Commission Report, with its recommendations for constitutional reform, had already made a degree of change inevitable in the near future. To rock the boat further by creating 'a hard and fast comprehensive organisation during a period of transition'⁹¹ could only make matters worse. So, although he understood the importance of 'expert investigation and advice', he would like it to be harnessed by means of the existing machinery of adminis-

tration.⁹² Secondly, his resistance to the idea derived to no mean extent from political considerations - from the fear of opposition likely to be voiced within constitutional bodies designed to be set up soon in the wake of the Simon Commission Report. 'At present the criticism is criticism of a Government not responsible to the legislature', he wrote. 'Under the new constitution the criticism will be criticism of the responsible Government. What the present Government and the future Government require is expert investigation and advice as to what is considered the best policy. If they follow this expert advice they will at the same time have the materials with which to meet the opposition'.⁹³ His advice, in sum, was to be on guard against the risk of exposing the process of economic policy-making to politicians and through them, to the public, but to keep it firmly in the hands of specialists and technocrats functioning under the aegis of the existing bureaucratic apparatus.

Salter's enquiry and recommendations could not break new grounds for Schuster and other enthusiasts for planning within the official circles. But, this enquiry reiterated the need for 'expert investigation' and 'statistics'. The importance of statistics was never missed by the authority. But when it was emphasized by the Indian Enquiry Committee in 1924,⁹⁴ the Government did not pay any heed to it.⁹⁵ Now, when the question of planning cropped up, the Government took special interest in augmenting its statistical organizations. It was very well understood by Meek that sooner or later it must be the duty of the Government 'to examine continuously the factual positions relating to economic conditions and changes in India and for the information of the Government to try to point to the determining factors of these conditions'.⁹⁶ Now that the Government was thinking in terms of 'development' of Indian economy through planning, the importance of 'statistics' was doubly felt. In Meek's own words, 'No constructive economic policy is possible without continuous scientific study of the conditions prevailing in India ... as

deduced from statistical data'.⁹⁷ And as Meek wrote in his note on Salter's enquiry, statistics would also supply the Government with materials to face the opposition. In 1930 itself when Schuster was trying to convince others in the Government about the necessity of having the Economic Advisory Council, Meek was sent to the U.S.A. by the Government of India to study the statistical organizations and methods adopted there.⁹⁸ After his return Meek suggested some measures including publication of monthly statistics regarding production, etc. and 'long-term surveys of economic conditions', in view of the proposed machinery for economic planning.⁹⁹ All these figured in Salter's report and later in the Bowley-Robertson Report also. But the officialdom took its own time to organize these.¹⁰⁰

V : The Sequel to Schuster's Initiative

By 1931, Schuster's and his colleagues' effort had reached a bottleneck. Political exigencies took priority over the efforts towards planned economic development. Although the Congress suspended its Civil Disobedience movement, launched in 1930, by early 1931 for a proposed talk between Gandhi and Irwin, the Gandhi-Irwin pact of March 1931 failed to solve the problems for the rulers. The Congress went back to organize a second Civil Disobedience movement in 1932 which went on until 1934 with varying intensity. The other important political development concerned the Ottawa Conference in 1932. By then Irwin was replaced by Willingdon as the new Viceroy. Although Hoare, the Secretary of State, was keen on including representatives of the FICCI in the Indian delegation to the Conference and both Birla and Thakurdas assured Hoare of their support,¹⁰¹ Willingdon was not ready to trust Birla or Thakurdas.¹⁰² The Indian capitalists in the FICCI also were not interested to join the Conference without Gandhi's support.¹⁰³ Ultimately when the Ottawa Agreement was signed in August 1932 the vast majority of the leading Indian capitalists were not ready to accept the Pact.¹⁰⁴

The situation of confrontation between the Indians and the British rulers on these politico-economic fields did not help Schuster to proceed with his efforts. However, the proposal for a Council was not given up. Schuster and his friends continued to pursue the matter with the new Viceroy and Willingdon asked Schuster to prepare a fresh note on the subject. In this note, dated 8 June 1932, the idea of direct state intervention in favour of economic planning was reiterated more vigorously than ever before, as Schuster wrote :

No Government in present economic conditions can afford to carry on with the old laissez-faire policy. The need for some kind of national planning is being forced on all governments ... any nation that does not make any such attempt to look after itself may find great difficulties in surviving at all.

I should like to see the Govt. of India attempting to design something in the nature of a five-year economic plan.¹⁰⁵

As a practical measure he suggested that the question of an Economic Advisory Council should be taken up for discussion in November. This, however, was not done 'owing to the pressure of Ottawa and other work',¹⁰⁶ although it was agreed in principle, by the end of the year, that a Central Bureau of Commercial Intelligence equipped with a Central Research Statistical Bureau should be set up at the Government of India headquarters.¹⁰⁷

This particular decision followed directly from a recommendation made in Schuster's note to involve Dr. Meek, Director of Commercial Intelligence and Statistics (whom we have met before), in the planning process.¹⁰⁸ For the latter had, meanwhile, changed his mind about planning and moved more than half-way to meet the idea. While, in 1931,

he was sceptical about the proposal for a Council, by December 1932 he was convinced of the need for 'continuous study with a view to the orderly development of the economic life of the country'.¹⁰⁹ He was clearly influenced in his thinking on this subject by the Soviet Russian experience and its emulation elsewhere. The 'question of economic planning has been brought to the front by the "five-year plan" in Soviet Russia', he observed, and 'other countries now have begun talking about five-year or ten-year plans in order to overhaul their economic and industrial organisation'.¹¹⁰ The extent of his departure from his own conservative stance on this matter not so long ago is illustrated in a letter he wrote to a colleague at about this time. Thus :

I fully realise that to marry the idea of regulated effort is entirely obnoxious; but the fact remains that under the present system, economic depressions have been growing in intensity at each recurrence, until a point has been reached now when the system of unregulated production, distribution and consumption is on the verge of breaking down. Without going nearly so far as to establish machinery to control production and consumption there is still a large field for the exercise of conscious planning of the orderly development of the natural resource of the country, while the successful determination of economic policy implies some such planning, which looks ahead, even if a time programme is not rigidly adhered to.¹¹¹

In order to convert this general idea into administrative measures Meek also drew up a comprehensive prospectus of tasks for collecting information on the most important aspects of the Indian economy and for maintaining a record of the Government's economic decisions and performance.¹¹² This advice, taken together with Schuster's recommendations, led the Government eventually to confirm the decision to set up a Central Bureau of Statistics and to form a Standing Economic Sub-Committee of the Viceroy's Council with the task, among other things, of reviewing

the economic situation from time to time and formulating economic policy.¹¹³

One of the immediate results of Schuster's and Meek's initiative was the visit, in 1933, of two British economists, Dr. A.L. Bowley and Mr. D.H. Robertson, at the request of the Government of India¹¹⁴ and their report, submitted the following year, on the existing organization of statistical and other information and the problems of utilization of the country's economic resources. The Bowley-Robertson report reiterated the importance of a separate central statistical department, a statistical survey for the purpose of measurement of national income and wealth, a quinquennial census on production and above all, of a small, but permanent, staff of economists working directly under the Viceroy's Executive Council in order to advise the Government on economic policies.¹¹⁵ These recommendations were accepted by the Government in principle, although not all of these could be fully realised at the time for want of funds and because of the uncertainties involved in the constitutional changes soon to be introduced in the light of the Simon Commission's Report. Interest in these recommendations, however, continued at the departmental levels of the administration until as late as 1936-37.¹¹⁶ Meanwhile, one of the by-products of Schuster's initiative - the idea of an economic conference of representatives of the Provincial Governments - was revived in 1933.

VI : The Bureaucracy Retracts

It will be recalled that in 1930 Lord Irwin, the Viceroy, had written to the provincial Governors on the subject of an economic conference in order to consider, among other matters, the proposal to set up an Economic Advisory Council. Nothing came of that idea for some time until it was brought back to life under the impact of Great

Depression. Industrial activities in India were not severely impaired by the Depression due to various reasons. But agriculture, particularly the cash-crops, suffered from a sharp fall in exports.¹¹⁷ The economic discontent of the peasantry, aggravated further by their increasing politicization since 1928-29 and the spread of the movements launched by the Congress and other parties in rural India, made the authorities acutely aware of the need to ameliorate the conditions of the peasantry.

Early in the summer of 1933, the Viceroy wrote to the Governors of the provinces asking for their views on 'economic conditions particularly among the agriculturists' in their province.¹¹⁸ In January next year he wrote again to the Governors with the object of fixing a date for the inter-provincial conference that had been envisaged four years ago.¹¹⁹ Written in the wake of the Civil Disobedience movement, this letter puts the economic issues facing the Raj squarely in a political context. Reviewing the political scene and asserting that the calm was only temporary, the Viceroy wrote :

Political issues in India have always tended to dominate the scene, but in other countries at present it is the economic issue which dominates politics and although India's special conditions may tend to make us at times forget this, nevertheless our position is essentially the same as that of the rest of the world and it is the economic issue which really matters. Therefore it is on this that we need a policy and we may be quite sure that unless we can convince the public that we are doing something to tackle the problem, we shall give the political agitators exactly the forces and occasions which they need in order to recreate an atmosphere of political disturbance,¹²⁰ (emphasis mine).

The economic problems that the Viceroy wanted to discuss concerned the agriculturists in India. However, it is important to remember that

his definition of 'agriculturists' did not include the agricultural producers; for, according to him, 'in India the greater part of the strain has hitherto been taken up not so much by the agricultural producers as by those to whom the fixed money payments are due, namely, Governments, landlords and money-lenders, and chiefly by the last two'.¹²¹

The provincial Conference was held in April 1934. The Provincial Governors all agreed that if any economic development in India was to be envisaged, something was urgently required to be done about Indian agriculture, especially about problems relating to rural indebtedness, marketing, industrial research and capital programme.¹²² A number of practical decisions were taken about all of these, as well as about setting up a Central Intelligence Bureau to co-ordinate research and advise Government on economic policy. What, however, was not achieved, and appears indeed to have been deliberately avoided, was any decision about planning. This was made clear by none other than Schuster himself, who presided over this Conference, and observed :

I want to produce some practical results from this conference. The problems are so complex, the amount involved in any general action are so huge, the possible reactions of any particular line are so difficult to foresee and may be so dangerous that it seems to me there is not the slightest chance of launching any general plan. What I should like to see is each province undertaking an intensive large scale experiment in a selected district ... I believe that it is only by these means that we shall achieve any practical advance.¹²³

So when it came to making the decision, Schuster and his colleagues - all of them attended the Conference in official capacity - backed

out, and the vision of a planned economy was buried in a plethora of practical administrative measures of immediate concern.

The mountain thus produced a molehill. The long-awaited Provincial Economic Conference was held but did not lead to any concrete step towards the Economic Advisory Council. The India Legislature, however, had interpreted this conference as a direct effort at planning and resented being left out.¹²⁴ Many of its members had been seriously airing their ideas for some time in anticipation of a planning machinery they thought would be set up by the Conference. It is difficult to say whether the interest shown by the Indian elites in planning was what made Schuster and his colleagues in the Council see the red light. He is certainly on record as having tried to discourage the enthusiasts for planning in the Legislature by warning them of possibility of greater government control involved in planning¹²⁵ - a strange thing to do for one who had been advocating it for so long. The history of this retraction on the part of the bureaucracy sheds some light on its fears about the political implications of economic planning under conditions of colonial rule.

During the General Budget Session of the Legislative Assembly in March 1934, F.E. James, the representative of the European communities in India, brought in a 'cut motion' to discuss the question of a 'planned economy' in India and the immediate constitution of an Economic Advisory Council.¹²⁶ This was supported by all the non-official members - from N.M. Joshi the labour leader to H.P. Wody, the leader of the Bombay Mill owners Association. They all wanted, in fact pressed, the State to intervene even more directly in the economic life of the country. H.P. Wody put it very cogently: 'It is very natural that a people who have been living under some sort of domination or another throughout almost the whole of their history should come to depend on a large measure, not

on self-help, but upon the help which a ma bag Government can administer in every sphere of national activity'.¹²⁷ Yet another member reminded the Government of its 'duty ... to safeguard and ameliorate the economic welfare of the people under it'.¹²⁸ Schuster, speaking for the Government, appears to have agreed with some of these arguments as he acknowledged the futility of the old non-interventionist attitude : 'Every day new needs are coming upon us for taking an active part in directing policies which were formerly left to develop on their own account under what was then a generally accepted policy of laissez-faire'.¹²⁹ But this recognition on the need for 'an active part in directing policies' was not strong enough to overcome his anxiety about the loss of authority likely to result from the formation of an Economic Advisory Council. He opposed the idea on purely political grounds as witness the following extract from his reply to the cut motion :

If the Government have an Advisory Council and that Council probably - as a matter of fact will be very divided in its opinion - and that Council puts up opinions which are inconsistent with the policy of the Government, ... then the Government must reject such advice, and no Council of that kind can maintain its authority in the country or really perform useful functions unless its advice is always taken or practically always taken. Therefore, for a Government to set up an Advisory Council of this kind tends either to be a matter of mere eyewash or to involve the relinquishment by the Government of their own responsibilities, in perhaps the most important part of the field of those responsibilities.¹³⁰ (emphasis mine).

One can hardly improve upon this as a confession of official fear and anxiety about the proposed Economic Advisory Council. This is further illustrated by Schuster's retort to James when the latter suggested a body of fifteen members to constitute the Council. 'Will he [James] ask himself', he said, 'how many of these men are not already committed publicly to opinions either on politics or economics which are inconsistent with the definite policy of Government?'¹³¹

Such fear on the part of the colonial government could only arise from a realization of the want of its own legitimacy in the eye of its subjects. Since 1930 the bureaucracy had been talking of a planned economy not only as an instrument of improvement of material conditions of the people, but also - one feels - primarily, as the means to reinforce itself politically. Yet, after years of fiddling with the idea, when it actually came to taking a decision, it could not make up its mind. An Economic Advisory Council composed of Indian 'economic experts' and other representatives could not be trusted. The Government recognized the need for a well-chalked out programme to alleviate the economic plight of the people, but felt that this could be achieved by such prudent measures as it finally settled for in 1934 - that is, an Economic Sub-Committee of the Viceroy's Council, proposals for extensive economic enquiries, and the formation of a Central Intelligence Bureau of Statistics.

By 1934 two of Schuster's supporters had already left India. Irwin, the Viceroy, was replaced by Willingdon. George Rainy, who was the Commerce Member in 1930 was replaced by Joseph Emore in 1933. Schuster himself left in 1934. But the question of planning was not buried with their departure. Many of the provinces took their cue from the effort of the Central Government. As a matter of fact, the Government of the United Provinces actually set up its own Committee on Economic Planning in 1934. The initiatives came from Mr. C.Y. Chintamani who was the Leader of the Opposition in the U.P. Legislative Council. In December 1933 he moved a resolution recommending to the Government 'to set up a committee to draw up a five year's plan of economic development' for the United Provinces. This resolution was adopted by the Council, and the Government readily agreed to implement the proposal. In July 1934, a Committee of four was set up under the U.P. Board of Economic Enquiry, with Dr. Radhakamal Mukherjee, a noted economist from Lucknow University, as one of the members to formulate a five-year plan for economic

development of the region.¹³²

As far as the Central effort was concerned we find the idea of planning taken up again by the bureaucracy with the advent of the Second World War. Meanwhile, the Indian nationalists themselves had to have a say on the subject, broadening thereby the scope of political intervention in the economic life of the country, no longer in terms of bureaucratic ideas and initiatives, but in those of the aspiration for power on the part of the Indian capitalists and their allies within and outside the Indian National Congress.

Notes

1. The subject of this article forms a part of my Ph.D. thesis : The Idea of Planning in India, 1930-1951 (The Australian National University, 1985, unpublished). I am grateful to Ranajit Guha for his general guidance and valuable comments on my work. I am also grateful to Partha Chatterjee, Barun De, Anjan Ghosh and M.S.S. Pandian for their comments.
2. Published from Bangalore in 1934.
3. See Report on Economic Planning in the United Provinces, (Allahabad, 1937).
4. See e.g. P.K. Gopalakrishnan, Development of Economic Ideas in India, 1880-1950 (New Delhi, 1959) p.183.
5. Paul, M. Sweezy, Socialism (McGraw-Hill, 1949) pp.66.
6. E.M.S. Namboodiripad, Economics and Politics of India's Socialist Pattern (New Delhi 1966) p.98.
7. S.C. Mitter, A Recovery Plan for Bengal (Calcutta, 1934).
8. See G.D. Birla, Indian Prosperity : A Plea for Planning published as a booklet by FICCI, 1934.
9. 'FICCI, Presidential Address of Mr. N.R. Sarkar at the Annual General Meeting 1934', Walchand Hirachand Papers, File No.6(a) in Nehru Memorial Museum and Library, New Delhi.
10. All these authors and speakers mentioned the effort by the Government of India as the starting point.
11. For an elaboration of this point, see the introducing chapter of my thesis.
12. See Bipan Chandra, The Rise and Growth of Economic Nationalism in India 1880-1905 (New Delhi, 1966) p.120.
13. K.P. Shah, Trade, Tariffs and Transports in India (London, 1923), p.263.
14. M. Visvesvaraya, Reconstructing India (London 1920), pp.133-34.

15. 'Notes on Economic Policy', Government of India (hereafter G.O.I.), Department of Finance, File No. 15-I-F of 1930, (hereafter Schuster's 'Notes'), in National Archives of India, New Delhi (hereafter N.A.I.).
16. Ibid., p.1, para 2.
17. D. Fraser, Evolution of the British Welfare State, Macmillan, 1973, p.175.
18. Schuster's 'Notes', appendix II.
19. Susan Hawson & Donald Winch, The Economic Advisory Council 1930-1939, (Cambridge University Press, 1977), p.2.
20. See Ibid., pp.85-95.
21. See D. Fraser, Evolution, 1973, Chapter 8.
22. Ibid., pp.17-21.
23. Hawson & Winch (1977), p.17.
24. Linlithgow to Baldwin, 4 November 1927, quoted in B. Chatterjee, 'Business and Politics in the 1930s', Modern Asian Studies, Vol.15, No.3, p.532ff.
25. Viceroy to Secretary of State, private telegram, 13 September 1928, quoted in ibid., p.532ff.
26. P. Thakurdas to Sapru, 27 December 1929, and to M.M. Malaviya, 14 January 1930. Purushottamdas Thakurdas Papers (hereafter P.T.P.), File No.91 in Nehru Memorial Museum and Library, Delhi (hereafter N.M.L.).
27. Thakurdas to C. Rhodes, 6 February 1930. P.T.P., 91.
28. Ambalal Sarabhai to Thakurdas, 28 March 1930. P.T.P., 91.
29. B. Chatterjee, 'Business and Politics', p.534.
30. (a) See S. Sarkar, 'The Logic of Gandhian Nationalism : Civil Disobedience and the Gandhi-Irwin Pact (1930-31)', Indian Historical Review, Vol.III, No.1, 1976, passim and p.123 in particular.
(b) Also see the Concluding Speech of G.D. Birla as President, Federation of Indian Chambers of Commerce and Industries (hereafter FICCI), Annual Report 1930, p.264.

31. See S. Sarkar, Modern India, 1885-1947, Macmillan, New Delhi, 1983, Chapter VI for a detailed discussion of the situation.
32. See Presidential Speech by G.D. Birla in the Annual General Meeting of the FICCI in February 1930, filed in G.O.I. Finance, File No. 17-X-F, 1930, p.13.
33. Ibid. p.14.
34. Ibid. p.4.
35. Ibid. p.10.
36. Ibid. p.12.
37. See 'Papers Relating to Boycott and Picketing', G.O.I. Home Political Department, File No.201/40 of 1930.
38. G.O.I. Commerce, F.No.2002-C, 1931, p.21.
39. Schuster's 'Notes', p.1, para.2.
40. Ibid. p.1, para 3.
41. Ibid.
42. Ibid.
43. Ibid. para 5.
44. In real politics the same Schuster was proposing an even more stringent budget and was introducing more preferential tariffs to help Lancashire. See G.O.I., Council of State Debates, 8th Session of the 2nd Council of State, 1930.
45. See M. Brecher, Nehru : A Political Biography, (O.U.P., London, 1959), pp.126-132.
46. See G.D. Overstreet & M. Windmiller, Communism in India, (University of California Press, 1959), Chapter 4.
47. Schuster's 'Notes', p.2, para 7.
48. Ibid. p.3, para 10.
49. Ibid. p.2, para 8.

50. Ibid. p.2, para 12.
51. Ibid.
52. G.O.I., Central Legislative Assembly Debates, 1930, excerpts in Schuster's 'Notes', p.3, para 14.
53. Ibid. p.3, para 13.
54. Schuster's 'Notes', Appendix III.
55. Ibid.
56. Ibid. p.3.
57. Ibid.
58. The Viceroy's letter to the Governors asked their opinion on three points :
 - A. The setting up of some sort of Council by the Central Government in order to provide (a) means for the proper study of economic questions, (b) an opportunity for co-operation between Government and unofficial opinion in the study of problems and framing of plans.
 - B. The relationship between the Central and Provincial Governments in these matters with the suggestions that if the scheme of a Central Council took shape it would be valuable if the Provincial Governments, working through Economic Research Committee of their own, could make preliminary studies and perhaps put up proposals for consideration by the Central Government where questions of 'All India' interest were involved.
 - C. The possibility of a preliminary conference in Simla.
59. Letter from Sir Montague Butler to Lord Irwin, 16 April 1930, in Appendix IV of Schuster's 'Notes'.
60. Letter from Sir Geoffrey de Montmorency, Governor of Punjab, to Irwin, 12 April 1930 in ibid., Appendix IV.
61. Ibid. p.5, para 18.
62. Ibid. Appendix V.
63. Ibid. p.6, para 24.
64. Ibid. p.5, para 20.

65. Ibid. p.7, para 26.
66. G.O.I., Commerce, F.No.2002-C of 1931, para 2.
67. Ibid. para 3.
68. Ibid. p.21, para 4.
69. Ibid. p.23, para 11.
70. Ibid. p.25, para 21.
71. Ibid. pp.16-17.
72. D.O. by Noyce to J.C.B. Drake, Joint Secretary to the G.O.I. Commerce Department, dated 20 October 1930 in ibid., p.18.
73. Even the problems enumerated by Noyce are quite interesting :
 1. The rationalisation of the organisation and processes of existing industries.
 2. The stimulation of new industries by -
 - (a) The promotion of the local utilisation of indigenous raw materials when this can be accomplished economically.
 - (b) The provision of credit facilities in abundance.
 - (c) The improvement of communications, and
 - (d) The creation of a contented and efficient labour force.
 3. The improvement of marketing.

These could be the demands of any 'nationalist' economist in India. The difference laid in the question of power, and basically not in the domain of economic prescription. Purushottamdas, President of FICCI in 1928 declared in his Presidential speech : 'We can no more separate our politics from our economics' [see FICCI Annual Report 1928, p.4.]
74. See Note 51, p.13, above.
75. Schuster's 'Notes', p.5, para 18. Salter was appointed a member of the British Prime Minister's Advisory Committee on Financial Questions in 1931 and thus was closely associated with the Economic Advisory Council in Britain in that capacity. See Hawson & Winch, E.A.C., p.369.

76. D.O. No. 2002-C, G.O.I. Commerce, F.No. 15 (I) F, 1931. (Also see G.O.I. Legislative Assembly Debates, 1931, Questions and Answers, dated 27 January 1931, pp. 242-243, for copies of the letters between the Secretary of State for India and the Secretary-General, League of Nations, Geneva, regarding Salter's visit to India.)
77. G.O.I. Press Communiqué dated 30 December 1930 and 14 January 1931 in ibid.
78. D.O. from A.S. Felkin, Member of the Secretariat of the League of Nations, to J.A. Woodhead, Secretary to G.O.I., Commerce Department in G.O.I. Commerce, F.No. 2002-C, of 1931.
79. Ibid. p. 20.
80. Ibid. p. 21.
81. Ibid.
82. Ibid.
83. Ibid. p. 22.
84. Ibid. p. 21.
85. See S. Sarkar, Modern India, Chapter IV for detail.
86. D.O. from Felkin, in G.O.I. Commerce, F.No. 2002-C of 1931.
87. Ibid.
88. D.O. from Dr. D.B. Meek to Secretary to the G.O.I., Commerce Dept., 2 February 1931, in ibid.
89. Ibid. para 8.
90. Ibid. para 11.
91. Ibid. para 17.
92. Ibid.
93. Ibid. para 13.
94. The Indian Economic Enquiry Committee had its genesis in the debates in the Council of State and Legislative Assembly in 1924 on the

constitution of the Taxation Enquiry Committee set up by the Government. The Indian members in both the Houses opposed the formation of the Taxation Enquiry Committee on the ground that no 'scientific' taxation system was possible without an enquiry into the economic condition of the people. The Government after much hesitation set up an Economic Enquiry Committee under the Chairmanship of Sir M. Visvesvaraya. The Indian Legislature demanded a Committee to make an investigation into the economic condition of the people. But the Indian Economic Enquiry Committee was formed by the Government with the object of only collating and examining the existing material, ascertaining how it could best be supplemented and determining what lines and economic enquiry into the resources of the country should take. The restrictive terms of reference of the Committee created grave misgivings among the Indian business and industrial community, the political leaders and the people at large. It was felt that the Committee was formed with the object only calculated to defeat public opinion which had persistently demanded a thorough independent and expert investigation into the economic conditions of the country.

See G.O.I. Legislative Assembly Debates on 'Resolution Re Suspension of the Taxation Enquiry Committee and Substitution of an Economic Inquiry Committee', dated 18 September 1924. See also G.O.I. Commerce, F.No.1762-C of 1930.

95. Speech by Sir Basil Blacket, A.C. Chatterjee and others in Legislative Assembly Debates, 18 September 1924.
96. 'Note by Dr. D.B. Meek, D.G.C.I. & Son the subject of his deputation to America', G.O.I., Commerce F.No.977-C(15) of 1931, p.8.
97. Ibid. p.5.
98. Ibid. p.1.
99. Ibid. p.8.
100. See D.O. letter by J.C.B. Drake, Joint Secretary to the G.O.I., Commerce to Dr. Meek in ibid., p.9.
101. See correspondence between Hoare and Birla dated 27 January 1932 and 14 February 1932 in In the Shadow of the Mahatma, 1953, pp.45-56.
102. Birla to Hoare, 14 March 1932, In the Shadow of the Mahatma, pp.46-9.

103. Ibid.
104. For details of the conference and analysis, see B.N. Adarkar, 'The Ottawa Pact' in Radhakamal Mukherjee (ed.) Economic Problems of Modern India, Vol.I, 1939.
105. 'Organisation for Dealing with Economic Policy', [hereafter Schuster, 1934]. G.O.I. Finance, F.No.15(11)-F of 1934, para 2.
106. J.C.B. Drake's note dated 1 December 1932 in G.O.I. F.No.15(11)-F of 1934, p.5.
107. Ibid. p.3.
108. Schuster, 1934, para 6.
109. Meek's note dated 1 December 1932 in ibid, p.4.
110. Ibid.
111. D.O. from Meek to Bhore, Member-in-Charge, Department of Commerce, dated 18 January 1933 in ibid, p.9.
112. Meek suggested the following as the immediate necessities :
- (i) a survey and measurement of the growth of economic welfare in India
 - (ii) a continuous up-to-date record of changing conditions in current business
 - (iii) the fullest information and results of expert examination of all the economic facts and statistical data
 - (iv) a comprehensive record of world economic conditions, etc.
 - (v) a complete record of government decisions on broad economic policy and the continuous examination of the effects of such decisions
 - (vi) the co-ordination of statistical and economic work of various departments of the Government of India, of Provincial Governments and of universities, Commercial and Industrial Associations, etc.

Meek went into a detailed discussion on each of the above-mentioned items. The reader may be spared some of the details, but Meek's notes made it clear that the idea of planning that germinated with Schuster and his colleagues in early 1930 had taken a more comprehensive and concrete shape by early 1933. In his discussion on item (iii) above, Meek listed the subjects which required regular monitoring:

- (a) The problem of rural indebtedness, its measurement, if possible, and the methods of amelioration by such action as the formation of land mortgage banks, agricultural loans, etc.
- (b) The problem of hoarding, its extent and the means of lessening the habit
- (c) Problems of control of production and of prices of commodities, in both agriculture and industries
- (d) The measurement of the balance of trade and balance of payments, with detailed studies of the nature and extent of invisible items
- (e) Problems of marketing and the spread of prices between producer and consumer
- (f) Questions of control and supervision of industries, especially those which are receiving protection
- (g) Problems of industrial finance, such as the formation of industrial banks, state-aid to industries
- (h) Analysis of the effects of previous 'ratio' decision on the internal and external trade of India, etc., in order to have the material ready should the ratio question come up again for consideration
- (i) Problems of taxation ..., incidence of taxation on various sections of the community
- (j) The economic aspects of rail, river and road transportation and competition therein; the economic aspects of the encouragement of trades through a transportation rates policy
- (k) The economic aspects of factory, labour and social legislation, of sickness insurances, old-age pensions, maternity benefit and unemployment legislation. See *ibid*, pp.5-6 and p.9.

113. See D.O. from J.C.B. Drake, Secretary, Department of Commerce to Schuster and others, Ref.No.7-C(1)/33, dated 23 February 1933 in G.O.I. Finance F.No. 15(11)-F of 1934.
114. See D.O. letter from Schuster to Loveday, Director of Economic and Finance Sections, League of Nations, dated 16 January 1933 in *ibid.* p.12. See also D.O. letter from J.B. Taylor, to T.A. Stewart, Secretary to G.O.I. Commerce, dated 18 April 1934, in G.O.I. Commerce F.No.7-C(12)/36 of 1937.
115. For the details of the recommendations see *ibid.* of 1937.
116. *Ibid.*

117. See B. Chattopadhyay, 'Trend of Industrialization in Bengal, 1900-1931' in Economic and Political Weekly, Vol. XVI, No. 35, August 29, 1981. See also A.K. Bagchi, Private Investment in India 1900-1939, Passim and Rajat Ray, Industrialisation in India, (OUP, Delhi, 1979,) pp. 213-214.
118. G.O.I. Finance, F.No. 16(1)-F, 1934, p.1.
119. D.O. letter dated 17 January 1934 from H.E. the Viceroy to all Governors of Provinces, in ibid.
120. Ibid., p.1.
121. Ibid., p.1. One is tempted to say that the colonialists identified their allies in India correctly. See D.A. Low, 'Introduction: The Climatic Years 1917-47' in D.A. Low (ed.) Congress and the Raj, (Arnold Heinemann, 1977) particularly pp. 18-24, for a discussion on the relation between Indian rural elites and the colonial state.
122. Note by J.B. Taylor, 7 April 1934, in G.O.I. 16(1)F, 1934, pp. 52-55.
123. George Schuster's note dated 17 March 1934 in ibid., p.42.
124. See Legislative Assembly of India Debates, The General Budget session, 1934 passim.
125. See Schuster's reply to N.M. Joshi in ibid., p.1862.
126. See the General Budget - List of Demands, Demand No. 28, dated 8-9 March 1934 in ibid., pp. 1847-1902.
127. Ibid., p.1865.
128. K.P. Thampan in ibid., p.1884.
129. Ibid., p.1894.
130. Ibid., p.1898.
131. Ibid., p.1900.
132. See Report on Economic Planning in the United Provinces (Allahabad, 1937).