

Preface

to Friedman on India

When India attained its independence, it was strongly socialist in its orientation, its intellectual atmosphere having been shaped largely by Harold Laski of the London School of Economics and his fellow Fabians. In the initial decade after independence, a series of left-wing advisers, including Oskar Lange and Michael Kalecki from Poland, and Nicholas Kaldor and John Strachey from Britain, visited India. American advisers financed by the Ford and Rockefeller foundations were for the most part highly sympathetic to the central planning propensities of the Indian authorities.

In 1955, the Indian government was engaged in preparing its Second Five Year Plan—a practice reflecting the strong influence of the Soviet experience. In that connection, the Indian government asked the Eisenhower administration for assistance. The administration recognized an opportunity to counter the influence of the left-wing advice by sending two strong proponents of free markets. Neil Jacoby was one of the two. I was the other one. That is how I came to visit India in the fall of 1955 under the auspices of the U.S. International Cooperation Administration (as the foreign aid agency was dubbed at the time). Once I was in New Delhi, I was assigned to advise Mr. C. D. Deshmukh, the Minister of Finance.

I spent a very intense month in India, at the end of which I wrote the memorandum that is the second chapter in this publication. It was given to Mr. Deshmukh and to my superiors in the International Cooperation Administration, was circulated in the government, leaked in part to the press, and not heard of again until thirty-seven years later when it was published for the first time by Subroto Roy and William E. James in their record of a conference on India held at the East-West Center in Honolulu, Hawaii.¹

As I reread it, I am impressed by two features: (1) its diplomatic tone, no doubt reflecting my status as a representative of the U.S. government; and (2) its continued relevance to the problems of India today. On the issues it covers, we know no more today about how to promote development than we did then. However, the intellectual climate of opinion is far less hostile today to the views expressed in my memorandum than it was then.

Some seven years after my first visit, my wife and I spent a bit over two months in India. This was part of a year's trip around the world that I spent studying monetary conditions in five countries: Yugoslavia, Israel, Greece, India, and Japan. This time I was in India strictly in a private capacity. We were able to travel widely; talk to many entrepreneurs, academics, economic journalists, government officials, and political activists; visit factories and universities, as well as do a good deal of touring. I gave a number of talks under various auspices and published a few letters and columns in newspapers.

After we left India, I wrote the piece that forms the first chapter in this publication, 'Indian Economic Planning.' Initially, I intended to revise it for publication in an American periodical such as *Fortune* magazine, but for various reasons I never did so. I did, however, send it to a number of friends for criticism. The most interesting response was from Professor BR Shenoy who is referred to in my memorandum.

I have been in India only once since our 1963 trip. That was in 1979 when we filmed briefly in India in connection with our television programme 'Free to Choose.'² Nevertheless, I have tried to follow at a distance the economic developments within India. I continue to be impressed by India's enormous potential and depressed by the contrast between that potential and the minimal progress that has been achieved in the forty-five years since I was first in India. The latest decade shows more signs of change. India may finally be on the way to realizing its potential. If so, it will be a blessing for the people of India and for the world as a whole.

Milton Friedman

Stanford, California

March 29, 2000

Notes:

1. 'Memorandum to the Government of India 1955,' pp. 163-176 in *Foundations of India's Political Economy: Towards an Agenda for the 1990s*, edited by Subroto Roy and William E. James (New Delhi: Sage Publications, 1992).
2. Our several trips to India are chronicled in our memoirs, *Two Lucky People* (Chicago: University of Chicago Press, 1998), pp. 257-269, 3305-316, 488.