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THE WORLD BANK
Washington, D.C.

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McManis Papers

Contacts
India (1971)

The World Bank Group
Archives



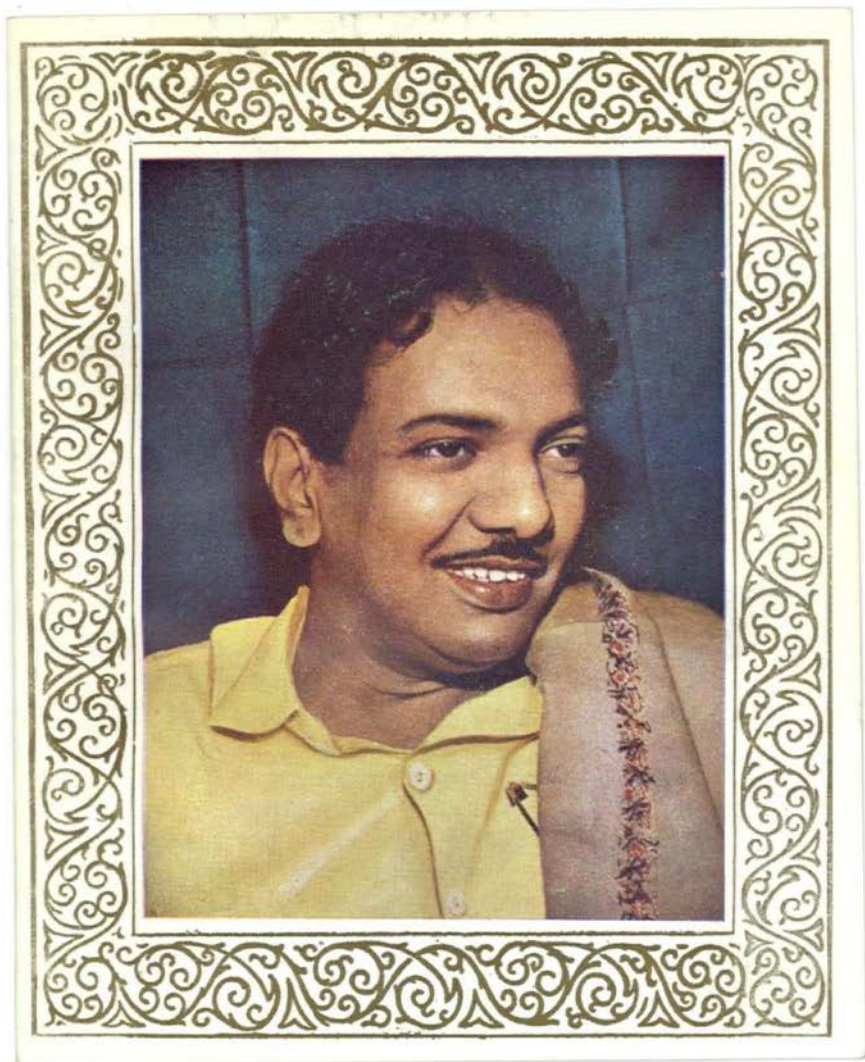
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Contacts with member countries: India - Correspondence 04

DECLASSIFIED
WBG Archives



Thiru M. KARUNANIDHI

Chief Minister of Tamil Nadu, India

Thiru Muthuvel Karunanidhi, the Chief Minister of the State of Tamil Nadu in India, was born on the 3rd of June 1924 in a small village Thirukuvalai in the District of Thanjavur, the rice bowl of the State. The district of Thanjavur is the home of some of India's finest arts, of the famous dance form known as 'Bharathanatyam,' of Carnatic music, beautiful sculpture and temple architecture. Thiru Karunanidhi, popularly known as "Kalaigar," has imbibed all that is best in the culture and tradition of his district and is well-known as a poet, writer and playwright. He has written about 150 short-stories, over 20 plays and scripts for about 35 films (including one on the life of Jesus Christ, his latest) which have captured the imagination of the people of the State. His plays, known for their purposeful themes and meaningful dialogues, have been the vehicle for social reform in the State. As a young student, he edited a manuscript journal 'Murasoli' (The Drum Beat) which has now flowered into a famous Tamil daily. Early in life, he came under the political influence of Thiru E. V. Ramaswamy known as "Periyar," who spear-headed the movement for social reform, scientific

progress and rational approach in politics. This contact led him to organise the student wing of the Dravida Kazhagam, a State Political Party led by Periyar.

A little later Thiru Karunanidhi was attracted to the fold of Dr. C. N. Annadurai known through the length and breadth of the country as 'ANNA' and with him he became one of the founders of the Dravida Munnetra Kazhagam (D.M.K. Party), in 1949. This party is now the ruling party of the State of Tamil Nadu.

A born fighter for the just cause, for the cause of the poor and the downtrodden, Thiru Karunanidhi courted imprisonment a number of times, participating in agitations, in the cause of the well being of the common man and the language issue.

The birth of the D.M.K. Party heralded a new movement in the political horizon of Tamil Nadu. As the undisputed leader of the Party, Dr. Annadurai by his dynamism, erudition, personal magnetism and love of people attracted tens of thousands to the new movement. Possessed of the same qualities Thiru Karunanidhi was recognised as a party organiser par excellence. It is no wonder that these two powerful personalities imbued with the same spirit came close together and nursed a vision of new society in Tamil Nadu. From a party comparatively small in numbers, the D.M.K. Party has grown into a massive organisation based on strong

mass support, thanks mainly to the energy, initiative, organisation and drive of Thiru Karunanidhi. It was the principal opposition party in the Legislature of Tamil Nadu in 1962, but in the General Elections in 1967, the D.M.K. Party swept the polls with a massive majority in the Legislative Assembly of the State, overthrowing the Congress Party which was in power for about 20 years previously. Thiru Karunanidhi was elected to the Tamil Nadu Legislative Assembly from Kulithalai in 1957, from Thanjavur in 1962 and from Saidapet in Madras City in 1967. Thiru Karunanidhi was well known for his fearless criticism and effective oratory as a leading speaker of the opposition in the State Legislature of Tamil Nadu. His quick wit and ready repartee which made him a Parliamentarian of a high order in Opposition continue to distinguish him even now.

When the D.M.K. Party came to power in Tamil Nadu in 1967, Thiru Karunanidhi became the Minister for Works and Transport. He brought to bear on the problems of administration a refreshing outlook and an unconventional approach, rooted above all in his firm conviction to help the poor and the down-trodden. Tamil Nadu had the opportunity of holding the Second World Tamil Conference in Madras during this period and the magnificent success of this conference was due in no small measure to the organising capacity of Thiru Karunanidhi.

When Dr. C. N. Annadurai passed away in February 1969, the mantle of responsibility fell on Thiru Karunanidhi. He was unanimously elected as Leader by the legislators of his Party and thus became Chief Minister. He was also elected unanimously Chairman of his Party. These twin honours he accepted with humility and pledged himself to serve the people. Thanks to his quick and clear grasp of problems he has proved himself to be a capable administrator. His philosophy is clear. His decisions are quick. He has the strongest support from the people of Tamil Nadu who look upon him as an able successor to his illustrious leader.

Tamil Nadu was the only State which dissolved its Assembly and went to polls for both Assembly and Parliament Constituencies in the 1971 mid-term Poll which has since come to be described as the General Elections, 1971. In this election, the DMK Party was led by Thiru M. Karunanidhi, and improved its position in the Assembly still further from 138 seats to 183 seats. Also it was able to send up to Parliament 23 of its 24 nominees. This success owed to the popularity and the capacity for organisation of Thiru Karunanidhi. The victory was also due to the people's acceptance of the goals of the party which were clearly enunciated by him.

On return to power, Thiru Karunanidhi proceeded with the task of implementing the major objectives of his

party, meant to uplift the poor people of his State. Many new schemes were evolved in various fields of development, particularly, in agriculture, industry, co-operation, housing, slum clearance, rural electrification and provision of drinking water supply to villages, to name only a few of them. He was advocating that planning should start from village level, and recently he has constituted a State Planning Commission, first of its kind in India. This has been appreciated throughout India.

Beggary and Slums, two of the eye-sores of any urban area, have long been attempted to be tackled only with punitive measures. Thiru Karunanidhi brought a refreshing contrast to these measures. He seeks to build hygienic homes for slum-dwellers in Madras and other urban centres in the State. This scheme is under such vigorous implementation that there will be no slums in the State in another 7 years' time. Beggars are sought to be sheltered in specially built rehabilitation homes at a cost of Rs. 1,000/- per head per annum. A fund for this purpose called "The Beggar Rehabilitation Fund" was initiated on the last Birth Day of the Chief Minister and voluntary contributions so far total nearly Rs. 10 million. Six shelters are to be built this year. It is planned to house all beggars in these rehabilitation homes in five years. Thiru Karunanidhi is also the author of a scheme by which

the educated youth can live in villages and bring about perceptible changes in their ways of life. This is called the Youth Service Corps and specially recruited youth are given training in their tasks before they are sent to live in the villages.

Tamil Nadu is witnessing a 'Green Revolution' in rice cultivation. Many new industries, major, medium and small are springing up aided and encouraged by State both in private and public sectors. Intensive steps have been taken to exploit the raw materials of the State. The water resources of Tamil Nadu have been almost fully utilised making the State one of the best irrigated areas in the country. Significant strides have been made in the electrification of rural areas and energising of irrigation wells, making Tamil Nadu second to none in this field. A massive programme for provision of drinking water supply for all the villages within a specified time limit has been launched.

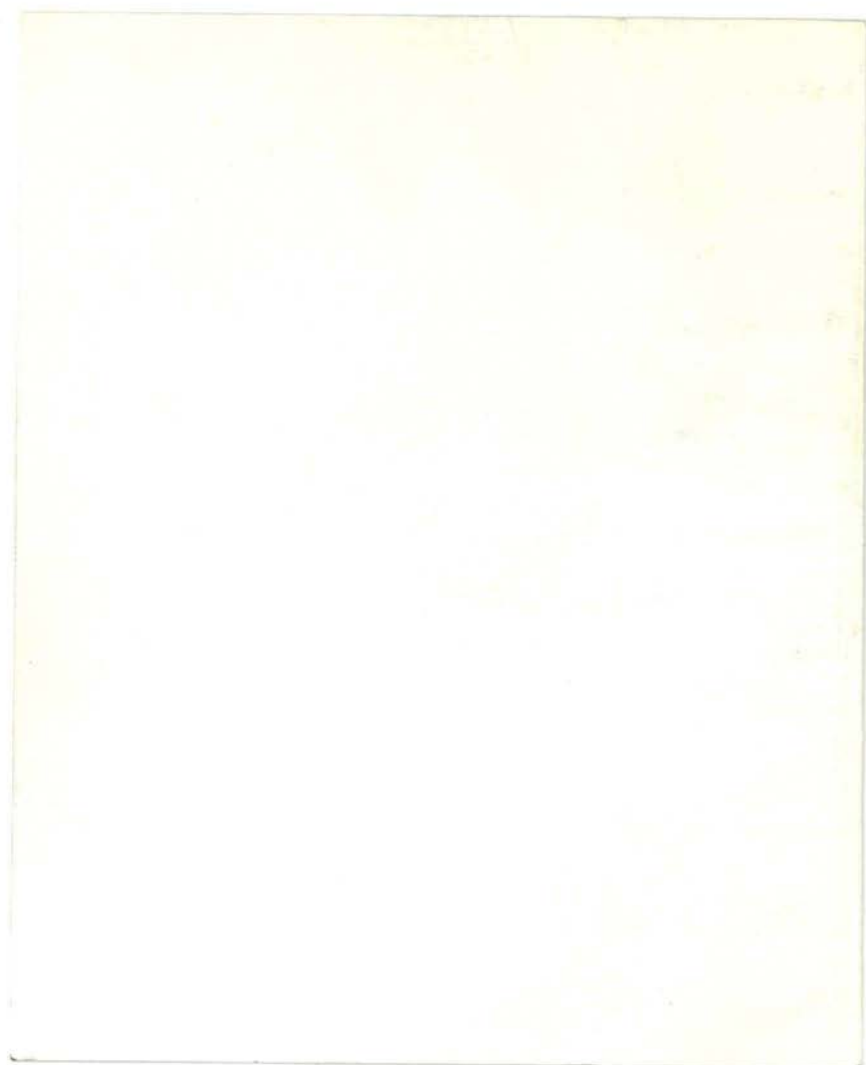
In recognition of his talents as a poet, Thiru Karunanidhi was honoured with a Distinguished Service Citation as an Invincible Contemporary leader of Tamil culture by the World Association of Poetry Society, in October 1970.

The Annamalai University of India honoured him with the conferment of a Doctorate. His intense devotion

to the cause of Tamil and active promotion of its vitality in all its forms, poetry, prose and drama, had attracted to him the honour of "Tamizha Vell", Patron of Tamil, at the hands of the Tamil Researchers' Academy, Madras.

A gifted poet, speaker and writer, he has really brought together the power of the arts and of administration. Amidst his multifarious activities, he has found time to pursue activities, dear to his heart, namely, to compose and recite verse, at Poets' symposium, known as Kaviarangam, which has won the appreciation of scholars and poets alike. He has harnessed the mighty energies of mass media to his task of building a new society. True to his name "Kalaigarnar" he is at home equally in the world of arts and of politics—two worlds which he brings together for the greater glory of his people and his State.

THE ARTS - MADRAS-2 - INDIA.



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THE UNIVERSITY OF NORTH CAROLINA
AT CHAPEL HILL

CAROLINA POPULATION CENTER
UNIVERSITY SQUARE
CHAPEL HILL, NORTH CAROLINA 27514

3/29 To Dr. Kanagaratnam
for your information
R.H.

TELEPHONE: (919) 966-2157
CABLE: POPCENTER, CHAPEL HILL, N. C.

March 26, 1971

Mr. Robert S. McNamara, President
International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D. C. 20433

Dear Mr. McNamara:

This is to introduce Dr. K. N. Rao, Secretary-General of The Population Council of India. Dr. Rao will be in Washington for a few days next week and is already in touch with your staff. It would be valuable for you to meet him briefly, if possible, to learn more of the potential of this new organization in India. As you may know, the Council's President is Dr. C. D. Deshmukh, former Finance Minister and President of the Reserve Bank of India, and its Executive Committee Chairman is Dr. B. R. Sen from FAO. A background note on Dr. K. N. Rao is enclosed.

The Population Council of India aims to clarify problems of population program and policy development in India and to promote innovation and progress through research, training and demonstration activities. The Indian Government now seeks its help in studying a number of district population programs. The Carolina Population Center group has had a long association with Dr. Rao, and is engaged now in a week's intensive further discussions; we can help provide supporting technical services to the Council as needed from time to time. We feel that the World Bank might especially find in the Council a potentially important mechanism for assisting India's population movement.

Incidentally, I am sorry we could not meet as planned to discuss aspects of this and other matters last Fall, and I hope we may have another opportunity before long. I wish also to express appreciation for the help of your staff with the International Conference on Population Priorities and Options for Commerce and Industry last October. The conference program, a copy of which is enclosed for your interest, attracted over 200 participants, and it helped a lot to identify ways for further enlistment of business leadership to the population cause.

Sincerely,

Moye W. Freymann

Moye W. Freymann, M.D., Dr.P.H.
Director

cc: Dr. K. Kanagaratnam
Dr. Bernard Berelson
Dr. Oscar Harkavy

CURRICULUM VITAE

of

DR. K.N.RAO

SECRETARY-GENERAL

POPULATION COUNCIL OF INDIA
53, LODI ESTATE, NEW DELHI-3

M.B.B.S., Madras (1930), M.D., Madras (1933),
L.L.D. (Hon) (1970)

Johnstone Medalist for the year 1930 - The Blue
Ribbon of the College awarded to the best outgoing student.

Fellow, International College of Surgeons (1950),
Fellow, College of Chest Physicians (USA) (1951), Fellow,
Academy of Medical Sciences (India) (1962), Honorary Fellow,
American Public Health Association (1966).

University Lectures: Besant Lectures - Calcutta
University (1960), Dr. Kutumbiah Endowment Lectures - Andhra
University (1963), Dr. A.L. Mudaliar Endowment Lectures -
Madras University (1966), Dr. B.N. Ghosh Memorial Lectures -
Calcutta University (1967).

Awards: Indian Council of Medical Research award
(Dr P.N.Raju) (1967), Sarabhai Oration Award - Association of
Physicians of India (1969), B.C.Das Gupta Memorial Oration
Award - Indian Public Health Association (1969) and Tubercu-
losis Association of India - Gold Medal for outstanding work
in Tuberculosis (1971)

Recent Appointments: Director of Medical Services,
Andhra Pradesh (1954-63), Director General of Health Services,
Government of India (1964-68), Chairman, Executive Board,
WHO (1967-68), PAHO/WHO Consultant on Medical Education in
Latin America - June, September (1968). WHO Visiting Profe-
ssor of International Health, School of Hygiene, Toronto
University, Canada - September, December (1968), Executive
Director, Indian Association for the Advancement of Medical
Education (1968-70), WHO Consultant, Medical Education in
Africa - February, March (1970) and Secretary-General, Popu-
lation Council of India (1970-).

Administrative & Teaching Appointments: Entered the
Indian Medical Service on 1-7-35 Military wing, Professor
of Medical Jurisprudence, Christian Medical College, Vellore
(1948-49), Tuberculosis Advisor to Government of Madras
(1951-54), Professor of Tuberculosis, Staneley Medical College,
Madras (1951-54), Emeritus Professor of Tuberculosis (1954),
and Visiting Professor of Medicine, Sri Venkateswara University
(1970-71).

Committees/Commissions/Councils in which represented:

Member, Executive Board, WHO (1965-68), Chairman, Executive Board, WHO (1967-68), Chairman, Administration and Finance Committee of the E.B., WHO (1967), President, World Federation of Public Health Associations (1967-68), Alternate Member, Unicef, WHO Joint Committee on Health Planning (1967), Chairman, 8th Expert Committee on Tuberculosis (1964), Chairman, Scientific Advisory Board, ICMR (1964-68), President, Governing Body of the School of Tropical Medicine, Calcutta (1964-68), Chairman, Governing Board of Chittaranjan National Cancer Research Center, Calcutta (1964-68), Member, Basic Medical Sciences Committee of the University Grants Commissions, (1965), Member, Health Survey and Planning Committee, Government of India, Ministry of Health and Family Planning (1959-62), Vice-President, Indian Association for the Advancement of Medical Education (1961-68), President, All Indian Tuberculosis & Chest Workers' Conference (1966), President, Indian Public Health Association (1966), Chairman, Review Committee on up-graded and Post-graduate departments in Medical Colleges in India (1964), Chairman, Review Committee on Institute of Post-graduate Medical Education and Research, Chandigarh (1966), Chairman, Academic Committee, All-India Institute of Medical Sciences (1967-68), General Chairman, 6th Annual Conference of the Association for the Advancement of Medical Education (1966), National Vice-President, 3rd World Medical Education Conference (1966), and President, World Federation of Public Health Association (1967-68); Chairman, S.V. University Review Committee on Medical Colleges (1970).

Books: Recent development in the field of Health and Medical Education -3 Vol. Published by the Academy of Medical Sciences (1966) , Health Services, USSR (1963), India and World Health-Madras University (1968), "Text Book of Tuberculosis" - General Editor, Philosophy of Medicine (1968) and Editor-in-chief, Journal of Medical Education (1970-).

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*pm:n**Polly
for file*

OFFICE MEMORANDUM

TO: Files

DATE: August 23, 1971

FROM: William Diamond *9*SUBJECT: India: Mr. McNamara's meeting with Mr. G. L. Mehta

To complete the file, this is a belated record of the fact that Mr. G. L. Mehta, Chairman of the Board of ICICI called on Mr. McNamara Wednesday, May 12. He raised each of the points covered in my brief of May 11. Specifically, he tried out the proposal which had already been rejected by the staff for a \$15 million "interim" loan and Mr. McNamara confirmed the staff's rejection. He put the president on notice that ICICI was asking for a \$75 million loan. Mr. McNamara said we would consider the amount in the light of the appraisal report. Mr. Mehta reported on the progress of the new management institute in Madras and the progress of ICICI's efforts to obtain financing from foreign commercial sources.

cc. Messrs. McNamara
Pollan

WDiamond/gsj

OFFICE MEMORANDUM

DATE: August 23, 1971

TO: Files

9

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cc. Messrs. McNamara
Poljan

WDiamond/vst

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GENERAL FILES
Aug 27 3 55 PM 1971

OFFICE MEMORANDUM

TO: Mr. Robert McNamara

DATE: May 6, 1971

FROM: William Diamond *WD*SUBJECT: Visit by Mr. G. L. Mehta

I understand that you will be having dinner this evening at the Indian Embassy. Mr. G. L. Mehta will be present. This memorandum is written because of his presence.

You will recall that Mr. Mehta is a distinguish^{ed} Indian who is now Chairman of the Board of ICICI. He was a member of the Planning Commission, then Chairman of the Tariff Commission, and then Ambassador to the United States until his appointment to ICICI in 1958.

Mr. Mehta might mention three matters to you:

1. Because of an expected increase in ICICI's business and because of its wish not to stop work, ICICI's Board has approved projects beyond its available resources; and, consequently, it has asked for a loan earlier than expected. We cannot arrange for a mission before July and our hope is to be able to present a recommendation to the Board in the Fall, say October. ICICI is aware of this and has, therefore, asked whether we could make an "interim arrangement" which would provide an additional \$15 million right away, which sum would be taken account of when a loan is made later in the year. Mr. Mehta specifically asked that this arrangement be in a form of a "bridging loan". I told him that this was not possible. We might conceivably have considered a bridging loan on the basis of the old contract if \$1-2 million were involved, as has been done on some agricultural project in the past; but, in this case, we cannot accede to his request. On the other hand, we were prepared to agree that, if and when a loan is approved, we would pick up commitments that ICICI had made before the Bank Loan was approved.
2. \$40 million is on the programme for the next loan for ICICI. ICICI has now asked for \$75 million, and I understand that it has the Government's blessing. I have told Mr. Mehta that the Bank is prepared to consider whatever ICICI's requirements^s may be, but they still have to be established by careful study of ICICI's projections.
3. ICICI, as a public service, has initiated and joined in financing, an Institute for Financial Management and Research, to be located in Madras. This is to be a research,

training and consultancy centre, focusing particularly on financial management. We blessed this proposal when it was first mooted about two years ago. Mr. Mehta has now asked whether the Bank could make a grant to help finance the Institute and whether we would provide various kinds of technical assistance. I have told Mr. Mehta that the Bank would not provide grants for such institutions, as a matter of general policy. However, it would be prepared to consider an IDA Credit, as is now under study for a similar institution in Turkey. I suggested that this be taken up with Cargill, when Cargill returns, to see whether it can be fitted into the IDA programme in India. As for technical assistance, I have said that, within the limits of staff capabilities, both EDI and regular Bank staff could be made available for occasional courses and seminars and that EDI was prepared to assist in the development of the Institute's curriculum. The Director of the new Institute will be here the week after next week for discussions with EDI.

Mr. Mehta will be here through next week and would like an opportunity to call on you.

A. Lending to Other Financial Institutions in India

I told Mr. Mehta of the Bank's continuing wish to consider, as soon as the Indian government opens the door, financing a new development bank in Madras. I also told him about the informal approaches that had been made to us about bank lending to the government-owned Industrial Development Bank in India. Mr. Mehta maintained that ICICI could do anything that needed to be done in the industrial finance field in India. We have stressed the fact that we cannot justify a monopolistic position for ICICI and have no a priori grounds for refusing to consider a loan to IDBI. In any event lending to IDBI is dependent on (a) Bank satisfaction with India's industrial policy and (b) an understanding that IDBI would use a bank loan to finance the state finance corporations, which would enable the Bank to reach a new industrial clientele in India.

B. Eurodollar Borrowing

ICICI has been talking to two American banks about arranging Eurodollar medium-term financing. There are some difficulties in the way (such as a floating interest rate) but Mr. Mehta is concerned that the Indian government will consider the funds too expensive and that it will consider medium-term financing in contravention to undertakings to the Indian Consortium in the past. Cargill has said that the kind of financing that ICICI proposes would not be a contravention, and both of us have supported ICICI's efforts to diversify its sources of capital, especially to get capital from market sources.

Rm.n

OFFICE MEMORANDUM

TO: Files

FROM: I. P. M. Cargill

SUBJECT: INDIA--Visit of Ambassador L.K. Jha and Mr. I.G. Patel to
Mr. McNamara on May 14, 1971

DATE: August 12, 1971

The purpose of this visit was primarily to acquaint Mr. McNamara with the growing concern of the Government of India with the problem of Pakistani refugees, which at that time was beginning to assume major proportions. Mr. Patel said that he had been asked by the Prime Minister to discuss this matter with the United States and international organizations to make clear that India felt that this problem was one that could not be regarded as the responsibility of India alone, but rather of the international community. He recognized that the prime responsibility for organizing any international efforts to help India rested with the United Nations rather than with the Bank. He wanted, nonetheless, to apprise Mr. McNamara of the increasing burden this problem was placing on the Government of India.

cc Mr. McNamara

IPMCargill:cmc

President has seen

OFFICE MEMORANDUM

SECRET

TO: Mr. McNamara

DATE: May 14, 1971

FROM: I.P.M. Cargill

*Shaw***DECLASSIFIED**SUBJECT: I. G. Patel's Visit**MAR 28 2013****WBG-ARCHIVES**

I had dinner last night at the Indian Embassy. L. K. Jha, I. G. Patel and I were there. Patel has visited New York in his capacity as a member of the Advisory Council to the UNDP, but a more important purpose of his visit is to talk in Washington about Pakistan.

He says that his Government is tremendously disturbed about the events in East Pakistan and the possible repercussions in India. The problem of refugees crossing the border is already assuming frightening proportions, but he believes that at least the financial implications will be much eased by help from abroad. More disturbing to the Indians is the political implication of developments in East Pakistan. Indian public opinion has been outraged by the events there and the Prime Minister has found herself in great difficulties trying to respond to these feelings and yet not compromising India's relation with Pakistan more than necessary. The political situation in West Bengal is precarious enough without these new and dangerous developments across the border.

Patel's point is one that can easily be accepted. His Government feels that any massive aid effort for Pakistan that is not preceded or accompanied by a political solution of East Pakistan's problems is bound to lead to a situation of great instability in the eastern part of the sub-continent. The Government is not so disturbed about possible developments in West Pakistan. They are afraid that the Pakistan army, if desperate, might indeed launch another attack on India, but they consider this to be a short-lived affair for which they are well prepared. They do not think that China will afford any significant help to West Pakistan in these circumstances. They are fearful, however, that if much time is allowed to pass the strength and authority of the Awami League in East Pakistan will become eroded and that the more radical elements in East Pakistan, who are for the most part oriented towards China, will assume control. Given the state of unrest in Assam, such an eventuality would be most disturbing. In other words, Patel is anxious that all concerned with the present problem should bear in mind the need for a speedy political solution to the problem of East Pakistan.

I would make only one comment. The Indians have a paranoid fear of China. Nonetheless, for reasons which we have already discussed, it is clear that any lasting stability in this part of the world, if at all possible, must depend on the kind of solution India is advocating. Whether the Pakistan Government, in its present demented state of mind, is capable of understanding this is difficult to say.

Presidents has seen

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BIO-DATA OF MR. P.K. BASU

Name in full: BASU, PRAHLAD KUMAR.

Date of birth: 16 December 1931.

Academic & Professional qualifications:

B.A. Econ. Honours, FIRST CLASS FIRST
- 1951 (Presidency College, Calcutta University)
B.A. Cantab. with Tripos in ECONOMICS, First Divn.
- 1954 (King's College, Cambridge University, U.K.)
M.A. University of Cambridge, U.K. - 1957
Awarded Overbrook Fellowship in Economics
- 1954 (Yale Graduate School, USA)
Attended TOP MANAGEMENT CONTROL COURSE in USA
- 1969 (Harvard/Stanford/M.I.T.)

Present post held:
w.e.f. 3-10-1967
to date:

DIRECTOR, BUREAU OF PUBLIC ENTERPRISES, INDIA
Ministry of Finance, Govt. of India
& ex-officio DIRECTOR, Hindustan Cables Ltd.
DIRECTOR, Instrumentation Ltd.
DIRECTOR, Nepa Mills Ltd.
DIRECTOR, National Small Ind. Corp'n. Ltd.
DIRECTOR, National Instruments Ltd.
DIRECTOR, Durgapur Projects Ltd.
DIRECTOR, JAMMU & KASHMIR INDUSTRIES LTD.
- also MEMBER, Board of Governors, Indian Institute
of Management.
MEMBER, Executive Committee, Delhi
Management Association.

History of service:

From	Date To	Post held	Ministry/Department.
1.7.1954	16.6.1957 (3 years covenant)	Covenanted Officer (on UK furlough terms), M/s Duncan Brothers & Co. Ltd. London/Calcutta. Joined the Co. in London.	Managing Agency House in Tea, Jute, Engg. in South East Asia.
17.6.1957		Entry into GOVT. OF INDIA in Senior Class I Scale (ADMINISTRATIVE GRADE) through All India Competitive Selection by the Union Public Service Commission - A permanent member of the INDUSTRIAL MANAGEMENT POOL CADRE.	
17.6.1957	15.7.1959	Deputy Director & SRO, International Trade & Development Division, PLANNING COMMISSION. Deputy Divisional Manager, STC (for 8 months away from Planning Commission).	GOVERNMENT OF INDIA, Planning Commission. - Ditto - Ministry of C&I.

From	Date to	Post held	Ministry/Department.
16.7.1959	- 31.5.1962	Secretary, Board of Management & Special Assistant to the Director General of India Ordnance Factories, HQ 6 Esplanade East, Calcutta.	GOVERNMENT OF INDIA, Ministry of Defence. Deptt. of Production.
31.5.1962	- 6.9.1962	Deputy Chief Liaison Officer, Ministry of Defence (Fys).	-ditto- Ministry of Defence.
6.9.1962	- 9.9.1964	OFFICER ON SPECIAL DUTY (AIRCRAFT PRODUCTION) & ex-officio DIRECTOR & SECRETARY, AERONAUTICS INDIA LTD. (later known as Hindustan Aeronautics Ltd.) - in charge of MIG-21, ARO-748, HF-24, Allouettee other HAL projects under implementation.	-ditto- Ministry of Defence, Department of Production.
August 1965	October 1965	Visited Iron & Steel Plants in England & Wales arranged by the British Iron & Steel Federation - Studied Org. Structure, management control, wages, prices, costs, etc.	
9.9.1964	- 3.10.1967	SECRETARY, BOKARO STEEL LIMITED Bokaro Steel City, Marphari, Bihar - Also in charge of BSL offices in Calcutta and Delhi.	-ditto- Ministry of Steel, Mines & Metals.
13.7.1969	- 20.7.1969	Deputed to the BRITISH TREASURY, London - to study the functions of the Public Enterprises Div. of the Treasury; also discussed with Nationalised Industries Boards and Ministries of Power, B. of Trade etc.	Deputation to the U.K.
21.7.1969	- 5.9.1969	Deputed to USA on TOP MANAGEMENT CONTROL Course at Harvard/MIT, Stanford, New York, Washington and Chicago. Visited Business Schools, Top Business and Industrial Orgns. (Union Carbide/Esso/GE/US Steel/Panam/IBM etc.), IBRD-IMF, Management Consultants as well as the US Govt. agencies like Deptt. of Treasury, Bureau of Budget, etc.	Deputation to U.S.A.

Date		Post held	Ministry/Department.
From	To		
3.10.1967	to date	DIRECTOR, BUREAU OF PUBLIC ENTERPRISES, MINISTRY OF FINANCE, INDIA Department of Expenditure & ex-officio - DIRECTOR, Hindustan Cables. DIRECTOR, Instrumentation Ltd. DIRECTOR, Nepa Mills Ltd. DIRECTOR, National Small Industries Corporation. DIRECTOR, National Instruments. DIRECTOR, Durgapur Projects Ltd. DIRECTOR, JAMMU & KASHMIR INDUSTRIES LTD. also, MEMBER, Board of Governors, Indian Institute of Management. MEMBER, Executive Committee, Delhi Management Association.	GOVERNMENT OF INDIA Ministry of Finance Deptt. of Expenditure.

14.6.1971 -

VISITING PROFESSOR OF ECONOMICS,
UNIVERSITY OF MINNESOTA, U.S.A

- delivered lecture on "ECONOMICS OF ASIA" and
(WITH PARTICULAR REFERENCE
TO PUBLIC ENTERPRISES)

"ECONOMIC DEVELOPMENT"

&

VISITING PROFESSOR, HARVARD BUSINESS SCHOOL, U.S.A

- to deliver lecture on "ROLE OF PUBLIC ENTERPRISES
IN ECONOMIC DEVELOPMENT AND
THE NEED FOR A NEW CULTURE"

June 30, 1971

Mr. Robert S. McNamara
President,
International Bank for
Reconstruction and Development
1818 H Street, N. W.
Washington, D.C.

Dear Mr. McNamara:

Many thanks for your note of 28th June. I look forward to see you on Friday 16th July 1971 at 6:30 p.m. in your office at the bank at Washington.

With Kind Regards,

Yours sincerely,



30.6.71

P. K. Basu
Visiting Professor of Economics,
and on leave from Director,
Bureau of Public Enterprises, INDIA

PK:sej

UNIVERSITY OF *Minnesota*

*6/28 To Professor Basu
I would be happy to see
you at 6:30 P.M. on Friday
7/16, if convenient to you*

DEPARTMENT OF ECONOMICS
1035 BUSINESS ADMINISTRATION BUILDING • MINNEAPOLIS, MINNESOTA 55455

*With best wishes,
Robert S. McNamara*
June 22, 1971

Mr. Robert S. McNamara
President,
International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington, D.C.

Dear Mr. McNamara:

When I was in America two years ago in August 1969 and was a guest of the Harvard Business School, I had occasion to write to you to find out if I would have the good fortune of meeting you in Washington. Unfortunately, I learned from your secretary that you were away on leave and that I would be missing you. I wonder whether it would be possible for me this time to catch a glimpse of you now that I am in the country again for a few weeks.

My last lecture in Minnesota is scheduled on July 16. I have also already accepted the invitation of the Harvard Business School to address the Advanced Management Program group on the subjects of "State Enterprises in Development Strategy" and "Need for a Public Sector Managerial Culture" on 19.9.71 and 20.7.71. I could, I suppose, finish here a day earlier and go down to Washington on July 16 unless it is possible for me to meet you also on the 17th. Would it be possible for you to see me either on the 16th or the 17th of July?

I am enclosing a copy each of the two inaugural lectures on "Economic Development" and "Economics of Asia", which I delivered here last week, thinking that they may be of some interest to you.

I have great regret for not having yet had the pleasure of meeting you, either during your visit to India or during my earlier visit to this country. Having heard a great deal about you from various people including my father-in-law, Ambassador G. L. Mehta, who is perhaps one of your most ardent admirers, I am most anxious not to lose this opportunity of seeing you. I would indeed consider it to be my privilege if this meeting can be arranged.

Yours sincerely,

P. K. Basu
P. K. Basu
Visiting Professor
of Economics and
on leave from Director, Bureau of Public
Enterprises, India

Inaugural Lecture on ECONOMIC DEVELOPMENT delivered at the University of Minnesota, Summer School, June 1971, by P. K. Basu, Director (BPE), Government of India, now Visiting Professor of Economics.

ECONOMIC DEVELOPMENT

It is a great privilege to be invited to deliver these lectures.

2. Economic development has many ingredients and involves change and transformation of societies. In the discussion on development which is going on since the time of Ricardo and Marx, there is still no agreement on how development proceeds. This is because the process is not simple. There are many variables involved. The ingredients of economic development have been enumerated as land, labor, capital, technology, etc.; then there are aspects of change like scale and transformation and also equally powerful non-economic factors. There is a wide range of substitutability among these factors, although at the same time there are certain complementary relationships between them. Technological change springs from the social structure; capital is difficult to distinguish analytically from improved land or from investment in human resources. The only indispensable ingredient is perhaps the will to economize and organization.
3. The various writers have placed varying emphasis on one ingredient or another. Some have argued that the non-economic factors like social propensities, class caste and family structure, religion, etc., induce change. Others, like Roy Harrod and his followers, argue that the main component of economic development is capital. Still others like Schumpeter, Solow, Rosenstein-Rodan talk of

resources, technology, scale of operation, investment in human capital, etc., etc. Indeed all these theories have their useful insights to the story which is undoubtedly complex. Not only the possibility of "substitution" among the factors raises interesting issues, the "income" effects should also be taken into account. Indeed the "missing component" in economic development may and does vary from one under-developed country to another. It may be less courageous to be eclectic, but it is more reasonable to be so. I should warn you at the outset that search for one theory or one model is too simplistic and may even be misleading.

4. Yet a desire for economic "model" building continues. Thus it was Marx who saw the evolution of modern industrial technological society from primitive culture to feudalism, from feudalism to bourgeois capitalism and then to socialism (which as you know, he described as the dictatorship of the proletariat) and ultimately to communism. "The modern bourgeois society", Marx and Engel wrote in the Communist Manifesto "has sprouted from the ruins of feudal society.....Modern laborer becomes a pauper.....What bourgeoisie, therefore, producesare its own grave diggers. Its fall and victory of the proletariat are equally inevitable". Marx's theory of the inevitability of the decline of capitalism was based on the labor theory of value and the declining rate of profits. Capital piles up, as surplus value is re-invested until the rate of profit falls. The result was that expansion ceased. No provision was

made in the system for technological progress or for substitution of capital-cum-labor for land or other scarce factors of production. Thus focussing attention mainly on accumulation, demand aspects were ignored, including the possibility of Marshallian "external economies of scale", which cheapened the output as the volume increased.

Looking back with the hindsight on economic development of the 19th and 20th centuries, it is evident that economic development did not follow the inevitable and inexorable path outlined by Marx, although there is a great deal of substance and insight in the Marxian prognosis. His implicit belief in the Malthusian theory of population and his theory of stagnant real wages (=subsistence cost of labor) did not fortunately come true. Economic progress itself yielded a non-Malthusian check on the birth rate, a check based not on poverty and disease, but on progress itself. Similarly, a rise in the level of wages became a major independent variable in economic growth.

5. Indeed the concept of the income elasticity of demand as a force in economic development was ^{not} taken into account in the economic theory before Keynes. Keynes' main contribution in economic development was the role of this income effect. There is a view that Keynes had set himself the task of defeating Marxian prognosis about the ~~course~~^{course} of unemployment under capitalism. Whether this is true or not, Keynesian hypothesis was basically intended to tackle a short run situation. And, by implication, he succeeded

in discounting the dismal prognosis. Investment leads to income and employment; income and employment yield further investment. Realizing that the sluggish and timid "employment" policies of the inter-war period will no longer be tolerated in Western society, Keynesian revolution in income theory was received as the answer to solving the problem of an economy which can stabilize at a level of chronic unemployment unless jerked up through deliberate action in the form of autonomous investment.

6. Then we have the famous Non-Communist Manifesto in Rostow's stages of economic growth where an economy moves from the traditional society to the preconditions, the take-off, maturity, and finally to high mass consumption. To the extent this does not lead to a series of rigid inevitable stages of history but to "patterns of choice made within the framework permitted by the changing setting of society" to use Rostow's own phrase, the stage theories of growth have their relevance.

7.. Indeed Marxian, Keynesian and Rostowian models have valuable contributions to make in economic thought, despite their limitations. It is intriguing that the common problem for all of them was the problem of tackling "maturity stagnation" in the economy which is the twentieth century version of the nineteenth century "stationary state". There is also broad agreement that some form of effective State organization that can consolidate the preconditions in the transition of a traditional

society to technological maturity is indispensable. In Marxian thesis, communism is the only form of this State organization. But then Communism only takes its place besides the regime of Meiji Restoration in Japan, Ataturk's Turkey, Nasser's Egypt and Nehru's India, as only one of the various forms of political organization capable of launching and sustaining the growth process in societies where the preconditions period did not yield a substantial and enterprising commercial middle class and adequate political consensus among the leaders of the society. Indeed, none of the social prophets could anticipate the single surprising development of our age, namely, the unpredicted vigor and viability of the modern Mixed Economy in consolidating the preconditions of economic growth.

8. A subtle and important distinction should be made between "Growth" as an ongoing process and "Development". The problem of growth is to maintain the process where development has already started. The main problem in Development, however, is to start the process itself. Development, therefore, includes study of successive changes in the rate of growth and in the structure of the economy. It was really not until after the Second World War that the Economists lifted their attention from Europe and America to the less developed countries. The advanced countries could, however, by their experience in the initial stages of development throw an interesting light on the study of the developing nations, where the problem is still

one of starting the process. For example, the rate of development varied from country to country. In Britain, the Reformation of the 16th century led to political revolution in the 17th century and the Industrial Revolution in the 18th before the rapid period of development in the 19th. In France, Germany and Scandinavia, the pace was faster after the slow start. It is indeed difficult to chart a course and steer the development process after the start has been made. How does a developing country break the various kinds of vicious circles, e.g., the Malthusian circle, keeping countries poor by expanding their numbers without increase in the output; or the capital circle when at no income it is impossible to save enough to form new capital; or even the cruel paradox of income distribution. Yet despite the barriers, economic development has occurred as part of an unconscious process in many parts of the world. As a conscious objective, it has also occurred in Japan and in the Soviet Union.

9. Indeed we do not know yet how a country breaks out of the "vicious" circle of poverty into an area where development becomes cumulative and interacting. Theories abound, but opportunities for rigorous testing are limited. Demand and supply factors are undoubtedly important. Some argue that supply creates its own demand, while others argue and say that demand creates its own supply. To a large extent, each rule is valid in a particular circumstance. Demand can fall behind supply because of hoarding or supply behind demand because of bottle-necks. A small discrepancy on one or the other side of the "balanced growth path" where

supply and demand are equal can interrupt growth.

Similarly, it may be possible to identify some strategic factors in development like investment priorities for transport and education. But are these the only strategic factors? What about the "agricultural surplus" or "mobilizing disguised unemployment", the secret of all development problems, as many Economists think? A Burmese authority on the subject, Professor Hla Myint aptly said that economic development depends ultimately on the brain power rather than the mere brawn power of a nation. Indeed, in a complex process with many variables and a wide range of substitution, it will be foolhardy to be a true believer in any one cause or pattern. As my friend Jagdish Bhagwati has said: "Even if there is a tight rope to progress, there is hope: after all we have something to hang on to in our search for material progress of the underdeveloped world. There is evidence that the world is moving, albeit slowly, towards the attitudes and actions that development calls for."

10. Economics should be taken seriously but not too seriously. I may recall Keynes' toast before the Royal Economic Society in 1945 when he said, "I give you the toast of the Royal Economic Society of Economics and Economists who are the trustees not of the civilization, but of the possibility of civilization". We should bear this admonition in mind as an injunction not only to hasten the day when the poorer nations of the world today can share the choices open to the richer nations, but also in their process

of moving to that stage.

11. My subsequent lectures will be divided into four, more or less, equal parts. In the first part I try and convey to you the magnitude of the task of development. Having done so, I will outline the constraints of an under-developed country, trying to start the process of development. In the third part, I shall give you an outline of the planning techniques and principal sectors of economic activity, and in the final part, the international framework of economic development. Before winding up, however, I will try to come back to the theories of Economic Growth and Development.

12. I am sorry to begin my lectures in this mood of skepticism. But let me repeat that although the search for a single theory of growth or a dominant variable or the key to development is surely too simplistic, we have adequate material not only to examine the symptoms of the disease of under-development, but also to provide prescriptions which should normally work. On the other hand, we should approach this gigantic problem with humility rather than with an impatient search for touch-stones. "O, what dusty answer gets the soul, when hot for certainties in this our life."

Inaugural Lecture on ECONOMICS OF ASIA delivered at the University of Minnesota, Summer School, June 1971 by P.K. Basu, Director (BPE), Government of India, now Visiting Professor of Economics.

ECONOMICS OF ASIA

It is a great privilege to be invited to deliver these lectures, all the way from India. This itself is significant in the context of the discussions going on all over the world in the field of "Economic Development". The 19th century discussion of economic development was in a world that was proud of what was happening; the 20th century discussion is in a world which feels that a great deal more must happen and very soon. The fact that I have come all the way from India to deliver these lectures in this country, which is in the forefront of economic growth, is indeed a living testament of this anxiety.

2. Does the theory of economics furnish a body of settled conclusions immediately applicable to policy? If it did, economics would have been a touch stone for turning the poverty of nations to prosperity and growth. But as Keynes said--and the remark was made, I believe, sometime in 1921-22 when the first volume of Cambridge Economic Handbook on Henderson's "Supply and Demand" came out-- economic theory does not provide such finished and finite answers for ready-made use. "It is a method rather than a doctrine, an apparatus of the mind, a technique of thinking, which helps its possessor to draw correct conclusions." In the realm of economic development, the canvass of our enquiry is much broader. As Galbraith says, "There is now a considerable sociology and sizeable anthropology of backwardness." Thus economic policy-making is

today based not only on economic factors but also on extra economic considerations which play an equally important role. The challenge here is whether we can mobilize the tools of economic analysis to show their relevance to the burning issues of development in Asia.

3. The two most important facets of economic development of Asia-- and I will include within the term "Asia" particularly the countries of South Asia and the Far East--are one, the management of a "Mixed Economy" as a viable concept of economic development; and two, the problems of tackling the poverty of nations in the context of a world becoming increasingly smaller and smaller every day, with a small chunk developing at a very fast rate with the bigger chunk struggling at the level of subsistence. This "dualism" in the framework of nations--developed and developing--combined with the concept and practice of "Mixed Economy", what Myrdal calls the interventionist-cum-rationalist approach of State in economic development, make the economic study of South Asia and the Far East perhaps the most fascinating subject of our time. Policies to reduce this dualism can alone promote both economic equality and efficient allocation of resources.

4. I would like to tackle the economic problem of South Asia and the Far East, first by digressing on the theory of economic development which is relevant in the context of these countries. It should be recognized that while the problems in economic development vary a great deal from those faced by the advanced capitalist countries, or the centrally planned economies or the

developing nations, the problems also vary within these countries from one developed country to another, from one developing nation to another. The countries in the region can be broadly divided into two categories--the over-populated countries with large domestic markets and the other not so densely populated with not such a large domestic market and hence dependent on exports. The latter has a high ratio of export to national income. The common symptom for all these countries, however, is the fact of poverty, described by different economists differently--most popular among them being "low income equilibrium" with low investment, low wage and low productivity. To all these countries, however, the spectacular economic development of Japan provides an interesting backdrop. My first few lectures will be devoted in taking a bird's eye view of the theoretical discussion on development which will help us to understand the economic problems of these countries in a better perspective.

5. It is fortuitous that two recent reports on the current economic development and policies of the countries in this region were published over a period of the last few months. In November, 1970, the Asian Development Bank came out with a report on "Southeast Asia's Economy in the 1970s". In March, 1971, the United Nations Economic Commission for Asia and the Far East came out with their latest report. After I have given you a broad view of the theoretical background to such a study, I will devote a few lectures to the economic developments in these countries. Today, let me

begin with a preview of what is particularly happening in these countries.

The developing countries in this region have just emerged from the first development decade--1960 - 70--and have entered the second and perhaps the most crucial era viz. the second development decade--1970 - 80. Recognizing that "economic and social progress is a common and shared responsibility of the entire international community," the General Assembly of the United Nations, in designating the 70s as the second UN Development Decade, also obtained the pledge from all member countries individually and collectively to pursue policies designed to create "a more just and rational world economic and social order in which equality of opportunities should be as much a prerogative of nations as of individuals within a nation." To give substance to this pledge, the General Assembly Resolution has laid down that the average annual rate of growth of the developing nations as a whole should be at least 6 per cent which on the basis of an average annual increase of 2.5 per cent in population would mean an average annual rise of 3.5 per cent in per capita product. The proposed growth target would imply achievement of an average annual expansion of 4 per cent in agricultural output and 8 per cent in manufacturing output. It would also necessitate an average annual expansion of 0.5 per cent in the ratio of gross domestic savings to the gross product, so as to raise the ratio to around 20 per cent by 1980, together with an average annual

expansion of somewhat less than 7 per cent in imports and somewhat more than 7 per cent in exports. The recent ECAFE Report which gives a survey of development in the last decade shows that the developing countries, as a group, achieved an average rate of growth of 4.7 per cent in the period 1960-68. In fact, during 1950 to 1960, the rate was 4.8 per cent. With the agricultural revolution going on in these countries over the last four years, the growth rate should have improved perceptibly in the last two years. Thus in the context of 5 per cent growth rate target in the first development decade as well as 6 per cent growth rate target now laid down for the second decade, the performance of the developing nations has not fallen all that short of expectation. It must, however, be mentioned that the growth rate in South Asia and the Far East, which has been less than the global average of the developing nations, touched an average 4.4 per cent per annum during 1960-68. On the other hand, it is note-worthy that regions in South Asia and the Far East have improved their rate of growth from 4 per cent in 1950-60 to 4.3 per cent in 1960-65 to 4.4 per cent in 1960-68. With increase in population, however, the rate of growth in per capita income showed almost no increase and maintained the same rate of 1.9 per cent per annum during the period 1950-68. Thus the scope for development and progress is still very wide and large. To say the least, the economic development of the countries in this region has been extremely modest, particularly when viewed in the context of their

poverty.

However, looking back with the wisdom of hindsight on the history of developing countries, the rate of growth of 4 per cent may not be as modest as it looks and in any case, higher than those achieved by many of the developed countries in similar stages of their economic growth. Even the rate of growth of the U.S. economy during the period 1869-1908 was only about 4.3 per cent; similarly, the rate of growth of the British economy during 1860-1900 was only around 2.6 per cent or so. Economic growth is a long and arduous process in which the first steps are always the most difficult. Those steps should be taken in a manner so that the growth, even if modest, can be sustained and maintained over a sufficiently long period of time to derive the benefits of the compounded effect. Thus if the developing countries of South Asia and the Far East can maintain a modest average rate of growth of even 2 per cent per annum in per capita income, it will mean doubling of per capita income in 35 years and quadrupling in 70 years.

6. Economic events rarely agree with Voltaire's theory that history is but a fable agreed upon. In spite of many manifestos, whether Marxian or Keynesian or Rostovian, we are still searching for an answer. An answer which can solve problems of one country may not again be applicable to another. To generalize from the experience of the U.S.A., U.K. or U.S.S.R. to the needs of India and Pakistan will be productive of error; but so equally will generalization in the case of India or Pakistan to that of Dahomey or

Chad. The theories have also become complex and sophisticated. Yet it would be a mistake to identify complexity with completeness and sophistication with wisdom.

Perhaps the single most surprising economic development of the mid-20th century has been the vigor and viability of "Mixed Economy". Social prophets like Schumpeter and Toynbee, or even Veblen or Spengler thought of the Mixed Economy as "capitalism in an oxygen tent". But the growth experience of the last two decades reveals that a market economy enriched by government planning and macro-economic controls could perform favorably in comparison to past epochs of both capitalist and communist development. While I will have more to say about the role of the State in general and public enterprises in particular, in the economic development of South Asia and the Far East, it may not be out of place to mention that the interventionists' and rationalists' idea of State economic planning does represent in the Asian context, a break with the past, a past which is both stagnant and traditional in outlook. Its appearance in this Rip Van Winkle world, among people still drowsy with the slumber of centuries, makes the challenge of State economic planning all the more dramatic. Indeed, economic planning and industrialization through State enterprises have become the intellectual matrix of the entire modernization ideology.

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MEMORANDUM FOR THE RECORD

August 13, 1971

Mr. McNamara met today briefly with Dr. Sen, the Indian Executive Director. He said he would be happy to accept the invitation extended to him by the Government to visit India and he suggested that Dr. Sen explore the possibility of a visit sometime in the first half of November for about 4-5 days. The exact dates could be determined during Mr. McNamara's meeting with the Indian Delegation at the time of the Annual Meeting.

cc: Mr. Knapp
Mr. Cargill
Mr. Goodman



L.E. Christoffersen

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OFFICE MEMORANDUM

TO: Files

DATE: October 27, 1971

FROM: Jochen Kraske

SUBJECT: INDIA - Meeting with Delegation

1. Mr. Y.B. Chavan, Minister of Finance, called on Mr. McNamara on September 28. The Minister was accompanied by Messrs. I.G. Patel, Secretary, Ministry of Finance; S. Jagannathan, Governor, Reserve Bank of India; G.V. Ramakrishna, Joint Secretary, Ministry of Finance; S.R. Sen, Executive Director and M.R. Shroff, Alternate Executive Director. Messrs. Knapp, Cargill, Chenery, Votaw and Kraske were also present at the meeting.

2. Refugees: Mr. McNamara opened the meeting by referring to the refugee problem as a most important issue. He suggested that the subject be discussed by the Consortium at an early date. The Minister agreed that the refugee problem was having a serious impact on Indian economic development and that the matter should be discussed by the Consortium. The Minister wondered what the chances would be for raising the funds necessary to cover the costs of refugee relief. Mr. McNamara thought that it should be possible to mobilize substantial funds additional to normal aid and debt relief. Dr. Patel pointed out that it would be helpful if members of the Consortium were briefed well in advance of the meeting to be able to respond with aid pledges. Mr. McNamara suggested that the Minister call on representatives of some of the Consortium members, either here in Washington or on his way back to India. In addition, Bank staff would provide the necessary documentation and briefing for Consortium members.

3. Calcutta: Referring to Mr. McNamara's opening address, the Minister mentioned Calcutta as a striking example of the problems arising from widespread unemployment. Mr. McNamara said he understood that the State of Bengal and the City of Calcutta were now making some headway in attacking the very serious problems of urban development. He recognized that the problems afflicting Calcutta's development were not only economic but also political in nature, which complicated the difficult task of organizing investment projects effectively.

4. Civil works contracts: The Minister then brought up the question of international tendering for civil works contracts. He stressed the need for India's contracting industry to develop and the importance of employing labor-intensive techniques; and he expressed the view that international tendering would not properly take into account these specific goals. Mr. McNamara thought that the discussion of the Pochampad irrigation project by the Executive Directors had been unfortunate, primarily because the question of procurement had been put wrongly. If the Executive Directors had been asked whether the Bank should support projects which would stimulate the development of domestic construction capacity and provide substantial local employment nobody could have objected. The Executive Directors would, however, raise objections if the economic cost for achieving goals such as the development of local contracting industry and substantial employment of local labor appeared to be excessive.

President has seen

5. Mr. McNamara went on to say that the difference over civil works procurement between India and Bank staff was largely one of technicalities, and could therefore be resolved. Mr. McNamara explained that there appeared to be no difficulty in meeting this year's lending target even excluding projects involving substantial civil works. However, it was absolutely necessary that the problem be resolved during the next six months so that the Bank Group's lending program could include projects in such important sectors as irrigation and highway construction, which mainly involved civil works financing. He thought that it should be possible to settle the procurement issue by April 1, 1972, if the staff worked closely with Dr. Sen or any other official nominated by the Indian Government for this purpose.

6. Mr. McNamara went on to say that while the efforts of the Government and the Bank staff had led to the build-up of a sizeable project pipeline, there was still need for substantial further effort in project preparation. The lending program beyond FY 1973 still appeared weak, especially when taking into consideration the possibility of future increases of IDA's resources. Accordingly, he urged the Minister to continue to pay close attention to the identification and preparation of projects suitable for IDA assistance.

7. Dr. Patel mentioned that he understood that Mr. McNamara had agreed to provide non-project assistance to India and that non-project assistance would now be considered a regular feature of the Bank's lending program in India. Mr. McNamara explained that he had no difficulty in accepting the principle of non-project assistance, provided certain conditions were met. While he believed that at the present time a case for non-project assistance in India could be made, he did not feel that the Government should assume it would receive non-project assistance regularly from IDA every year. At this point, Dr. Patel expressed the view that the Bank's Articles of Agreement, which had been drafted at a time when problems of economic development had been only vaguely perceived, were antiquated and should be amended to reflect better modern day requirements. Mr. McNamara felt that the Articles of Agreement provided sufficient flexibility to extend non-project assistance or to finance local costs whenever circumstances justified this kind of assistance. Political realities, in particular the pending vote in Congress on the third replenishment, made it necessary to change lending policy gradually. Mr. Knapp pointed out that the Executive Directors in fact had moved a long way in recent years to a more liberal interpretation of the Articles of Agreement; a striking example was the fact that the financing of local currency expenditures had become a matter of accepted Bank policy. Indeed, he felt that by financing the local costs of projects, the Bank could accomplish most of the objectives of non-project assistance. Dr. Patel thought that institutional rigidities prevented a rapid transfer of capital as long as the Bank was limiting itself to the project approach and that consequently program lending had significant advantages over local cost financing.


8. Mr. McNamara concluded the meeting by expressing confidence that the third IDA replenishment would become effective in the near future. Although the amount of IDA assistance which India was receiving at the present time was still short of what she deserved in terms of equity, he was encouraged by the fact that the amounts of IDA assistance programmed for India in the current fiscal year were substantially higher than what had been available in the past. He was hopeful that further increases in IDA assistance to India could be made in the year ahead.

JKraske/GVotaw:rk

cc: Messrs. McNamara
Knapp
Chenery
Cope
Cargill

OFFICE MEMORANDUM OCT 26 REC'D

TO: Mr. R. S. McNamara

FROM: Robert H. Cassen (through Mr. G. B. Votaw)  (M)

SUBJECT: Meeting with Dr. Ashok Mitra : October 26, 1971, 4.20 p.m.

DATE: October 26, 1971

Background: Dr. Mitra is a senior ICS officer in his early fifties. He is presently Secretary of the Planning Commission, Government of India. Previous posts have included that of Registrar General and Census Commissioner; Secretary of the Ministry of Information and Broadcasting; and Development Commissioner for West Bengal. Dr. Mitra is a scholarly and straightforward man, not regarded as one of the more powerful civil servants, but one whose opinions deserve respect. He has come to the U.S. for the "Nutrition and National Planning" conference which took place in Cambridge last week, where he gave a paper on India's nutrition program. One of his interests in coming to Washington is to recruit Indian economists for the Planning Commission, which is becoming more technically oriented.

Substance of Meeting: Dr. Mitra's meeting with you is intended mainly as a courtesy call. He may wish to discuss with you the development of India's Eastern regions. In view of his recent participation in the Nutrition conference, he may wish to talk to you on that subject also; alternatively, you may wish to raise with him the question of possibilities for the Bank in the nutrition field, a question to which he will have given some thought in meetings with Mr. Chaffkin last week.

Other subjects which you may wish to raise with him are the prospects for the rest of the Fourth Five Year Plan (1969-74) in the light of recent developments; and population matters, on which Dr. Mitra's expertise is considerable.

RHCassen:lhv

President has seen

OFFICE MEMORANDUM

TO: Files

DATE: November 1, 1971

FROM: Robert H. Cassen

SUBJECT: Meeting of Mr. McNamara with Dr. Ashok Mitra, Secretary,
Planning Commission, Government of India, October 26, 1971.

1. Dr. Mitra raised the question of a nutrition project, which would incorporate, besides straight-forward nutritional activities, family planning, maternal and child health, immunization, water supply improvements and possibly other aspects of rural development. Mr. McNamara said he was very interested in such an approach, and would be prepared to consider a project of this nature; preferably it would be of such a character that the relations could be demonstrated between the inputs into the economy and the expansion of output. The conversation turned to family planning, and Mr. McNamara expressed himself as being particularly anxious to see the Bank's proposed project under way. Dr. Mitra agreed with him on the importance of developing the ability of India's program to discern more clearly the factors contributing to success. Mr. McNamara also hoped that agreement would be reached on the role of nutrition in the Bank's project; he was keen to see a nutrition component included in the project.

2. Dr. Mitra then raised the question of the possibility of a reconstruction program for India's Eastern regions. These regions had been in need of investment before the refugee problem arose. As a result of the refugee influx, considerable damage had been done to the infrastructure in the regions. The needs of the regions were both urgent and extensive. Mr. McNamara said that the Bank group's aid to India should be higher this year than last, and he hoped that the Consortium would respond to India's needs in the light of the refugee problem. He recalled the speed with which the Bank had been able to act after the cyclone in East Bengal, which was due to the work that staff had been doing on the problems of the whole area. He and Dr. Mitra agreed on the importance of investments for the Brahmaputra and other main water-courses, and the desirability of cooperation between the authorities for East and West Bengal. The Bank had examined possible action programs with and without such cooperation,

3. Dr. Mitra asked whether the Bank would be interested in assisting development in Calcutta. He stressed that Calcutta should be seen as part of the surrounding region; he also referred to the excellent studies which have been made of the problems in the area, and which were more extensive than those available for other metropolitan regions. Mr. McNamara said that there had been obstacles in the past to participation by the Bank Group in Calcutta's development, in particular the lack of an organization, responsible for carrying out development schemes, to which the Bank could lend, and the fact that the Center had not decided on the

President has seen

priority it attached to Calcutta. He understood that there was now a responsible agency (the Calcutta Metropolitan Development Authority). If there were a well-founded plan for Calcutta, supported by the Center, the Bank would be interested in considering participation in it. Dr. Mitra described some of the new investments completed or going ahead in Calcutta. He also said that the law and order and labor situations had much improved there in recent months, due in part to the ability of the new Governor of West Bengal. ^{1/}

^{1/} Mr. A. Dias, previously Food Secretary in the Ministry of Food and Agriculture.

c.c. Dr. Sen
Messrs. Chadenet
Kanagaratnam
Sadove
B. King
Cargill
Baneth
Kraske

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OFFICE MEMORANDUM

135

TO: Mr. Robert S. McNamara

DATE: December 1, 1971

FROM: I.P.M. Cargill

SUBJECT: INDIA - Visit of Tamil Nadu's Chief Minister

I understand that Mr. Thiru Muthuvel Karunanidhi, Chief Minister of the State of Tamil Nadu, will pay a courtesy visit at 12.10 p.m. tomorrow. Mr. Karunanidhi is in this country chiefly for medical reasons, he underwent eye surgery in Baltimore.

Mr. Karunanidhi is 47 years old and is well-known as a poet, writer and playwright. As a student he edited a small journal which has since developed into a famous Tamil daily. Also, as a student, he became interested in and very active in politics.

In 1949 he was one of the founders of the Dravida Munnetra Kazhagam, popularly known as DMK Party, which is, since 1967 when the old Congress Party was decisively beaten, the ruling party in the State. In 1967 Mr. Karunanidhi became Minister for Works and Transport and in 1969, following the death of Dr. Annadurai, the original leader of the party, he became Chairman of the party and Chief Minister. The mid-term elections in early 1971 have led to a further strengthening of the position of the DMK Party in Tamil Nadu.

Mr. Karunanidhi has shown particular concern for the poor. Many projects have been taken on by his Government in agriculture, industry, housing, slum clearance, rural electrification and water supply, specifically to help low income groups. Mr. Karunanidhi has advocated that planning should start from the village level and has set up a State Planning Commission, the first of its kind in India.

The attached pamphlet contains further details on Mr. Karunanidhi.

JKraske:rk

OFFICE MEMORANDUM

TO: Mr. Leif Christoffersen

DATE: November 23, 1971

FROM: S.R. Sen

SUBJECT: Mr. M. Karunanidhi, Chief Minister, Tamil Nadu - appointment with Mr. McNamara.

Mr. M. Karunanidhi, Chief Minister, Tamil Nadu (Madras) will be in Washington from December 1 to 4. He is on a semi-official visit, and would like to have a brief meeting with Mr. McNamara, preferably on 2nd December.

Mr. Karunanidhi has been Chief Minister of Tamil Nadu since February, 1969 and is the principal leader of Dravida Munnetra Kazhagam (D.M.K.) party which is a regional-progressive party. Apart from his interest in politics, Mr. Karunanidhi has been a journalist, playwright and poet.

Mr. Karunanidhi does not speak English, but will be accompanied by his Finance Secretary, Mr. Venkitaraman, who will interpret for him.

*Area Dept. recommends that you see him
12.10 on 12/2
There
see 11/24*

OFFICE MEMORANDUM

TO: Records

DATE: December 7, 1971

FROM: Jochen Kraske *JK*SUBJECT: INDIA - Meeting between Mr. McNamara and Mr. Karunanidhi,
Chief Minister of Tamil Nadu

Mr. Karunanidhi, the Chief Minister of the State of Tamil Nadu, called on Mr. McNamara on December 2. The Chief Minister was accompanied by Mr. L.K. Jha, the Indian Ambassador, Mr. Venkatraman, Financial Secretary of the State Government, and Mr. Shroff. I was present at the meeting. *copy 12/8*

The Chief Minister expressed his appreciation for the assistance which the Bank Group had provided to the State of Tamil Nadu. He mentioned the encouraging progress of the agricultural credit project; he also mentioned the management institute, which had been set up with IFC's assistance. He made a brief reference to the Cauvery Delta Scheme which the Bank had investigated but which had not developed into a project because of the dispute over water rights between the States of Tamil Nadu and Mysore. He expressed the hope that the Bank would take an interest in the proposal to set up a development bank in Madras.

The Chief Minister described the special concern of his administration with the improvement of living conditions of lower income groups. His Government had undertaken a nutrition program to improve the standard of health among children. A substantial slum clearance program had been started recently in Madras covering at present 80 out of a total 600 identified slum areas; a total of Rs 400 million had been allocated to this program for the remainder of the current plan period. Furthermore, considerable efforts were under way to improve and expand the water supply and sewerage systems of Madras and other urban centers.

Mr. McNamara suggested that proposals for new projects such as the development bank in Madras, should be brought to the Bank through the Central Government as the official channel. He enquired how the Government of Tamil Nadu was financing the various schemes mentioned by the Chief Minister and whether any efforts had been made to increase tax revenues. While the tax efforts of the Central Government could be considered remarkable, he felt that the efforts by the States to increase tax revenues left much room for improvement. The Chief Minister said that Tamil Nadu had made considerable progress, especially by introducing taxation of agricultural incomes. Above a free limit of Rs 3,000, agricultural incomes were subject to income tax based on the estimated incomes for holdings between 7.5 and 30 acres (equivalent to an income range from Rs 3,000 to Rs 15,000) and on the submission of detailed accounts for agricultural incomes exceeding Rs 15,000.

President has seen

Mr. McNamara, while agreeing that this was an important breakthrough, thought that further intensified tax efforts were needed to solve the fundamental income inequalities existing in India. The Chief Minister tended to agree with Mr. McNamara but referred to the considerable political resistance to increases in taxation. As an example, he mentioned the riots which erupted when the electricity tariff was increased by one paise. He thought that it might be possible to persuade people to accept higher taxes as long as one was able to show actual progress. Mr. McNamara expressed the view that development and increased taxation should move in step but acknowledged that any efforts to require people to pay more was bound to meet with strong resistance.

JKraske:rk

cc: Messrs. McNamara
Cargill