

India Project : India Crisis
- Correspondence, 1964

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CENTER FOR INTERNATIONAL STUDIES
MASSACHUSETTS INSTITUTE OF TECHNOLOGY
INDIA PROJECT, 161/48 CHANAKYAPURI
POST BOX NO. 253
NEW DELHI

DEC 18 1964

10 December, 1964.

Professor Max F. Millikan
Professor Paul N. Rosenstein Rodan
Professor Richard S. Eckaus
Center for International Studies
Massachusetts Institute of Technology
50 Memorial Drive
Cambridge 39, Massachusetts
U.S.A.

Dear Max, Paul and Dick:

I have now received letters from all three of you. Since they deal with more or less the same set of issues - though with different emphasis - I shall try to make this letter into a response to all of you. Of the many questions raised by your letters I shall try to cover only the most relevant points.

(1) I would like to correct the impression that this is a tempest in a teacup and that it is inspired by an enraged response by P.P. Some officials of the Commission who are known to have completely different views on planning - including one who was a close associate of Dick - are extremely indignant. They believe that the incident serves the purpose of debunking the role of planning and destroying the planning apparatus.

(2) As to the question of informing the Government of India about the nature of our experimental work, it seems clear to me that the Center as a research organization should do it directly by way of the Planning Commission which is not only our official contact in India but also the institution established for the purpose of dealing with matters concerning economic planning. I distinguish here between our individual roles as friendly consultants and our institutional and collective roles as members of the Center.

The fact that there are many political factions each having different views on planning, is not our business. Failure to work through the Planning Commission has led to the situation where charges of lobbying are raised against us.

Nor is there any need to worry that those in other Ministries who have an interest in planning will not learn what we have to say. All factions - including those which would like to do away with planning or abolish the Commission - are well represented in the Commission itself.

Professors Max F. Millikan
P.N. Rosenstein-Rodan and
R.S. Eckaus,
Cambridge 39, Massachusetts

(2)

(3) I agree that we should not be concerned with the opinions of irresponsible elements though we would be foolhardy to ignore them. But the problem lies elsewhere. Even our closest and oldest friends have had doubts raised in their minds about our frankness, openness or directness or whatever you want to call it. I am quoting a good friend - who is gentle and judicious - who said to me in a recent conversation that the kind of trust which he and his associates had in us does not exist any more and cannot be revived. This loss of trust was motivated by revelations about the sources of Center financing. The Indians are concerned with the ethical rather than the pragmatic aspects of the question. The fact that the India project was never financed from controversial funds and that the independence of the operations was maintained does not mitigate the emotional response. The above quote represents the mildest expression of sentiment.

Coming on top of this sense of hesitation, AID financing of work which can be tied to current policy problems in India has called into question the disinterested nature of our research. Several responsible officials and friends (including the above quoted one) have suggested that in the future we cannot expect those privileges we have enjoyed in the past as disinterested members of the community of scholars. It is most unfortunate that I was not able at least to announce immediately after the B.K. incident that our experiments which have a bearing on current policy would be financed exclusively from Foundation funds. To that extent that you seem to believe that the Third Plan computations have policy implications we are doubly compromised by AID financing.

With this background the B.K. incident - which was considered to be quite tactless on our part under any circumstances - was invested with a political meaning which would not have been the case, say, a year ago.

(4) The incident also resulted in the alienation of the technical branches of the Commission (again I do not have only the P.P.D. in mind). These people, as well as some of the academics who were interested in our approach and wanted to participate in the further development of the experiments have the legitimate grievance that such complex approaches to plan analysis should be made available in such a way as to have plenty of time for the study of its intellectual merits and shortcomings.

(5) I would like to come now to the question of the NBER paper and related issues which represent to my mind the most problematic set of misunderstandings. By rights this should be a matter strictly between Dick and me since it refers to a piece of unfinished joint research. But since it is now publicly associated with the Center as the basis of a particular policy line, I hope Dick will not mind if I discuss the problem here.

Professors Max F. Millikan
Paul N. Rosenstein-Rodan and
R. S. Eckaus,
Cambridge 39, Massachusetts

(3)

At the heart of the matter is the question: What are the policy implications of our experiments? To avoid any further misunderstanding on this account, let me make clear my own position. We have developed an approach to plan analysis which is superior to any other existing method. The policy implication is that the Indian planners would do well to explore and further develop this approach. As far as I am concerned, there is absolutely no other policy recommendation. Our results are academic, illustrative and cannot be considered indicative of what the composition of the Third Plan should have been or what the orientation of the Fourth Plan should be. I want to be quite clear about this because this may be at the heart of our misunderstanding. I do not feel that at this point it is possible to have any other position on academic or intellectual grounds.

It may well be true that the orientation of the Third Plan was wrong, and those who were hesitant about the composition of the targets may take our computational results as some confirmation of their earlier hesitation. Our numbers may be taken for evidence in support of such beliefs but there can be legitimate differences of opinion as to the value of the evidence. This is not only because of data and specification problems but also because of the inherent impossibility of optimality comparisons. Hence, the evidence which would support the supposition that the orientation of the targets were wrong, can have only subjective meaning.

It is even more problematic to establish on the basis of our computations what should have been the right orientation of the Third Plan. And to infer anything about the orientation of the preliminary targets of the Fourth Plan from the Third Plan exercises is impossible even on subjective grounds. The notion that the burden of the proof has been shifted is not only immoderate, in the sense that it implies that we try to prove a point which I am most emphatically not interested in, but is also intellectually untenable. And the AID implications of our experimental results cannot be "spelled out" - as Paul puts it - because there are none.

I do not understand how that degree of misunderstanding was reached by which our experimental results could be construed as a guide to policy, or as support for a particular line of policy. Sukhamoy, Dick and I discussed this already in February - after my talk in Max's seminar. That was the time when the first indications of a significant gap between the actual Third Plan targets and computed results emerged, and I thought that we had at that time already clarified that policy recommendations do not readily emerge. I also thought that Dick's disclaimers as for instance on page 30 of the NBER paper meant exactly that no policy guides can be deduced from the computations.

Any policy conclusion other than that the approach should be added to plan analysis is in my judgment unsupportable. Before we could consider

Professors Max F. Millikan
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offering our model for policy purposes, much more experimentation will be required not only with alternative production coefficients and other parameters in the current structure, but also with the structure itself. The responses and the sensitivity of the model are not explored for the current structure and the consequences of structural changes are not known either.

Incidentally, it is somewhat embarrassing that due to some clerical oversight the paper was not marked - as NBER papers invariably are - as "preliminary, not for quotation." This is all the more so since the paper was distributed before I had seen any of the materials in the section containing the analysis of the Third Plan targets, and the final organization of the other material. I authorized Dick to sign my name in the belief that it would be treated as other NBER papers, i.e., that it would be circulated within the NBER community with the understanding that it is preliminary, and that plenty of time would be available after the conference to prepare a final version.

Since our unfinished joint work was prematurely put to non-academic uses there is now a certain amount of ambiguity about the purpose of the NBER paper, i.e., whether it is trying to prove something more than can be supported on intellectual grounds. I think that in the light of the recent developments the paper requires drastic revision before it can be printed. In fact, I would suggest that something like the seminar notes which Sukhamoy and I have put together - signed by the three of us - would be suitable for totally replacing it. In the meantime, I do not think that the paper should be further circulated in its current form; certainly not on my behalf.

As you must have noted already, the Seminar Notes differ from the NBER paper in two essential details: (a) it has no introductory discussion on planning; (b) the qualifications are strengthened and the comparisons to reality are eliminated.

The introductory discussion of the NBER paper on planning and planning apparatus, I believe, could just as well be abandoned at this point. Our former privilege of being frankly critical was based on a mutual trust in which many things could be said or discussed outside a purely academic framework because there was absolutely no doubt about our disinterested concern. Given the present atmosphere it would be difficult to convey an impression of a sympathetic critique of the planning process.

As far as the comparisons between computational results and actual observations are concerned, they must be scrapped. Before our

Professor Max F. Millikan, Prof.
Paul N. Rosenstein-Rodan, and Prof.
R.S.Eckaus, Cambridge 39, Mass.

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hypothetical figures were thrown into the political arena, from the analytical point of view meaningless comparisons between actually observed developments in the Indian economy and our computational results had the justification of motivating speculative thought and stimulating profitable discussions. But if it is believed - as is the case now - that these comparisons are introduced to prove a point, the speculative aspect is lost and the theoretically non-valid comparisons are interpreted as insinuations.

I have, of course, sent to Mr. Asoka Mehta a copy of our Seminar Notes. I have also written to him a brief accompanying letter in which I have informed him about my judgment that much more experimentation will be needed before the model can be used as a reliable tool of plan analysis. In this same letter I have also underlined the illustrative character of our numerical results.

(6) As far as the Fourth Plan computations are concerned, I think that they should be abandoned. They could have been used profitably to provoke good discussions and to induce a suitable amount of speculation about the orientation of the provisional targets. The atmosphere under which such an exercise could take place no longer exists and will be completely destroyed when it is learned that our computer exercises are being made to serve as an underpinning to politics. Any such computations would be thought to confirm the suspicion that they are motivated by a desire to prove a point.

If you nonetheless think that these exercises should be continued, I do not believe that I could participate in them. Whatever conditions led to the current situation, we are on all grounds in an untenable position. I believe that to pursue a course which cannot be defended intellectually and is not in keeping with our traditional open relationship with the Indians, will result in our being completely discredited. What bothers me is not that Chenery and his associates might be indiscreet but that it is felt that they need to be discreet. If we are academics, and if we have something to say, let us do it openly, on a firm intellectual basis.

I do not exactly know what Max means when he says that the only course open to us is to stand by our guns. If that means what is already contained in the Notes written by Sukhamoy and myself, i.e., a factually and intellectually tenable position, I am already standing by our guns. If it means something else, I am afraid you will have to come yourself to defend your position.

(7) I have reached an amicable but in its details as yet unspecified agreement with Bunker about administrative procedures. We

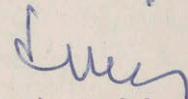
Professors Max F. Millikan
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Cambridge 39, Massachusetts

(6)

shall transfer the office staff as of the 1st of January and we shall move the office - maintaining its homogeneous character - in June, after the lease runs out. The details will be hammered out.

With best regards,

Sincerely yours,



Louis Lefebvre.

P.S. I am leaving today for Calcutta and on my way back I shall stop in Kanpur. I shall be out of Delhi until about the 22nd of December.

Pell's work is not progressing as well as it might. I shall let you know further details on my return from Calcutta.

I shall be leaving India probably sometime during the first half of January.

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POST BOX NO. 253
NEW DELHI

30 December, 1964.

Professor Max F. Millikan
Center for International Studies
Massachusetts Institute of Technology
50 Memorial Drive
Cambridge 39, Massachusetts
U.S.A.

Dear Max:

Enclosed is a copy of the weekly "Now." The article on the Center is on pp. 3-4.

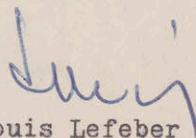
"Now" is relatively new and as yet not well known, but its backers as well as contributors are in no sense extremist. In fact Humayun Kabir and Asoke Sen are reported to be principal backers, and Nirad C. Chaudhuri is the author of Autobiography of an Unknown Indian and Passage to England. K. Swaminathan is a Gandhian scholar.

Steve and I have no way of knowing what repercussions this article will have.

Our request for authorization of a return trip is motivated by the very real possibility that events will require immediate consultation and full discussion. In the meantime, we repeat our strong feeling that no action whatsoever should be taken from Cambridge. We plan no action on this side unless obliged to respond to press inquiries.

With best regards,

Sincerely yours,


Louis Lefebvre

Enclosure: One copy
of "Now"

had failed to produce an agreement with Russia.

Yet the need for spending a great deal of money on acquiring greater technical capacity for being heard by others is not questioned; in fact, there is a typically flamboyant reference to "the positive purpose of projecting India." The phrase has not been heard for the first time, nor will it have been for the last; whenever anything goes wrong in our foreign relations irate MPs blame it all on inadequate or inept publicity. Nobody need pretend that our official PR men, at home or abroad, are the most efficient in the world, but even with unlimited scope or expertise brainwashing can only be of limited value. Notwithstanding Madison Avenue's fabulous reputation for selling skill, it would be surprising if the State Department was entirely pleased with the political return from its investment in VOA or USIS. Others, including BIS and TASS, can perhaps console themselves with the thought of having spent less, but none need be complacent about the long-term outcome of its dispensation of duty-free liquor or of any of its more orthodox means of production.

That India can afford to spend very much less is not the main argument against the cult of projection. It would be pathetically wrong to believe that we could counter Chinese influence in South-east Asia with a louder broadcasting voice, and this is not merely a matter of projection technique. New Delhi's broadcasting technique, especially in matters of what is called projection, has of course been incredibly puerile and greater efficiency in Broadcasting House is a desirable but seemingly unattainable ideal. But neither a better technique of putting things across nor more potent technical means of carrying our voice to hypothetical listeners in other lands is sufficient, or even greatly important; foreign policy is a more serious business than generating more energetic electrical impulses. Mrs Indira Gandhi might well concentrate her energies on improving Indian broadcasting with more limited and specific objectives; her admirable intention to do so has

so far made little difference to AIR programmes.

Out of the Ring

few eyes were moist in Salisbury or elsewhere last week when Sir Roy Welensky announced his final renunciation of politics. After his defeat on October 1 in the by-election in Arundel and that of his Rhodesia Party colleague in Avondale, Sir Roy really had no alternative course of action. The surgical operation he recently underwent in London, from which he may not fully recover for months, was only an excuse. It is a measure of the alarmingly deteriorating political situation in Rhodesia that Sir Roy's exit was caused not by liberal elements but by the Rhodesian Front which is more bluntly racist than Sir Roy's Rhodesia Party was or is.

Unfortunately, the menace that Mr Ian Smith is has done little to bring the African nationalists closer. Mr Nkomo and Mr Sithole are both victims of the repressive white minority Government in Salisbury; yet their organizations are more at war with each other than with the Smith Government. This schism frequently leads to clashes in the African reserves, which is excellent ammunition in the hands of Mr Smith and his men. Repressive laws multiply daily; and when even these laws are found inadequate the Government simply ignores the courts of law and their orders. Next door lies South Africa, not indeed willing to commit itself more than it must in the affairs of Rhodesia but at least equally unwilling to witness the disappearance of white rule in the neighbouring country. North of the Zambesi exist a large number of independent black African Governments; but they have neither the unity nor the physical might to challenge the well-armed white Government in Salisbury.

It is easier to blame Whitehall for its apparent inaction than to tell it what it should do. Mr Harold Wilson's forthright warning has so far restrained Mr Smith from UDI, unila-

teral declaration of independence under the present Constitution; but most observers appear to agree that UDI remains a dangerous possibility, perhaps not very remote either. With Sir Hugh Foot at the United Nations, the British case will be presented with less pusillanimity; but the world body will be reminded afresh of its very limited capacity as a liberator. Countries like India, full of sympathy for the Africans in Rhodesia and South Africa, may yet be wise to think hard before extending the U.N. beyond its capacity. But, surely, the world cannot just stand by in silence as a handful of whites trample underfoot the rights of the black majorities.

Illusions

Illusions of grandeur die hard. Mr Harold Wilson, whose Government has run into heavy weather over the balance of payments crisis and is now dependent on international bankers for the stability of the pound sterling, is now thinking about the international peace-keeping role of Britain. He proposes to keep in reserve part of the nuclear force for this purpose. It seems that Mr Wilson has forgotten what happened when Britain went to keep "peace" in the Suez Canal in collusion with France and Israel. And we, on our part in the Commonwealth, should be aware that the country Mr Wilson has most in mind may not be China, where the British organised a most successful trade exhibition. The market in China is vaster, more alluring than the tea gardens of Assam.

Indian Plan, U. S. Model ?

Where exactly is this country going? The ambivalence demonstrated by officials and Ministers of the Government of India over the question of the nuclear shield has been an uneasy portent. There are indications that the rut has spread pretty far, that not

even our programme of economic development is safe from the activities of those who are willing to sell our ideals down the river as long as it serves their interests.

The Center for International Studies at the Massachusetts Institute of Technology was set up a dozen years ago with generous assistance from the Central Intelligence Agency of the U. S. Government. The declared objective of the Center is to further research on the political, social, institutional and economic problems of developing countries, but research has never been intended to be of a non-pragmatic nature. The CIA itself conducts research on aspects of the cold war; perhaps the Center was expected to operate, at least up to a point, as an extended arm of the CIA research division, even if under a more respectable academic garb. The Director of the Center was formerly the Assistant Director of the Agency.

For several years now the Center has maintained a small research staff in New Delhi for "collecting and analysing" data on aspects of India's economic development. In practice, however, the MIT Center has operated as quasi-official advisers to the Planning Commission as well as to several Ministries of the Government. Very often their manner, as also their way to Indian problems, is overbearing. Given the inferiority complex of our officials—and sometimes the Ministers—undue importance has been attached to the sayings and doings of the members of the Center, even of the juniormost ones. While many promising young Indians, who are technically no less competent, and who are anxious to do research on some vital problems of the economy, have not been able to make any headway on account of the reluctance on the part of officials to supply them important data, every member of the MIT group can enter a North Block or Yojana Bhavan room and walk away with highly classified information.

A few members of the MIT Center recently worked out a mathematical model of Indian economic growth under a set of several very peculiar assumptions which have little relation-

ship with the Indian situation. They have come to an 'objective' judgment that their hypotheses about possible trends in the Indian economy over the next few years are more realistic than what the Indian Planning Commission thinks. On these assumptions, and after throwing in a sufficiently large number of highly improbable mathematical conditions, they have arrived at the conclusion that we have been doing everything wrong with our economic planning for the last fifteen years. The model questions the major postulates of Indian planning, namely, the decision to develop a heavy industry base and the enlargement of the transport and communications system. Under the contortions of this model, it emerges that all India needs to do is to put the bulk of her investment funds into consumer goods industries, and—hey presto—the rate of growth will accelerate fast.

Not Important

Savings are not important; the task of expanding the capital stock should not bother us; basic industries are a dirty word; allow the private sector a free rein to increase production of luxury consumer goods, and the problem of economic development would be automatically licked. Astounding recommendations, indeed, which go against the tenets of sound economics. Mathematical model-builders, a tribe by themselves, are primarily interested in the pleasure game of feeding alternative conditions into a system and watching the results, whatever might be the nature of existing reality. Such fantasies per se need not be taken very seriously. After all, foreign advisers have kept coming and going, and the net effect of their remonstrations and demonstrations on the working of the Indian economy has been negligible.

This time, however, it would seem that a deliberate attempt has been launched to sabotage the country's long-term development programme. For even as the particular mathematical model of growth formulated by the MIT group was being ridiculed away by the Indian economists in Delhi, there came a letter to the Prime Minister from a high Indian

diplomat in Washington extolling its virtues. The official, the story goes, reported that the MIT model had been fed with past Indian data and put into some sophisticated computer at Cambridge, Mass., that the computer had given all the right answers for the post, and therefore, its conclusions about future prescriptions must not be questioned. He is also said to have urged the Prime Minister to go slow on the framing of the Fourth Plan in New Delhi. The Planning Commission, according to him, should collect all the relevant data and send them over to the Center for International Studies at MIT, where they would be fed into the computer, which would provide the correct answer to the problem of Indian growth, namely, scrap the heavy industries and, with them, the public sector. The obvious inference is that from now on all work on Indian planning should be conducted at the MIT Center under American auspices and the Planning Commission might as well fold its activities.

Mr Asoka Mehta, Deputy Chairman of the Planning Commission, is stated to have taken a very dim view of these proceedings and the attempt to subvert our long-term economic goals may not succeed if our technicians and economists stand up to it.

The Americans are people in a hurry; they naturally want immediate tangible benefits to accrue from any aid given—which would explain their anxiety to see to it that Indian planning is built in the image of their predilections. What is amazing is that, even granted the existing aura of despair and lack of morality, there are Indians who would play the American game, and allow our overall objectives to be ridden roughshod in such an ignominious manner.

Next Week :

NARAYANA MENON on Indian and Arabic Music.

Out 24

Dear Dick:

I have just completed two seminars in the Planning Commission given for the benefit of everyone from division chief down. Tarlok Singh was also supposed to attend but in the last moment he sent an apology because some "emergency" meeting arose which he had to attend instead. On the other hand, Ramaswamy and a certain number of Finance and Commerce and Industry people were also present. When I have scheduled these seminars, I, of course, did not have the most recent results which were summarized in the last section of the NBER paper. You can imagine how pleased I was to get it exactly one day before the first seminar. The arrival of the most recent base runs was also very important and it materially contributed to the success of my exposition.

Since Sukhamoy was indisposed in Calcutta, I had to face the crowd all by myself. However, everything went quite smoothly, and the response was both lively and intensely interesting. I had a certain amount of trouble from Rudhra whom however I first silenced by slapping him down and then by pointing out to him that if he does not like some of the statistics, he has only to blame himself. (By the way, Rudhra is now not with ISI, but partly in Krishnaswami's division and partly with some Joint Committee on transport development, headed by Tarlok Singh). I started the seminar, of course, by going through a long list of credits, starting with Ashish Chakravarty through Krishnaswami and Pitambar to everyone who ^{are} footnoted in the NBER paper. After that I have given non-mathematical but very detailed explanation of the methodology, followed up the next day by comparative analysis of third plan targets and consumptions, etc. based on the material

I send this in semi-wrapped form to make 5 days' mail

which just arrived in time. My impression was that one third of the audience followed the argument quite closely and the other one third got at least the drift. The remaining part was either asleep or concerned with the interaction between man and machine and how that could be accounted for within our framework. What was interesting to me, however, was to see the change in the level of sophistication over the last few years. ~~The level of~~ technical competence vastly increased (I do not mean only Srinivasan's inquiry where ^{we} we have computed also the Frobenius root). The general direction of the discussion was, of course, somewhat defensive and I was careful not to raise their backs more than absolutely necessary. Their argument focused on the obvious points, i.e., what would be the effect of post terminal changes in the composition of consumption (different rate of growth for the component goods), technological change, a long run concept of comparative advantage (which is the weakest part of our exercise about which I will write to you separately), etc. How was I to know that if these items would be accounted for the ~~results~~ ^{results} obtained ~~to~~ ^{by} our analysis ~~was~~ ^{were} not very similar to the orientation of the third plan. ~~Our~~ ² How was I to know what other social goals in addition to maximizing consumption, subject to our terminal constraints, were present in the determination of the terminal target of the third plan? The bulk of the discussion was focused on these two questions and I believe that I have managed to at least raise doubt in the mind of all, even the staunchest defender of the logic of the third plan, and obtained a fair amount of consensus that ~~through design and experiment~~ of fourth plan alternatives are desirable by our methodology. Afterwards, Pitambar, Krishna and the members of the PPD, ISG, etc. were having

tea and Pitambar made a statement that I should be, of course, put, for the time being, under house arrest. Krishnaswami concurred with Pitamber's opinion and added that all these could be used by ^{the} responsible element, for political purposes of a detrimental sort. But the cat was out of the bag and everyone agreed that we should urgently start the experimentation in which we shall be jointly supported by Krishna and Pitambar and will carry the blessings of Tarlok and the higher ups.

There is understandable eagerness to prepare a usable program for the C.D.C. in Bombay so as to evolve a program of continuous experimentation and at a later stage a refinement of our approach. Srinivasan would be the man who would undertake this. We shall sometime, during my stay in India, make a joint expedition to Bombay and investigate the possibilities. In the meantime Krishnaswami indicated that he is ordering the preparation of a full set of statistics (capital output ratios) which are consistent with his matrix, and he agreed with Pitambar ~~that~~ ^(or vice versa) that the experiments should be carried out on the basis of both ISI and ISG data and the sources of discrepancy in the result should be traced as a check of statistical accuracy. In order to manage the Bombay project it would be useful if Kirt could send me his flow diagram and the formation of the matrices and all other computation information. I will have to find out ^{about} the working of the Bombay machine and get a programmer who will undertake the necessary changes. I assume that neither you nor Kirt object against using that material; in fact, probably, the details in programing and debugging will be sufficiently great so that Kirt himself might have a hand in the final launching of a continuous planning exercise upon his return to India.

Since the Bombay development is going to take some time, I am going to start drawing up the information and parameters which could be used for experimentation in Cambridge in addition to what Kirt^v and you are doing already. As far as the fourth plan is concerned or at least its preparation for the Jamboree in January, I am afraid the bulk of the computational burden will have to rest on you and Kirt^v.

By the way, while we were having the above mentioned tea, a messenger delivered an envelope from Ken Kauffman to Pitambar containing your paper prepared for AID with a request that its relevance should be evaluated by the recipient. I learnt afterwards that two other copies went ^{out, probably to} ~~to actually~~ Krishna and Ramu. This information is, of course, confidential. At the same time it increases my sense of uneasiness to have any of the fourth plan exercises financed by other than Ford Foundation funds.

I think the way things are going currently, it can turn out to be quite promising. Of course things are touchy, but I am ^{now} ~~not~~ sure that we can muddle through, particularly if nothing happens which could turn the question of planning into a cause celebre.

I shall stop this letter now because I have to attend to ^{the things} ~~something~~. I shall write to you in detail about the NBER paper and also provide some draft suggestions. As I said before my comments will not be of a ^{fundamental} ~~fundamental~~ nature and you are free to take them or leave them. My earlier queries about our concept of comparative advantage, however, are now reactivated and it is in this connection ~~where~~ where I have some misgivings.

More about this ~~letter~~ later.

Love to all.

Love

Max: is this serious enough, potentially, that we should think of ways (other than sending the Ford report to India) to forestall a problem? Eg, writing the Indians and/or Ford about the AID contract, and trying to draw some logical line, if there is one, between our Ford work and the AID work.

Don

CENTER FOR INTERNATIONAL STUDIES
MASSACHUSETTS INSTITUTE OF TECHNOLOGY
INDIA PROJECT, 161/48 CHANAKYAPURI
POST BOX NO. 253
NEW DELHI

October 23, 1964.

Dr. P.N. Rosenstein-Rodan,
Center for International Studies,
Massachusetts Institute of Technology,
50, Memorial Drive,
Cambridge 39,
Massachusetts,
U.S.A.

Dear Paul:

I have just completed two seminars in the Planning Commission attended by division chiefs and their underlings as well as all kinds of people from other ministries and academic organizations on the subject of the methodology of planning. I have in great detail explained our methodology and the most recent experiments which confirmed our earlier doubts about the orientation of the third plan. It was quite a show and I should say also quite a shock to the assembled audience. It was however very reassuring to me that the general response was constructive and cautiously sympathetic. The end result is that Krishnaswamy and Pitambar are both eager to sponsor and to conduct a wide scale of experiments based on our methodology in order to test the implications of alternative assumptions and approaches in the 4th Plan.

This afternoon I am going to have a special meeting with them to discuss what kind of initial data requirements and parametric variations would be of interest. Both Krishna and Pitambar feel strongly that as soon as possible they would also like to start **their** own experimentation with the help of the Tata machine in Bombay. I of course explained to them that, in view of the fact that some changes in the computational format are needed if our program is to be used on that machine, there will be a delay of at least two months before such experimentation in India itself could be started. Chances are that if results are to be had by the January meeting of the National Defence Council the bulk of it will have to be conducted at MIT. I shall write to Dick in greater detail about how we could most fruitfully collaborate.

The controversial issue of financing is now at rest. I had a new round with Tarlok Singh, Ashok Mehta and V.K.R.V. Rao. No one raised the issue and I have some hopes that this is where it is going to remain. By the way I have transmitted to Ashok Mehta a full set of papers, reports, etc. which were sent to me by Jim Dorsey.

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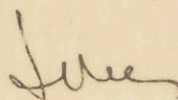
I could not yet get in touch with Raj Krishna; Steve Marglin is going to get hold of him around the beginning of next week. As soon as I know something about his interest in coming to Cambridge, I shall let you know.

Pell arrived and is currently engaged in the local orientation course financed by Ford. I think it will be the best thing if he could work with Trelak Singh's committee, the description of which I had sent to you earlier. V.K.R.V. Rao suggested the same thing, completely independent ^{ly}. (Rao was in an inexplicably affable mood when I called on him. He even gave me complementary copies of all kinds of papers of his.)

Sukhamoy is still in Calcutta apparently down with some fever. Tom Weisskopf who just returned from there reports that it is not serious. We are of course looking forward to having him here. I was also sorry, of course, that he could not participate in the seminars in the Planning Commission as I have originally hoped that he would.

We are all well and everyone sends you and Margaret regards and love.

As ever,



NOV 23 1964

TELEGRAMS: MITCENIS
TELEPHONE: 35366

CENTER FOR INTERNATIONAL STUDIES
MASSACHUSETTS INSTITUTE OF TECHNOLOGY
INDIA PROJECT, 161/48 CHANAKYAPURI
POST BOX NO. 253
NEW DELHI

November 18, 1964

Professor Max F. Millikan
Center for International Studies
M.I.T.
50 Memorial Drive
Cambridge 39, Mass, U.S.A.

Dear Max:

Upon returning from Bombay, I learned of a communication from Mr. B.K. Nehru to Mr. Mehta reporting about a conference that took place in Cambridge, and was attended by you, Paul Rodan, Dick Eckaus and the Ambassador himself. Based on this conference he apparently advises Mr. Mehta to have the preliminary plan analysed in Cambridge by our team and with our techniques for the purpose of reconsidering the targets.

The contents of this letter are being discussed as yet only by a limited group in the Planning Commission and elsewhere, but in all likelihood the story will spread. The reaction thus far is extremely unfavourable, except, perhaps, among those who for their own reasons may be assumed to take comfort in this turn of events.

Even under the best of circumstances the officials of the Planning Commission would not be willing to appear to surrender their control of analysing the Plan in favor of foreigners not in direct touch with the Commission. Circumstances now are far from the best. The CIA issue has put a cloud over our operation and our relationship with AID raises doubts over our allegiance in the minds of many Indians, even those who are otherwise sympathetic to close ties with the West. It is one thing for us to know that we are independent; it is another thing to expect others to believe in the independence of our work.

Our bona fides is beginning to be doubted by many who were previously willing to withhold judgment. The dormant problem of CIA financing could be re-activated and linked with a charge of improper use of influence as well as with a charge of conflict of interest on account of our simultaneous involvements with two governments in matters relating to Indian planning. Steve Marglin's judgment, based on information from sources different from mine, is similar but more pessimistic.

We, in Delhi, are confronted with two problems. First, we have to make sure that the interests of the members of our Mission are safeguarded. Second, we have to attempt to re-establish the bona fides of our Mission.

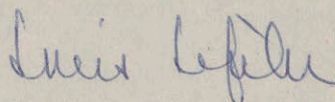
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These will prove to be difficult tasks. I believe that, among other things, they will require an absolute cessation of communications or advice from the Center delivered through ambassadorial or other official channels concerning what the Indian government should or should not do. Such communications can be exploited for political purposes which are extraneous to the real issue and which cannot be the business of an academic organization (most particularly of a foreign one) dedicated to research and to the communication of its results.

Neither Sukhamoy nor I can believe that the type of over-simplified notions about the role of computers which are present in the ambassadorial message could have originated from our Cambridge group. The claims made in the letter on behalf of the computer are seriously misleading to lay-men and there are by now plenty of competent people in the Planning Commission who are capable of demolishing any such claims. The danger is that Sukhamoy, Dick and myself will be accused of intellectual dishonesty; against this I shall take immediate steps. To compensate for the misunderstandings generated by the letter - but also to underline the intrinsic importance of the work - I plan to circulate a summary of our methods and Third Plan results. In this way I hope to make all interested groups aware of both the merits and the limitations of our approach. Sukhamoy agrees with me that this is necessary under the circumstances.

I realise, of course, that you may choose to disregard my warning on the subject of ambassadorial communications and other messages sent to the Indian government. It would, however, be fair and helpful if in the future you would advise me about such moves, so that I would be better able to function as the Center's representative in Delhi and to safeguard our interests.

Sincerely yours,



Louis Lefebvre

P.S. I think that in all fairness Little should be warned before his arrival about the difficult situation that may be awaiting him. I think this would be better done from Cambridge than from here.

cc: Professor Paul Rosenstein-Rodan
cc: Professor Richard Eckaus

MFM

MASSACHUSETTS INSTITUTE OF TECHNOLOGY
CENTER FOR INTERNATIONAL STUDIES
50 MEMORIAL DRIVE
CAMBRIDGE 39, MASSACHUSETTS

November 23, 1964

Dear Louis:

It was good to have your letter of November 18 to Max mainly because it conveys the hysterical wavelength that seems to prevail in Delhi. Since it is also and equally important that you should at all times exactly feel our wavelength, let me give my reactions to the letter off-the-cuff. (Max is away in Washington today but I have no doubt that he will feel the same way.)

This is a tempest in a tea cup. The Indian Ambassador visited us here, as he invariably does several times a year when he is in Boston. On that occasion as on many previous ones he naturally asked us about the course of our activity in India and in Indian research. Equally naturally he became interested in our models and in implications of working out alternative outlines of the development policy.

He looked at our flow tables and had an explanation of what among many alternatives a change in the targets of either the Third Plan in the past or the Fourth Plan in the future would be. We told him that our friends in the Planning Commission are aware of our work, that we have our mission in Delhi, and that you undoubtedly are in touch with Pitamber Pant, and very probably also Tarlok Singh, V.K.R.V. Rao, etc. He asked whether you talked about it to Ashoka Mehta and to L.K. Jha and we told him that we do not know concretely but we assume that you will have been in touch with them. It is quite natural that B.K. Nehru was both extremely interested and fascinated by the conclusions which might be derived from such an inquiry. It is equally obvious--and I am somewhat astonished that you did not take it for granted--that at no time, either directly or indirectly, did we ask him to press the Indian Government to have "the preliminary plan analysis done in Cambridge by our team." How obvious it ought to be results clearly from the fact that since the Planning Commission is informed both of our methods and of our findings they can quite easily apply these methods. Quite apart from Bombay there is now a possibility of the program work being done for them (on their request not ours) in Minneapolis where the new computer came from. Since Sukhamoy is an Indian and had a part in it, since you are on the spot, they know, if they wanted help, that they can get it. Certainly under circumstances it would have made no sense whatsoever to ask B.K. Nehru to press that the Indian Government should ask us to do this work for them. On the other hand, I quite understand--without any direct knowledge--that B.K. was naturally interested in it, that he conveyed this interest and the puzzling consequences to economic policy that seem to result from it. I, frankly speaking, doubt very much that B.K., who is a sophisticated man, would have at any time misrepresented his talk, which was organized on his, not our request, in the sense of saying that we press to be asked

to do the job for G.O.I. Let me repeat--my speculative interpretation is that he conveyed the importance of the work but certainly not any pressure that we should do this work. Otherwise it is, of course, very natural that he should have been fascinated in this type of research.

I, of course, agree that any distorted and oversimplified interpretation of this sort of research can be seriously misleading to laymen. But this is always the danger of any research work in operational economics and there one can only work on the assumption that both one's good will and good faith are taken for granted.

That leads me to the second issue. Of course malicious people can at any time link the CIA financing of some projects to the Center for their purposes. However, I feel very strongly that whoever of our real cooperators and friends assumes for a moment that the India Project has any connection with CIA is both unfair and unintelligent. I don't think that we should at any time because of that assume a defensive position as if we felt guilty about it. It is unfortunate that it can create political mischief but I don't think we should on that account stop doing this sort of operational research which so far has proved both interesting and useful both to us and to our Indian friends.

Needless to say, I am very interested to know what B.K. Nehru really wrote. I hesitate, however, to ask him since it would really blow up the whole thing into an "affair." Perhaps he oversimplified all kinds of consequences but, if so, it was naturally he and not the Center. On the other hand, you realize that we had no reason whatsoever not to tell him about our project of which the Planning Commission is anyway informed. I hope you also realize that both you and Dick in your manuscript have not spelled out any consequences on Aid policy. Let me add a purely personal note on that. You remember that in my AID paper (written in 1960 and published in May 1961) of which a copy was sent to Delhi in November or December of 1960) I stated about the Indian Third Five Year Plan: a) that I doubt that a 5 per cent rate of growth would be achieved, b) that if it were to be achieved, an annual foreign aid of \$1.67 billion should be obtained. In fact, one-third less was obtained. My interpretation of rearranged targets towards greater emphasis on consumption is admittedly that less aid would be required, i.e., less than \$1.67 billion per annum. It does not follow necessarily from it that aid should be less than 500 crores. My other interpretation is that if a 7 per cent rate of growth would be obtained one could have both more consumption and machines to produce machines. If, however, only 5 per cent were possible, then I sympathize with their reorientation towards a greater emphasis on consumption which is after all only what the Indian Prime Minister stated several times. Those are, however, only my personal observations and not those conveyed to others outside M.I.T.

Sorry to write in a hurry but I wanted to register quickly, as if on record, my reactions. I will write more extensively in a few days time.

November 25

Meanwhile your letter of November 20 to Dick as well as Sukhamoy's to Dick arrived so that we can both take a second look at the situation. I leave my first letter simply to register the first reaction.

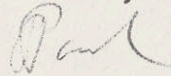
Let me restate some obvious points: you yourself realize more coolly that it certainly was not the Center who urged B.K. Nehru to write to Ashoka Mehta to induce him to allocate the decision and the implementation of the Fourth Plan to the Cambridge computer team. He was naturally interested--and it would have been unnatural not to be--in the operational importance of our procedure. Had I known that he would write to A.M. I would have informed you of it. Let me repeat/I exclude the first formula (which may have been an enraged distortion in P.P.'s description of it) that B.K. asked that the decision about the plan and its implementation should be given to our team. But it is very obvious that he wanted to make sure that A.M. is aware of this method of the different sort of results which can be obtained by asking relevant sort of questions, etc. He naturally may have oversimplified somewhat (How are we to know?) in describing how "the computer" can answer everything without getting into methodological description of how it depends on the type of questions asked, the types of data fed into the computer and the assumption underlying the model. Let me repeat, however, his instinct that the Indian Government would be wise in using this method and analyze the implications of various plan objectives is quite sound. It is also quite sound to attract attention to it since they certainly cannot expect us not to publish our model; after the publication public discussion of certain consequences would follow anyway. While there are many qualifications I do not feel that the whole result of the model is operationally meaningless. Of course the conclusions should be qualified and the uncertainty range due to the sensitiveness to different types of parametric changes should be carefully checked as well as the question to what extent funds can be redirected from one sector to another and also whether agriculture as a sector can really absorb all that can be put into it. But after all these qualifications the direction in which the Indian Government would be wise to reallocate although not necessarily the quantitative extent seems well to follow from our studies.

Let me say I find the utmost difficulty in visualizing the combination of circumstances which would point to an optimality of a Fourth Plan oriented in the same direction as that of the Third Plan pattern. Naturally it is not up to us to formulate political opinions, but equally naturally it is up to us and to all economist to reveal the consequences of some actions as compared to possible alternatives. The whole idea that the Center tries through indirect channels and through unfair means to influence Indian policy decisions is therefore childish and immature. If they have the plan and rationally consider what are feasible alternatives then they ought to be (and I am sure ultimately are) interested in the pros and cons of alternative actions. To point out what they are is a function of any economic study. This is the only action which we are interested in. The only natural corollary is the fact amply demonstrated by all of us in the past and I should say at present that we are--all of us--qua human beings and qua world citizens, very much interested in maximizing the welfare of India. One must be severely neurotic or unbalanced to doubt that.

I don't delay further in order that you should get the answer in time. If you feel like it do show at least the first reaction, i.e., the first two pages of this letter to Pitamber Pant, I.G. and others . Instead of replying to Sukhamoy's letter I am sending him a copy of this letter to you.

Naturally it would be important to be in India at this juncture. Two reasons, however, lead me to the decision to come only at the end of January: 1) I have to go to South America, Peru and Chile, leaving here on the 8th for Lima (address: Hotel Carillon) until the 13th and then to Santiago where I have to be until the 22nd or 23rd of December (address: c/o R. Saez, ENDESA). To fly from Santiago to Delhi at Christmas is murderous and moreover would only give me about a week in Delhi since I have to be back here at the beginning of the term. At the end of January, on the other hand, at the end of the term, I can stay longer if needed. 2) While Margaret and I are complete bohemians and even a separation over Christmas wouldn't matter, we have our silver wedding anniversary on December 30. We naturally never even remembered the date but twenty-five years have a different symbolic significance and I would loathe to be separated from her on that day.

Yours ever,



P. N. Rosenstein-Rodan

Pnrr:mob

CENTER FOR INTERNATIONAL STUDIES
MASSACHUSETTS INSTITUTE OF TECHNOLOGY
INDIA PROJECT, 161/48 CHANAKYAPURI
POST BOX NO. 253
NEW DELHI

NOV 21

23 November, 1964.

NOV 27 1964

Professor Max F. Millikan
Center for International Studies
Massachusetts Institute of Technology
50 Memorial Drive
Cambridge 39, Massachusetts
U.S.A.

Dear Max:

I had hoped to postpone until my return in January my contribution to the general discussion of the effects of the revelation of the Center's connection with the CIA on our position here in India. However, recent events (especially the reaction to Ambassador Nehru's letter to Mr. Mehta) compel me to write now.

The news of the existence of a relationship between the Center and the CIA has shocked and dismayed my friends and associates here. This is a general reaction, to which I can think of only two exceptions. Raj Krishna said (a propos his impending visit to the Center rather than the India Project here) that the source of finance for research was a matter of indifference to him as long as the researcher is permitted complete freedom in the conduct of his research and in the disposition of his results. Unfortunately for the Center's position in India, Raj Krishna is identified with many extreme political views, so that his attitude is not likely to prove an asset. The only other person who was not shocked and dismayed by the news - also an academic - said that the news came as no surprise to him at all. He knew of the CIA's role in the founding of the Center and had always assumed that some relationship continued to the present; he indeed had even suspected one or two Center visitors of personally having CIA connections! I might add that though not surprised by the news, he strongly disapproves of the existence of CIA-sponsored research at an academic institution. He, along with others, feels that MIT's image here, as well as the Center's, has suffered in consequence.

In this context, a letter such as Ambassador Nehru's, does significant damage. I know that Louis has written you about the effects of this letter on his work, and I will confine my remarks to its wider effects on the position of the Center. In brief, the Nehru letter gives the impression that our interest lies in politics rather than in research. I think that many would have drawn such an inference at any time, but because the atmosphere of confidence and trust in which we previously worked has given way to one of suspicion, the adverse reaction is all the more intense and widespread.

Professor Max F. Millikan
Cambridge 39

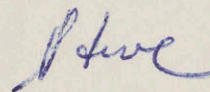
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I have been a beneficiary of the enormous good will that the Center had built up prior to my arrival here in the spring of 1963, and I know the position of high esteem from which the Center, and MIT by inference, have fallen. I doubt that any future newcomers who arrive under Center auspices, much less unknown quantities like myself, will find the automatically open, cordial, and cooperative reception that greeted me; it is possible that unknowingly John Pell may already be reaping the whirlwind.

I hesitate to make suggestions as to what course of action the Center should follow from here on, not only because of my relatively short tenure as a member of the staff, but also because it is difficult to see how the damage could be repaired. Despite this, or rather because of it, I am most anxious to know your reactions to this letter.

With best regards,

Yours sincerely,



Stephen A. Marglin

cc Paul Rosenstein-Rodan.

Indira field team

December 1, 1964

Professor Louis Lefebvre
Professor Stephen Marglin
MIT/Center for International Studies
161/48 Chanakyapuri
P.O. Box 253
New Delhi, India

Dear Louis and Steve:

I hope it is unnecessary for me to tell you how disturbed and distressed I am at the series of misunderstandings and misinterpretations which have been generated directly and indirectly by B.K. Nehru's letter to Ashoka Mehta. The misunderstandings between our Indian friends and ourselves are bad enough, but I am much more concerned about the failures of communication between the Center in Cambridge and the Center in Delhi. For a good part of these I plead guilty and take personal responsibility for not having kept you more fully informed. I confess that in spite of a lot of experience with the distortions which can occur in communications half way around the world, I was totally unprepared for the extraordinary twist in emphasis which was given to what looked here like a relatively routine and innocuous set of conversations. We should have anticipated some of these possibilities and kept you much more fully informed. I apologize for our failure to do so but the damage has now been done.

I am writing now to try and bring you up to date as fully as I can. Louis' letter of November 18th arrived here on Monday the 23rd when I was in Washington for a meeting of Ed Mason's Advisory Committee to Dave Bell. Paul showed it to me in Washington on Tuesday the 24th along with the reply he had written. Since then I have been in the office only one hectic day between the Washington meetings and the Princeton National Bureau Conference from which I have just returned.

While Paul has already given you the main outlines of our conversation with Ambassador Nehru, I would like to repeat these from my perspective. The Ambassador called me from Washington on Monday, October 12th, to say that he would be in Boston on other business on Wednesday the 14th, and would like to drop in that afternoon to catch up with what we were doing. Recognizing that some discussion of our model and its implications was almost inevitable, I called Paul and Dick and asked them if they could sit in on these discussions.

The Ambassador arrived a little after four o'clock Wednesday afternoon, October 14th, and we spent an hour talking about a wide variety of matters, but inevitably spent most of our time on the model and what it seemed to suggest about investment allocations. Dick emphasized all of the limitations of the model but suggested that this kind of a technique might be useful in throwing up some alternatives which were worth more careful study by the Planning Commission. We underlined that because of its various limitations the model could, of course, not be a substitute for the kind of careful detailed work that has gone on in the Planning Commission but that it might be a useful way of making a preliminary exploration of a wider range of alternatives than could be explored without the help of a computer.

The Ambassador inquired whether the Planning Commission had been made aware of the nature and possibilities of the model. We told him that you were in Delhi, were fully familiar with all details of the calculations and indeed had a set of the runs we had done up to that time. We presumed you would be presenting this material to your colleagues at the working level in the Planning Commission. In response to further inquiries from him we said that to the best of our knowledge the nature and potentialities of the model had not yet been brought to the attention of Ashoka Mehta or of L.K. Jha. In this connection, I said that we had felt that we, meaning Paul and I in Cambridge and Louis in Delhi, had felt some hesitation about communicating our preliminary results too widely through the Indian government first because of their tentative character and the analytic limitations of the exercise and second because we were aware that some of the issues on which it bears were issues of considerable sensitivity in India and we wanted to be very sure that no one got the impression that we, as foreigners, were attempting to influence matters that were essentially the concern of Indians. My memory is clear that we stated this not as a view you held but as a concern we all shared which quite properly affected the way in which you, as our resident representative in Delhi, approached this matter. There was no suggestion intended, or I think conveyed, that there was any difference of opinion among us as to how this matter should be handled.

The Ambassador indicated his intention of mentioning, in letters which he would in any case be writing to Delhi that he had discussed this with us, that the technique looked interesting to him, and that it might deserve further attention from the Planning Commission. In the context of our discussion we did not see how this could do any damage, particularly since you had already presented the technique and its preliminary conclusions and since they would in any case be made public at the forthcoming National Bureau Conference.

In retrospect, it was grossly negligent of me not to give you at once a full report of this conversation, but we did not anticipate from what he told us that the message would get through in the form you reported it in your letter of November 18th, and left it to Dick to make casual reference in one of his letters to the fact that we had seen Nehru.

Let me now report one or two subsequent developments. Ambassador Bowles called me on November 19th saying that he was in Boston for a medical check-up and to take in the Harvard-Yale game on the 21st with his relatives and would like to drop in for a chat on Friday afternoon the 20th. Paul Rodan was out of town, but I called Dick who rearranged a conflicting appointment and joined me for an hour's discussion with Bowles. Bowles reported his conviction that for essentially political reasons he felt it was important for the Fourth Plan to pay more attention to agriculture and consumption goods than the Third Plan had done. He indicated that he had already conveyed this view to Shastri, Jha and Mehta in a long session he had had with them before leaving India. Since we were sure he would hear from others about our model and its implications in any case, we tried to explain it to him. We underlined its limitations and our concern that it should not be used in ways which would suggest that the Center was trying to influence Indian policy. We pointed out our particular concern, in view of our good relations with the Planning Commission in the past, that the American Embassy should not use our results in putting pressure on the Indian government. I must warn you that I have no confidence that Bowles will observe this injunction, and it is entirely possible that he and other members of the American official family in Delhi will seize upon our model as additional ammunition for a line that they were in any case determined actively to promote before they were aware of what we were up to. Bowles returns to India this week and we can only hope this does not lead to further embarrassment for us, but I do not see how we can do any more than we have done to try to forestall this.

The only further development you should be informed of is the discussion the day before yesterday (Saturday, November 28th) at the National Bureau Conference in Princeton. Dick gave what seemed to me to be an admirably balanced and cautious summary of both the limitations and potential of this kind of an approach to the allocative problems of planning in India. Dick mentioned in his verbal comments the contributions Sukhamoy had made to the analytic structure of the model and indicated that the authors were presenting it as a technique which Indians and others with central responsibilities for policy might or might not see fit to make use of. Our responsibilities went no farther than to set forth the potential and the limitations of this technique as we saw them as academic scholars.

Mason made several points. First he stated it as his judgment as an observer of the Indian scene that the kind of allocative decisions to which the model was potentially relevant were not the decisions to which he felt it

December 1, 1964

was most important that the Indians should turn their attention at this time. In contrast he stated it as his view that problems of price policy, policy on import controls, policy with respect to organizational and administrative issues concerning agriculture, regulation of the private sector, and the like, were the important issues for the Indian government at this time. Mason also gave it as his view that the Planning Commission had perhaps always been less influential in Indian politics than Eckaus had suggested it was, and that in any case whatever the Commission's influence in the formulation of the Second and Third Plans its influence in the Fourth Plan was likely to be a good deal less.

I made two points. I said first, that I thought the Planning Commission's early influence had been more than Mason implied, and second that whatever its influence either in the past or at present, I felt that allocative decisions of the sort dealt with in our model as opposed to general economic policy decisions, were more important than Mason had suggested. Mason had also underlined the technical weaknesses of our model resulting from its reliance on linearity, its inability to deal with external economies, and the like. Dick handled this admirably in his concluding remarks, asking whether any development model, or indeed any analytic techniques used by Planning Commissions anywhere had avoided those limitations. I will leave it to him to report more fully on the Princeton meetings.

I do not know whether there is anything further we can do to try to rectify whatever damage may have been done to the Center's reputation by these rumors that we were trying to intervene in Indian politics. I can only assume that the reason these rumors have had such disproportionate impact is that many people in the Commission find it uncomfortable to reexamine assumptions on which they have been confidently operating and thus ascribe political motivation to those of us who are concerned only with the development of techniques of exploring alternatives. Under these circumstances, it is my suspicion that we would have been subjected to these attacks had there been no Nehru letter and will continue to be so. The only course open to us is to stand by our guns.

We will try to keep you more fully informed of anything happening at this end which might conceivably be distorted into an embarrassment for us. Meanwhile, we would greatly appreciate your sober judgment both as to our own image and as to how the Fourth Plan design is shaping up.

We would also like information on two other minor points. How are administrative relations with the Ford Foundation proceeding, and what progress is John Fell making?

Your report of the stir created by the Nehru letter leads me to believe that it would be wise for me to write a brief letter to Ensminger,

Professors Lefebvre and Marglin

- 5 -

December 1, 1964

who will undoubtedly be hearing of this from his Planning Commission friends, setting the record straight and indicating that he can get further details from you. I will, of course, send you a copy of the letter. I am responding separately to Steve's letter of November 23rd and hope to get that off in a day or two.

Best regards.

Sincerely yours,

Max F. Millikan
Director

MFV:kmo

MASSACHUSETTS INSTITUTE OF TECHNOLOGY
CENTER FOR INTERNATIONAL STUDIES
50 MEMORIAL DRIVE
CAMBRIDGE 39, MASSACHUSETTS

December 2, 1964

Full
India
field team
cross ref. Chakraverty

Dear Sukhamoy:

For a long time already I have wanted to write to you and the recent exchange of correspondence precipitates the crystallization. A few days ago I sent you a copy of my letter to Louis, so you know my general impulsive reaction to the rather extraordinary atmosphere which seems to have developed in Delhi. Even if I discount to some extent a possible small exaggeration and a hysterical unjustified suspicion on behalf of Pitamber Pant about the "affair B.K. Nehru" it seems to have been accepted to too large an extent by Louis, and an inexplicable residue remains in the attitude of friends who are normally sensible and sensitive. Let me repeat: it ought to have been obvious to anybody that we certainly didn't "call in" the Indian Ambassador and involve him in a political intrigue to ask his Government to request the M. I. T. Center to work out the Fourth Plan for them. This is so childish, so unlike us, and so unlike B.K. Nehru, that I fail to understand how anybody could have interpreted it that way. On the other hand, I noted with pleasure and no surprise (because I took it for granted) that you yourself in a letter to Dick took the position that research findings should be made public and that Indian authorities should be made aware of what they contain. To let them have the findings in advance should not only help them to see the implications of certain possible choices among objectives but also give them more time to think about those implications, including the fact that publication of the models might raise some political problems by less prepared public opinion. It would be an obscurantist policy, however, to suppress the publication of our results, quite apart from the fact that in my opinion it would be inimical to the best interest of research in general and of improvement of economic planning in India in particular. The affair of messages from the Indian Ambassador in Washington is a completely misleading red herring. It would have been unnatural for him not to be interested and unnatural not to ask his friends whether they checked their policy planning with such methods. I know that Max Millikan wrote to Louis today giving him further details of our talk with B.K. Nehru so that I won't go on about it.

What I do want to stress, however, is that a completely artificial link which is now being established in some quarters in India between our research in India and the fact that some projects of the Center (naturally not connected with India nor with economic development of any other underdeveloped country) have been financed by the CIA seems to me to mobilize aspersions and suspicions about the work of the India Project

which not only are completely beside the point but which presumably most of the people who seem to invoke them know to be quite unjustified in the case of the India Project. We spoke about the CIA affair at length. Reasonable people may differ about problems involved there. As you know, I take the line: a) that governments have to have political action instruments, and b) that intellectuals and universities ought not to refuse to do research work for government as long as the independence of research in every single respect and detail is completely guaranteed. These conditions, especially the last one, were completely satisfied in the case of those very few projects which the Center agreed to do on the CIA account. Incidentally, nothing could be simpler than to have these projects financed by another part of the government which would then pass it on to the CIA so that it is only by conviction that the research is independent that nobody tried to conceal the source of funds for that research. As you presumably know, in addition, this is a very tiny proportion of the total funds (I don't know exactly but something in the order of 5 to 7 per cent) and they refer exclusively to sociological and political science studies, mainly of communist countries or communist movements. You remember my view is that on the moral level I see no problem. There only remains an aesthetic and a pragmatic problem. One may have a distaste of sending a report to CIA even if it is to the intelligence part of it and even if one is quite sure that at no time and to no degree had the CIA any influence on the methods of research and the issue of publication, etc., etc. Secondly, pragmatic point of view: if in fact--even though morally unjustified--the image of the Center suffers then it would be wiser to refuse such contracts; and this will presumably be the line we shall take, not on moral but on practical grounds.

All that, however, has nothing to do with our research endeavors in India and whoever doubts it is either unfair or unintelligent. In the past the results of our research were helpful both in India and abroad for explaining the need of and mobilizing larger economic aid. It is the nature of any operational research that it may form a basis for decision-taking. This always has been our endeavor and it is quite obvious that we knew that decisions would be taken by the Indian Government and not by us. But to explain the basis for this decision-taking, to reveal the implications of their choices is a vitally important and necessary task of economic research.

I feel sure, Sukhamoy, that on those basic conclusions there is no difference of opinion among us. Naturally there are simplifying assumptions in our models and it is important to test the sensitiveness of various parameters and the possible impact of simplifications on operational conclusions. But keeping that in mind (and that should be tested) I still feel that some rearrangement of targets should be discussed by those responsible for Indian economic policy. Nothing would be simpler than to say: some people in India do not like the conclusions; let us therefore suppress the publication of our research.

That would be truly obscurantist and wrong. Under these circumstances, I feel that persons of good will should somehow explain this simple fact and overcome what seems to me to be some kind of hysterical short circuit in communication. It is naturally easier if Indian nationals do it. And from that point of view, I personally feel that you--knowing us, knowing our methods, quite apart from the fact that you are a coauthor of these models--should convey and explain the relevant factors of our study. You will agree with me that an enlightened and responsible Indian public opinion (i. e., largely the government) should have an opportunity of considering the terms of choices before it. I am therefore particularly distressed if even those who know us, who are our friends, and whom we know to be both sensitive and sensible now participate in an attitude or posture of criticism, suspicion, disappointment or hostility. That, for instance, a man like I.G. Patel, who knows us, knows B.K., and knows economics, should also be upset and critical is really surprising.

Perhaps talking man to man and with 100 per cent sincerity may re-establish a bridge which in my opinion should never have been shaken.

I shall come to India at the end of January, but I wanted to register photographically my thoughts and feelings before that time.

Love to both of you,

P. N. Rosenstein-Rodan

PNRR:mob

December 4, 1964

	DIRECTOR	
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ROUTED BY:		

Professor Stephen Marglin
 MIT/Center for International Studies
 161/48 Chanakyapuri
 P.O. Box 253
 New Delhi, India

Ind. July 7.

Dear Steve:

I was most grateful for your letter of November 23rd as any additional information we can get about the rather extraordinary change in the attitudes of our Indian friends toward us is helpful in trying to form judgments about what steps, if any, we can take.

My earlier letter to Louis and you will have given you as much detail as we can supply on the background of the Nehru letter. In the absence of the gossip about CIA I would have found the Indian reaction to that communication very difficult to understand. As our friends know, and as we have, I think, demonstrated over a period of ten years, our sympathies are all with the Indian planners and we have gone out of our way on frequent occasions in the past to get the Indian view better understood in both government and public circles in the United States. That our motives should suddenly be so suspect simply because an analytic exercise has led us to the view that some of the assumptions of Indian planning need a new look, is hard to take in the light of our record. I can only conclude that the CIA gossip has injected more poison into the air than I would have expected it would.

I have only one thought as to a possible way of clarifying our position. I think it would not be useful to issue any further institutional statement about our relations with the U.S. Government because we have done nothing which I regard as in any way inconsistent with the standards academic researchers should apply to their work and an official reply to gossip can only have the flavor to those not persuaded of our bona fides of a statement that we had stopped beating our wife.

Looking for a constructive way to deal with this problem, it has occurred to me that I might speed up an undertaking in which I am in any case engaged, which is to write a reflective essay for publication not as a Center document but over my own name, trying to set forth my own views on the whole range of moral issues concerned with relations between academics and government organizations. This would include both a negative statement of the principles which in my view must be preserved by an academic scholar who does work for any client, public or private, and a positive statement of the moral imperative which I feel very strongly for an academic who is a member of a democratic society to make available the

December 4, 1964

results of his researches when he believes that doing so can make a contribution to the rationality of public policy. This would permit a re-statement of my wholehearted subscription to the necessity of objectivity in research, unbiased by the interests of a client, to the importance of publication of all important results so as to subject them to critical scrutiny of the academic community, refusal to engage in any activities in which the full purpose and intent of the activity is not revealed to the public at large, etc. etc. It would also permit a statement of my view that subject to these overriding criteria, an academic has a solemn obligation, like any other professional, to bring his professional expertise to bear on the issues he and his institution confront through their government as members of a democracy. I would include in this section a discussion of the question of whether it is appropriate for a citizen to refuse to have any dealings with one or another branch of his government because he disapproves of some or all of the policies adopted by that particular agency. No doubt many Indians whose attention has been focused on the more lurid of the CIA's activities are unaware of the fact that it is the part of the U.S. Government officially charged by legislative enactment and by Presidential instruction, with formulating the coordinated view of the U.S. Government on the nature of the forces at work in the world with which the United States as a society must concern itself.

My thought is that were I to write such a personal philosophical essay, I would be interested in securing the views of friends both in this country and abroad on the principles stated therein and could quite logically distribute copies of a draft version to such people. I would be much interested in your reaction and in Louis' as to whether this would be a useful move. I plan to do it in any case since, as you can imagine, recent events have revived a long standing interest in these issues which I have had for some time. How much distribution I should give to a draft is a question on which I would like your judgment. Naturally you cannot make a satisfactory appraisal without seeing the draft and this I will try to get to you as soon as I can. Meanwhile, any other suggestions you have on how to deal with our immediate problem in India would be gratefully received.

Best regards.

Sincerely yours,

Max F. Millikan
Director

MFM:kmo
cc: Louis Lefebvre

December 4, 1964

*Ind. Field T.
Cross ref Ensminger*

Mr. Douglas Ensminger
The Ford Foundation
32 Ferozshah Road
New Delhi, India

Dear Doug:

An issue has come up which I gather has created something of a stir among members of the Planning Commission, and since they may be bringing it to your attention, I thought I had better give you the background.

Ambassador Nehru paid us a visit in mid-October in the course of a trip he made to Boston on quite other matters. He was interested in our work on India and in response to his request we explained our computerized model of the Indian economy authored by Messrs. Eckaus, Lefebber, and Chakravarty, designed to test the internal consistency of Indian plans and to exhibit the consequences for Indian growth of alternative patterns of resource allocation. He asked whether this tool had been brought to the attention of top officials of the Indian government and we replied that while Lefebber was planning to explain it at the working level in the Planning Commission, we were hesitant to press it vigorously at higher levels precisely because we did not wish to give the appearance of trying to affect decisions which were properly India's to make. We conceived of our contribution as technical and therefore wanted to make it at a technical level where its limitations would be fully understood. This model shows, among other things, the possibility of having a greater allocation of investment for consumer's goods including housing and agriculture and less for machines to produce machines without imperilling growth or lengthening the period of dependence on aid.

As reported from Delhi, Ambassador Nehru wrote a letter to Ashoka Mehta in which he apparently indicated that he had seen in Cambridge the results of our model. He is reported to have been impressed by this model and to have urged Mr. Mehta to bring it to the attention of the Planning Commission with the idea that it might be used by GOI to examine possible alternative Fourth Plan computations. This was apparently reported in a distorted version as a proposal that the alternatives be examined in Cambridge, which was not our intention. Some of our Indian friends have apparently concluded that Ambassador Nehru wrote this letter at our instigation and that this reflects an intention on the part of the Center to attempt to influence political decisions about the Fourth Plan in which in their view foreigners should not be meddling. The fact that the Center is known to have connections in various parts of the U.S. Government has apparently increased in some Indian minds the plausibility of this interpretation.

Mr. Douglas Ensminger

- 2 -

December 4, 1964

The model is now in the public domain. It was presented by Lefebber to a seminar in the Planning Commission, had previously been shown to Pitambar Pant, and was then presented at a conference on economic planning held in Princeton November 27th and 28th before a group of economists concerned with these matters. I enclose for your information and that of your staff a copy of the paper authored by Professors Eckaus and Lefebber which was distributed along with other papers on planning in other countries to the participants at the Princeton conference.

If you want any further information you can secure it from Lefebber, one of the authors of the paper, who as you know is now at our office in Delhi.

Best regards.

Sincerely yours,

Max F. Millikan
Director

MFM:kmo
enclosure

P.S. I suspect that the reason for the misunderstanding about whether Indian Plans should be tested against our model in Cambridge or in India was that at the time Ambassador Nehru visited us we did not believe that there were any computer facilities in India which were capable of handling the number of variables our model requires. We have been eager to see the whole operation transferred to India at the earliest possible date and were pleased to learn several weeks ago that there was a new computer in Bombay set up by the Control Data Corporation which has a capacity to deal with our model. The model is now programmed for the IBM 7090 and the program must be converted to be used on the Bombay machine. We have been in consultation with the Control Data Corporation headquarters in Minneapolis and they are eager to collaborate with us in rewriting the program for their machine. They are now at work on this problem and within a few weeks the program should be in shape to be run in Bombay if the Planning Commission wishes to do this.

December 7, 1964

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ROUTED BY:		

Mr. John Lewis, Chief
AID Mission
United States Embassy
Delhi, India

PERSONAL

Dear John:

As you are no doubt aware we have been working for the last several years on a linear programming model of the Indian economy designed to test on a computer the consistency of past Indian Plans and to explore the consequences of various alternative patterns of investment allocation for future Plans. I discussed this with Chet Bowles when he paid us a visit on November 20th and he urged that we send you a copy of a paper recently presented by Dick Eckaus at a conference on economic planning held at Princeton under the auspices of the Universities-National Bureau Committee. This paper does two things. It describes the structure of the model with some discussion of its potential and of the limitations which spring from the assumptions we have had to make to make the model manageable. It also indicates some of the substantive conclusions which emerge from the preliminary runs we have so far made.

Louis Lefebvre who is one of the co-authors of the model has made a presentation of this exercise to the Planning Commission and is currently available in our Delhi office to answer further questions about it.

Ambassador Nehru, to whom we explained the model and some of its implications during a visit he made to Cambridge in October has written a letter to Ashoka Mehta which has created some problems for us with our friends in the Planning Commission. Some of our Indian colleagues have gained the incorrect impression from this letter that we were trying to use this model to influence essentially political decisions by the Indian government about the shape of the Fourth Plan and particularly to push them in the direction of a reduced allocation to heavy industry and an increased focus on investment in consumer goods. Our basic intention was simply to present this as a tool which would make possible the rapid examination of a wider range of alternatives than could be systematically explored with more conventional techniques.

Through the National Bureau conference our views about the model and its implications are now in the public domain. Since we are eager to avoid the indirect implication that our conclusions were developed in order to support a policy position of the U.S. Government, I would appreciate it if

*India field T.
was by Lewis*

Mr. John Lewis

- 2 -

December 7, 1964

any reference to the model by you or your colleagues could include mention of the fact that it had come to your attention through the National Bureau conference in which Hollis Chenery was a participant.

Sincerely yours,

Max F. Millikan
Director

MFM:kmo
enclosure

Signed in Dr. Millikan's
absence to avoid delay.

December 7, 1964

	DIRECTOR	
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	SEC'Y	
ROUTED BY:		

Mr. Hollis B. Chenery, Director
Program Review and Coordination Staff
Agency for International Development
Department of State
Washington, D.C.

PERSONAL

Dear Hollis:

I enclose for your information and that of your staff a revised edition of the Eckaus-Lefebber paper on our planning model for India. The revisions are mainly in the last section of the paper on the substantive implications of the model. We are quite eager that any use made of the paper should be from this revised version since it contains a somewhat more careful drafting of our views about the allocative problem in India.

As we have mentioned to you, we are in a slightly delicate position with our Indian colleagues because some of them have gained the impression that we were trying through the device of this model to influence essentially political decisions about the Fourth Plan composition. Knowledge in India of contract relations between our Center and various parts of the U.S. Government including AID and CIA has lent plausibility to the incorrect charge that we were essentially peddling a U.S. Government line. For this reason we welcomed the opportunity the conference gave us to put the model in the public domain. It would be helpful to us if any references to it by AID people could include mention of the fact that it came to your attention through your participation in the conference.

I have given a copy of the paper to Chester Bowles who called on us here on the 20th of November and have sent a copy to John Lewis with the same cautionary injunction.

Best regards.

Sincerely yours,

Max F. Millikan
Director

MFM:kmo
enclosure

Signed in Dr. Millikan's
absence to avoid delay.

*2nd field Trans
Cross ref Chenery/AID*

12/9

9-12-64

Dear Professor Rodan

It was very useful to receive your letter of December 2. On receiving your letter, I got in touch with I.G. and had a very long conversation with him regarding 'the affair B. K. Nehru,' the CIA question and the question of AID financing.

You are certainly aware from the various letters I have been writing to Dick about my reactions to this whole complex of issues. As far as I can see, the B. K. Nehru letter has been given a much more sinister interpretation than was proper. This, however, does not obviate the fact that the reaction was highly negative. This includes not merely the PPD, but various other groups as well. It is important to discuss what caused such reactions. To ignore these reactions will merely make things irreparably difficult. It seems to me that the CIA affair had a lot to do with it. On my arrival in India, I wrote to Dick how bad the reaction was, particularly amongst our friends. Merely saying that the India project has been free from any CIA connection has so far proved quite ineffective. The other important reason seems to be the fact that a number of people felt we were trying to sell a "consumer goods line" through B. K. Nehru. This was resented by all and sundry. No body took the trouble to distinguish between a number of qualitative issues which our model clarified and the statement that we thought it would be more 'optimal' to have more investment in consumer goods industries. The latter proposition may be right, but I do not think that our model has as yet shown such a reshuffling to be compelling for better planning. In addition to the above two reasons, some people have also mentioned the 'impropriety' of AID financing for the project.

I think that at this stage one should try to answer all these charges as carefully as possible. I have personally taken the position that while I do not agree with the policy of taking any money from CIA there is no doubt in my mind that the India project had nothing to do with it at any time in the past. I have also added that I believe this to be true of most of the Center projects. Beyond that I do not have any more knowledge at my disposal. As regards the planning model, I have again and again emphasized the analytical qualities of the model, its superiority to the set of existing computable models, etc. I have also emphasized that while the model may not be conclusive, some of its findings deserve to be very carefully

be

considered in the interests of national planning. To draw any inferences from the model itself regarding the Fourth Plan allocation strikes me as very premature and under the circumstances highly undesirable. Louis and I have also circulated our seminar notes to dispel any possible doubts regarding M. I. T. wanting to arrogate to itself the role of the Indian planning commission. I think that our seminar notes have been very helpful in eliciting discussions and dispelling totally extraneous doubts. So far as the planning model is concerned, nothing more needs to be done, right now at least.

There is, however, one fundamental question that is left unanswered. The question is simply whether the Center is to be regarded as an international community of scholars interested in question of economic development, or a national org organ concerned primarily with better decision-making by the US Government. Either point of view seems to me to be justified. But if the latter viewpoint is adopted, I think that the Indian government officials starting from I. G. to Pitamber will extend to it only those courtesies which they generally extend to agencies such as the AID mission in India. I think that it will be very important to give this question more thought. I shall write to you later. In the meantime I shall be interested in your reaction.

Our love to Margaret and you,

Sukhamoy

August 19, 1964

Mr. Douglas Ensminger
The Ford Foundation
32 Ferozshah Road
New Delhi, India

Dear Doug:

I confess I was somewhat startled and taken aback by our telephone conversation on Thursday the 6th. You reached me at Endicott House where our agricultural conference was in session and I did not have available my letter of July 2nd to which you and Mr. Bunker took exception.

I have now reviewed that letter and confirmed my impression that it accepted almost all of the specific points raised in your letter of May 14th. I thought it worthwhile to explain in that letter some of the characteristics of our operation that we believe are important to its success. Every operation has some such special features, and I assume that Ford Foundation administration is not yet so bureaucratic and rigid that it cannot make some adaptation to the special needs of particular projects. If we have been unreasonably demanding during the past year, I am sorry. It was not my intention to insist on any particular arrangements, but only to request that the needs of our enterprise be given sympathetic consideration.

The only concrete issue I have been able to identify as one which may have created problems was my suggestion that there would be some advantage to our group being left in their present office quarters for one more year until the expiration of the lease. If, as I gather from you, there are compelling reasons of administrative efficiency for not following this course, we will, of course, adjust to whatever you think is necessary. This is not because, as you implied on the phone the alternative is the unacceptable one of complete cessation of Ford administrative support, but rather because we recognize that you must be the final judge of what administrative arrangements are workable within your general policies.

I take it that wherever office space is found for our people, there will be no difficulty in meeting our minimal requirement that they be together and that there be as much continuity as possible in the Indian office staff assigned to service them. We do not seek special favors, but only hope, as stated in my letter of July 2nd that your staff will bear in mind, as I am sure they will, some characteristics of our activities which may be a bit different from those of other projects. I would also very much appreciate being kept informed of specific problems as they arise so that we can avoid unnecessary friction in the future.

Sincerely yours,

Max F. Millikan
Director

MFM:kmo

Delhi

6.12.64

Dear Dick,

homogenous work

your recent letters show understandable irritation with

how's handling of the B.K. Dehruvelin episode. I had a long talk with Louis last night. He showed me a letter which Millikan had sent to him very recently. He felt that Millikan's letter confirms him in all his fears about how the situation was handled in Cambridge.

Millikan mentions that Dehru had ~~written~~ ^{told} him that he was going to write to Delhi about the project, although he was not requested by anybody at the Centre to do so. From Millikan's letter, it is not very clear about what the Centre's position is regarding the acceptability of the planning work. It seems to me that there are two different issues here which ought to be clearly distinguished.

One is the simple statement that our technique is a superior one to the currently existing techniques. Secondly, there is the statement that we have demonstrated that a different investment allocation during the Hind plan along our lines ^{would have been} more 'optimal' than the ^{current} plan allocations. From this, there follows a third, but quite closely related proposition that in the light of our analysis, the fourth plan allocations ought to be altered. I find myself in complete agreement with proposition one. On proposition two, I think that the issues are considerably more complex.

I do not think that we have proved our model to be more 'optimal'. ~~But~~ ^{It is true however, that} I do not think that one can always prove such propositions unambiguously. ~~Further~~ But even if we were right on proposition two, we cannot still say anything about the fourth plan before doing much more numerical work. In view of the fact that very little time is left before the 4th plan is finalized, our model cannot ^{therefore} be put to its best possible use for marking the 4th plan.

My position can, therefore, be summarized as follows. First, we should press for the adoption of the method. Secondly, we should press for a discussion of the different qualification issues which our model brings into a sharp focus. Thirdly, we should refrain from saying anything about the fourth plan at the current stage of our computational work.

During the last few weeks, I have discussed this model with Sachin Chaudhrie and K. D. Raj quite extensively. I.G. has ^{been} very busy with his wife's recent operation. I hope to discuss it with him very soon. Although none of these people I talked to were convinced by our numerical results, but they all showed great interest.

I feel it is very important that we have a quick meeting after the meeting. She has now got to be calm. I hope she will come up with some proposals of the kind we have discussed. I hope she will be able to do this. I hope she will be able to do this.



BY AIR MAIL

हवाई पत्र
AEROGRAMME
NO ENCLOSURES
ALLOWED

Professor R. S. Eckman
283 Highland Ave
WEST NEWTON W. Newton
Cambridge - Mass
USA

Sanku Chatterjee
Dept of Economics
Jadavpur University
Calcutta 7

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in the model. Sanku Chatterjee can be easily persuaded to write an editorial if we feel it is urgent to do so.

As regards Louis, I feel that he is genuinely upset by the recent events. I have tried to persuade him to get down to any joint work for completing the manuscript. I am afraid that it will take him quite a bit of time to regain his full composure. While I do not see ^{any reason} why he should be so emotionally excited, I think that his intellectual reservations on a number of questions are justified. In fact, I suggest that the two remaining parts we have jointly prepared (I met the section on "the nature of the model" and participated in the rest) and which by and large represent our opinion should be published in the name of three of us (subject to your approval and amendments). As regards the NBER paper, I do not think that at this late stage, ~~we~~ I should figure in its authorship. It should go as your joint paper with appropriate reasons in the last section. In fact, the fact that my name did not appear as an author has not prevented me from communicating to you fully my reactions. I have, in the meantime, been making more progress in finishing the manuscript. Please send me your comments on chapter III very soon.

Homograph

Dear Dick,

One line to all of my memos

3.1.65

I have taken sometime to reply to your letter. I have been thinking for the last few weeks quite intensively about what one can do to rewrite the so-called 'seminar notes' in the light of your comments. Let me state my independent position on all this. I do not know if Louis agrees with me on everything that I say. I think that all your comments are highly relevant. To do full justice to them and to accommodate my own intellectual position on all this I think that the present section IX of the seminar notes has to be revis. Here are my positions:

(a) I think that our approach is a Consumption-oriented approach. Within the specifications of our approach, your sensitivity tests show that the qualitative pattern, as against the specific numbers, of the 'Alternate Plan' is a move in the right direction; (b) in so far as Consumption is an objective of policy in any society, our analysis is relevant.

(c) However, it is not true that our approach can be used to justify at this stage any policy line emphasizing 'Consumer goods industries'. This is because there exist other dimensions of government's policy, bearing out the weight of non-economic factors, there is ^{at least one} important economic objective for an economy like India, eg. the elimination of unemployment over a period of time. Even the objective of maximizing Consumption subject to achieving full employment may indicate a radical qualitative shift from our analysis, if we assume that agriculture is already suffering from significant overpopulation.

This question of employment, plus the fact that we have not addressed ourselves to the implications of our approach in terms of income distribution, makes it intellectually unwarranted for us to say anything specific about the strategy of the plan right now. Thus, our position is that we have demonstrated on a methodological basis the logical implications of one highly relevant aspect of plan-making for India, but, of course, we have not got a plan for India.

The propositions suggested here seem to me both intellectually honest, at the same time it does justice to our own views and avoids misleading interpretation of our hosts both for and against.

to have been able to put anything and I am feeling terribly exhausted. But 'unlike many people, I consider money quite a few I shall write to you later. In the meantime, I shall complete the revision. I have been



BY AIR MAIL

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Prof. R. S. Eckman
293 Highland Avenue
W. Newton, Mass
USA

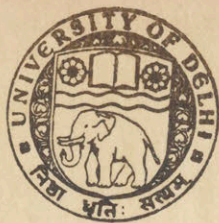
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I expect that you agree with the views expressed here. I have also rewritten the last section in the light of these observations. I have not yet talked to him about this reorientation. In his present state of mind, he may not agree to this because it ~~seems~~ may seem to him that more value is being attached to the model than it deserves. If you agree with me, please send me a cable as soon as possible so that I can take up this point firmly with him.

You may have ^{read} gathered ~~about~~ the information that the Centre has become an object of political controversy in India. My own position in all this is the most vulnerable. However, ~~since~~ I do not think that any good can be served by my getting overly excited about this. Things will only get worse by trying to answer such accusations personally. However, if we can agree on a joint paper for the 'Economic Weekly, annual number' we can do a lot to make our own position very clear. This is the ~~only~~ ^{only thing} that I can do right now to protect my reputation. Otherwise, I think



DB
MEM

DEPARTMENT OF SOCIOLOGY
DELHI SCHOOL OF ECONOMICS
UNIVERSITY OF DELHI
DELHI-6

Ref. No.

Dated 4.1.65

Dear Dick,

This letter should be regarded as a continuation of the letter that I wrote to you yesterday.

I just wanted to add a few lines emphasizing how important it is that under the circumstances, we act together. This is all the more important because I believe that between you and me, differences are relatively unimportant. Regarding Lewis, I agree with most of the intellectual positions that he has adopted so far. However, since the Centre has come under very severe attack in India, he as a representative of the Centre in India he feels little extremely insecure and very upset by all the recent happenings. I have no doubt that he has been doing his very best to protect the good name of the Centre as well as of his research Collaborator. But the situation is very bad. When I say it is very bad, I do mean it literally. ~~Clearly~~ The Centre may still have significant support ⁱⁿ ~~from~~ India, but the support comes mostly from the Swatantra, the very Conservative section of the Congress and people like Raj Krishna, who is identified here with extreme right wing reaction. I consider this to be very unfortunate both personally as well

By air mail



Aerogramme

Professor R. S. Eckman
283 Highland Avenue
W. Newton, - Mass.
U.S.A.

S. Chatterjee
Economics
DEPARTMENT OF SOCIOLOGY

DELHI SCHOOL OF ECONOMICS

UNIVERSITY OF DELHI

DELHI 6, INDIA

for my firm conviction that there are many people at the Centre whose views, despite ^{some} disagreements, I greatly respect. I must say that it will be very hard to maintain the line unless we act firmly and in a united way. Louis's unusual sensitivity should not obscure the very important issues on which he is taking a valuable stand.

I shall be eagerly awaiting your replies. I wish that we could have a chance of getting together. Between you and I, we could have shared up the issues within a short while.

We very much miss you, Rishabdasan. We hope that we shall have an opportunity of seeing you sometime in the near future. With love from Lalita myself and...

96D

February 4, 1964

Dr. Alan Manne
Center for International Studies/MIT
161/48 Chanakyaपुरी
P.O. Box 253
New Delhi
India

Dear Alan and Steve:

I am addressing this to both of you in response to your respective letters of January 16th about administrative matters. Paul Rodan, Louis Lefebvre, Dick Eckhaus, Jim Dorsey, and I have had a bull session about the problem of relations with Ford and what follows reflects, I think, our substantive consensus. It is necessary to go into a little history to clarify the background.

Our first big grant from the Foundation covering our India work was handled precisely as Steve recommends in his letter our current procedures should be. We had a grant from Ford large enough to cover all of our logistic support requirements and were quite free, subject to not getting too far out of line with Ford Foundation practice, to make our own arrangements as we saw fit. This indeed was at that time Easminger's preference as he did not want the local Ford office saddled with administrative responsibilities for all the organizations working in India with Ford money.

The establishment of a separate MIT office so labeled got us into some difficulties with the five institutions with whom we were supposed to cooperate, most notably with Rao, because they wanted our people individually assigned to and housed with their own. We stood firm on this issue but agreed in response to pressures from them in which Easminger joined to reduce in any little ways we could the visibility of a separate MIT establishment. This included encouraging our people to spend some time at the cooperating institutions, refraining from holding large functions at our offices widely advertised as MIT Center affairs, and the like. Some of this may explain Easminger's comment about "de-emphasizing" the MIT connection. He felt, with some justice, that our relations with the Indians and particularly with the Planning Commission could be endangered if the impression got around that there was a large foreign group with its own establishment making inside recommendations about Indian government policy. We have had no real problems about this in the last couple of years. Easminger recognized that our people, coming out for relatively short stays, needed to be housed near each other and to work closely together with their own secretarial and office facilities and I think essentially became resigned to the notion that we were not there primarily to add to the staffs of the cooperating institutions.

February 4, 1964

When our grant came up for renewal a couple of years ago a wholly different set of problems arose. We had been having to go through elaborate procedures each year to secure our own exemptions from Indian income tax and had not had access as regular Ford people did to such things as tax free liquor. The problems of Ford grantees in handling their administrative arrangements led Ford, before renewing our grant, to change its basic policy in two ways. First, all salary payments to be made in India on Ford supported projects would be made through IIE rather than direct, thus automatically curing income tax exemption. Second, Ford decided that it would take over logistic support and take responsibility for providing housing, transport, and the like for all Ford supported activities. The amounts we needed for our project renewal were substantially larger than the Foundation felt it could provide out of its project budget. They therefore proposed, and we had no alternative but to accept, that they would remove the logistic support items from our budget and take care of them through the Ford operational budget in Delhi. Their assumption was that since this would remove some of the functions that our administrative office had been performing it could be somewhat reduced in scale and activity.

We agreed to this as far as property management was concerned but emphasized that with people coming in and out without background in the Center's operation in India and without familiarity with the sources of documents, contacts with people, ways to arrange things, and the like, that were needed, we would continue to require a small administrative and secretarial staff under our control. This was my understanding of the agreement that Bauminger and I came to jointly with the New York office but unfortunately apart from the actual shift of items from one budget to another, we never put anything on paper to formalize these matters.

With this background I think you can see that we are simply not in a position to insist that we maintain complete control over all physical facilities. So far as the allocation of housing is concerned it seems to me all we can do is to ask the Ford Foundation to consult with us before assigning housing space we have normally occupied to non-Center people and to ask them to give our own people priority. So far as office facilities are concerned we can I think insist that they secure our consent and agreement before turning space they are paying for over to non-Center people, but I do not think we can hold substantial amounts of space unutilized for long periods if they have pressing needs for it. During the time when we have non-Indian staff in residence we can perfectly appropriately ask them to get the concurrence of our chief of mission in any use of space normally set aside for us to insure that this will not interfere importantly with our substantive operations. I do not see, however, how we could take the line that we did not want them to use the Center office for other Ford purposes during the three or four months in the summer when there is no substantive Center researcher in residence.

February 4, 1964

I am quite prepared to support you in any way I can on minor issues. For instance in view of the limited time our people normally have in India, it seems to me we have a strong case for urging that Lakshman, who is in any case on our payroll, should help to the maximum degree with the domestic staff requirements of our people.

I am perfectly prepared if you think this would be helpful to write a letter to Essminger explaining how our requirements differ from some of their others and pleading for a cooperative attitude in recognizing these differences. I do not, however, see any alternative to a certain amount of negotiation on these matters on the spot between you and the Foundation people. We simply cannot be well enough informed at this distance to inject ourselves from Cambridge into individual issues as they come along.

I'm enclosing a draft letter to Essminger which I will be happy to dispatch if you think it will be useful, to modify in ways you suggest, or to throw in the wastebasket if it is your judgment that the dogs are sleeping comfortably enough so they should not be stirred up again.

Turning to the items in paragraphs two, three and four of Steve's letter we are not entirely clear what is meant by "regularizing our procedure" on the matter of temporary vs. permanent status. If there is something you feel we should do about this that we are not now doing, let us know.

With respect to the salary scales proposed you are in a better position than we to judge this but, especially in view of recent increases in the cost of living, what you are suggesting seems eminently reasonable here, particularly if it does not put us out of line with Ford Foundation practice. Jim Dorsey is writing Lakshman that we are removing the "acting" from his title.

With respect to the investment criteria paper, I do not believe there is any reason why we should object to having Raj arrange for its publication in India subject, as you say Steve, to reservation of the rights outside India. We have had close relations in the past with the Asia Publishing House in Bombay which has handled Indian publication of all Center books so far, but we have no exclusive contractual obligations to them. You might inquire from Raj what publisher he proposes to use as we have found Asia Publishing satisfactory to deal with and rather energetic in promotion. They have made rather good arrangements with Allen and Unwin and the MIT Press for types of joint publication which have saved the western publisher some money. We will explore this further at this end.

Best regards.

Sincerely yours,

Max F. Millikan
Director

kno

D
R
A
F
T

February 4, 1963

Mr. Douglas Ensminger
The Ford Foundation
32 Ferozshah Road
New Delhi 1, India

Dear Doug:

I would like to put before you a few further reflections on the handling of our administrative arrangements in Delhi.

The present scheme under which your office is responsible for rents and the management of real estate and transport is a much more efficient one than the one we had before and we are pleased with it. There are a few special features of our operation which we would hope you and your staff would bear in mind in this connection. In spite of our best efforts the people we send have been, and I suspect will continue to be unfamiliar not only with India and how things get done there but also with the background and history of the Center's work there. While we are trying to extract commitments from them for as long a period as possible, people of the quality we are seeking are unavailable for tours of more than eight or nine months and it is therefore peculiarly important that they be able to get to work with minimum delay in finding their way around, getting access to documents and materials, making living arrangements, and getting in touch with people familiar with the Center's work. For this reason we feel that it is an economy not only of money but of the scarcer commodity of professional time for us to have a small and continuing Indian staff which is familiar with the kind of work we do, with our documentary needs and with the people we work with most closely. If our people required only routine secretarial services these could be handled by the Ford Foundation pool, but under the circumstances we feel it is important that Lakshman and the others who are on our project payroll and are familiar with the Center's activities should be available to give full support to our non-Indian personnel. This includes some kinds of services like arranging for domestic servants which I gather your office does not normally provide Ford Foundation consultants.

In addition the physical arrangements for proximity of housing and office space are peculiarly important to the working of our group as a team and we would hope that in assigning space your people would consult fully with our chief of mission and give us first priority on the facilities which we have conventionally utilized. We recognize that you have to meet a large number of requirements out of your logistic budget and we are asking only that you do this only with full information as to our somewhat special needs.

Sincerely yours,

Max F. Millikan
Director

kmo

file India
Crisis *Y.B.*

January 6, 1965

Dear Louis:

I have just arrived from Chile and the chaos on return is such that I have to postpone until next Monday a detailed photogram of my reactions to your letter of December 10. As one sample of it, however, I include a copy of my letter sent today to Sukhamoy.

Max will presumably write to you about your telegram and a meeting we had about it on my return. We all felt that even the appearance of attributing so much importance to an irresponsible attack in a weekly magazine would be counter-productive.

I shall naturally write about it more thoroughly on Monday. I hope to leave here around January 22. If you are still in Delhi, I will meet you there. If not, we could meet in Rome or London, where I would stop for that purpose.

I also enclose a copy of a letter to Pell who seems to be a victim of the new hysterical situation. This is rather a pity and I only wonder if one talks about it to Tarlok Singh and Rao, on the one hand, and, more thoroughly to Ramaswami and his people in the Department of Commerce, some opening could be arranged.

This is only a telegramsese message. More to follow shortly.

Love,

P. N. Rosenstein-Rodan

PNRR:mob

Enc: 2

Ind. - Crisis

January 6, 1965

Mr. John D. Pell
Center for International Studies
Massachusetts Institute of Technology
India Project 161/48 Chanakyapuri
Post Box No. 253
New Delhi, India

Dear Mr. Pell:

Thank you very much for your letter. I fully realize what difficulties you encounter in your research. I very much hope to be able to remove some of them when I come to India around January 24 or 25. Even before, you might perhaps talk with Professor Lefeber and try to make contacts with Mr. Ramaswami, who used to be at Commerce and is now in Finance, and the man who is now in Commerce at his desk, Mr. Honavar. Naturally, also talk about it with Professors Tarlok Singh and Rao.

I agree that the management consultants project is not at all what we had in mind. If worse comes to worst, it is only a mere three weeks before I arrive and we can talk this matter over thoroughly. I hope meanwhile that these initial difficulties will not spoil your taste for work in India.

Kindest regards,

Yours sincerely,

P. N. Rosenstein-Rodan

PNRR:mob

CLASS OF SERVICE

This is a fast message unless its deferred character is indicated by the proper symbol.

WESTERN UNION TELEGRAM

W. P. MARSHALL, PRESIDENT

SF-1201 (4-60)

SYMBOLS

DL = Day Letter

NL = Night Letter

LT = International
Letter Telegram

The filing time shown in the date line on domestic telegrams is LOCAL TIME at point of origin. Time of receipt is LOCAL TIME at point of destination

1253P EST FEB 10 65 BA 149

B CDW129 WLNL619 18 PD INTL CD NEW DELHI ITO VIA WUI 10 1600

LT MILLIKAN

MITCENISCAMBRIDGE(MASS)

ACKNOWLEDGING YOUR CABLE ARTICLE DRAFT UNAVAILABLE AIRMAILING

SIX OFF PRINTS IMMEDIATELY RECEIVED FROM BOMBAY

LITTLE.

E- 37688

CENTER FOR INTERNATIONAL STUDIES
MASSACHUSETTS INSTITUTE OF TECHNOLOGY
INDIA PROJECT, 161/48 CHANAKYAPURI
POST BOX NO. 253
NEW DELHI

#6

Saturday, 6th in the plane to
Moscow

Dear Max,

Writing is difficult when you cannot dictate. Let me sum up the pros and cons of your trip to India as seen by myself (and also by Lushnikov) on the one hand, and by John Lewis (and Mr. Barts) who have of course a vested interest in your coming. - My arguments are roughly speaking: 1) It is wise dealing with India now in logical terms, we have to deal in psychological terms. I think I have been able to dispel the two issues (CIA - and Model), the most recalcitrant on the second (incl. B.K. Khan etc) are Pol. Paul and Krishnamoorti - although even they admit "they may have exaggerated." I told the group that being in Kerala under gun fire (attacks or planning etc) they reacted as if they had shell-shock. - The next outcome, as I see it however, is that the emotional phony period is a maximum of one or two weeks or even longer - as that the effects of it will not materialize in two weeks. 2) It is difficult to judge what effect the NOW article had - but I am afraid that since there is little news value in this meeting for journalists an enterprising one may easily pick up the CIA issue as news - and that would do damage. 3) The meeting itself is rather poorly organized, they say or you to resolve it. This is an argument for them, but not for you. -

2.

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POST BOX NO. 253
NEW DELHI

of
Gusmeyer, who is very well informed and emphatically says that it would be superfluous
to come now. The journalists might get cold feet - and the calming effect of my visit, which
he detected, might be lost. - An argument that John Lewis stated they would be just in despair
if you let them down. You are the only one in the whole outfit who knows something about India.
Deshmukh will handle the meeting in a way that journalists cannot ask questions from the floor, just
one short meeting at the beginning and one at the end - and he can certainly stifle (?) any
embarrassing questions. Naturally this view has been based that they see the whole enterprise in
collapse - if you dropped out. But this is an argument for them, not for you. I cabled ^{you} precisely
to give more time to them to look for a substitute, if you decided to cancel the visit. I also
mentioned casually to friends - that I heard from Margaret that you were not so well (flu, or some
thing?) so that it should not come as a surprise. - To me up: I should be quite in favor
of dropping the visit now, if it were not for the fact that dropping it is also "news" under circum-
stances - Even so on balance it seems more rational to drop - although (I'm not) in view
of potential publicity - not by any means a certain one.

I have will have to a trying procedure of going through Lewis letter; he is very little

Crookford's
Address: % Mrs. [unclear]
16 Carlton House Terrace
W. 1. London

3.

TELEGRAMS: MITCENIS
TELEPHONE: 35366

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consider that he was lucky let down - just to recognize any fault of his own is an almost
impossible way - and of course attributes the 'decision' that he will not be promoted, entirely
to his fault, incl. a very unflattering image of his credit in Bishop's mind & us. P. E. has long
come across in to a major conspirator in all this. Steph Magri also is very sorry for
Lois, considers his warnings were not taken seriously - and his interpretation disastrous - which
I told him, that had been reported: The Indians are angry, what are we to do? instead of accepting this very
interpretation - he would have received more credit. - Be it as it may - even Steph, who is much less sensitive
accepts the charge that we should talk for some to B. H. (this is reasonable) & journal on the tension
in the books (which I explained to him, that was only of inadvertence when they talked), not a part
of a campaign. He is much more balanced than he used to be, but feels that he has to
clear his mind about the Centre - He journal, had a miraculous receipt in the by felt that all
doors miraculously open when he mentions the Centre - and that that has gone off any note
I said we shall discuss it - but it should not be with you - of Lois in Steph
accusing, and checking whether their case is correct. Steph M. is also convinced that nothing at all
can be expected from the Model about the G. J. H., which I feel that further facts are required, but
that there is a presumption in one direction! Bye Bye

Cable sent February 9, 1965

To: Little-Lakshman

WIFES ILLNESS REQUIRES POSTPONEMENT MY TRIP TO INDIA STOP DON HUMPHREY
OF FLETCHER SCHOOL TUFTS UNIVERSITY WILL REPLACE ME AT ADVERTISING COUNCIL
ROUND TABLE STOP ADVERTISING COUNCIL WILL HANDLE HIS ACCOMMODATIONS STOP
PLEASE AIRMAIL PROMPTLY SIX COPIES FINAL DRAFT ECONOMIC WEEKLY ARTICLE
IF AVAILABLE STOP LETTER FOLLOWS

MILLIKAN

Cable sent February 9, 1965

To ROSENSTEIN-RODAN

YOUR LETTERS PLUS REAL CONCERN ABOUT FLAREUP OF TINAS OLD MEDICAL
PROBLEM HAVE PERSUADED ME TO POSTPONE INDIA TRIP STOP HUMPHREY WILL
SUBSTITUTE FOR ADVERTISING COUNCIL.

MAX

MASSACHUSETTS INSTITUTE OF TECHNOLOGY

Handwritten initials/signature

21 Dec

19

JAN 5 1965

Memo to

R S Eckaus

Room

Ext.

Info + returns



from

URM

Room

Ext.

Letter to LL from RSE dated October 11, 1964

The problem of how to bring our results to the attention of Indian planners in the most judicious and effective way has been bothering me a good deal over the past week. I feel strongly that they must receive attention. I think that the conclusions are important on their merits. They are shortly to be given wide circulation here in the U.S. Based on the sample of a few persons with whom I have talked about them, the results are going to be used in judgment of Indian planning not only in the past but in the future. We must make our Indian associates see their significance.

The Oct. 5 issue of the Hindu Weekly Review reports that the size and composition of the Fourth Plan was under active discussion at this time. The results we have achieved in the analysis of the Third Plan should be considered. My reading of the P.P.D.'s proposal for the Fourth Plan is that the relative emphasis of the Third Plan is to be continued. Even though we have not yet analyzed the Fourth Plan period, a judgment based on what we have done would be that it should not be an extension of the Third Plan in its relative emphasis among sectors. At this point I have only a hunch about how the Fourth Plan analysis will come out of our model but I doubt that it will be radically different in character from our analysis of the Third Plan.

I do not want to "play politics" with our work. I do want it to receive attention not because it is our work but because of its profound implications for Indian planning. Moreover I believe we shall be accused of "playing politics" if we do not give these results a wide currency. If they are not neutral in their political effects, we cannot be neutral ourselves only by being open about them/ In addition, as I mentioned in a previous letter I shall have to brief a group in A.I.D. shortly about our results and we shall be completely exposed in India if we have not already emphasized their significance.

I know that you are trying every bit as hard as I am to be conscientious. Perhaps we have somewhat different views on the significance of the analysis and how the results should be used. I wish we could talk things over but lacking that opportunity I am writing about my concern.

Paul Rodan or Max may be coming out at Christmas-time to reinforce your arguments. It has occurred to me to ask them to write to Ashoka Mehta now expressing their conviction in the significance of our analysis. I don't know if they would do it. I have also thought of writing Tarlok Singh and P. Pant. Since I had extended conversations with both of them about the analysis I feel the need to make a brief personal report of progress. I don't know yet what I shall do but I do want to do everything I can to emphasize the points you are making.

This week we shall turn our attention to the Fourth Plan period. Jayant Shah is now ready to go to work. I think that we should be able to have some results in two weeks, at the 11 sector level of aggregation in any case. I shall send them as soon as I can, and will continue to write as I puzzle about what to do with the conclusions which we already have.

EXCERPT

Letter to RSE from LL dated October 17, 1964

Since our case is good on its own merits I do not think that I need extra support to reinforce my arguments. I think any correspondence between the higher echelons would also be superfluous if not counter productive. At the same time I would not worry about circulating our results. I will do that anyway at the coming seminar, where I shall not hesitate to explain what is what. I shall do that of course without trying to provoke unnecessary antagonism; after all economic planners cannot be held responsible for not having used advanced techniques at a time when those were not yet available. Hence the Third Plan cannot be judged in our terms; we can only point out that had this method been available, possibly a better composition could have been developed.

EXCERPT

Letter to RSE from LL dated October 24, 1964

I have just completed two seminars in the Planning Commission given for the benefit of everyone from division chief down.....

.....Afterwards, Pitamber, Krishna and the members of the PPD, ISG, etc. were having tea and Pitamber made a statement that I should be, of course, put, for the time being, under house arrest. Krishnaswamy concurred with Pitamber's opinion and added that all these could be used by the irresponsible elements for political purposes of a detrimental sort.

CENTER FOR INTERNATIONAL STUDIES
MASSACHUSETTS INSTITUTE OF TECHNOLOGY
INDIA PROJECT, 161/48 CHANAKYAPURI
POST BOX NO. 253
NEW DELHI

November 18, 1964

Professor Max F. Millikan
Center for International Studies
M.I.T.
50 Memorial Drive
Cambridge 39, Mass, U.S.A.

Dear Max:

Upon returning from Bombay, I learned of a communication from Mr. B.K. Nehru to Mr. Mehta reporting about a conference that took place in Cambridge, and was attended by you, Paul Rodan, Dick Eckaus and the Ambassador himself. Based on this conference he apparently advises Mr. Mehta to have the preliminary plan analysed in Cambridge by our team and with our techniques for the purpose of reconsidering the targets.

The contents of this letter are being discussed as yet only by a limited group in the Planning Commission and elsewhere, but in all likelihood the story will spread. The reaction thus far is extremely unfavourable, except, perhaps, among those who for their own reasons may be assumed to take comfort in this turn of events.

Even under the best of circumstances the officials of the Planning Commission would not be willing to appear to surrender their control of analysing the Plan in favor of foreigners not in direct touch with the Commission. Circumstances now are far from the best. The CIA issue has put a cloud over our operation and our relationship with AID raises doubts over our allegiance in the minds of many Indians, even those who are otherwise sympathetic to close ties with the West. It is one thing for us to know that we are independent; it is another thing to expect others to believe in the independence of our work.

Our bona fides is beginning to be doubted by many who were previously willing to withhold judgment. The dormant problem of CIA financing could be re-activated and linked with a charge of improper use of influence as well as with a charge of conflict of interest on account of our simultaneous involvements with two governments in matters relating to Indian planning. Steve Marglin's judgment, based on information from sources different from mine, is similar but more pessimistic.

We, in Delhi, are confronted with two problems. First, we have to make sure that the interests of the members of our Mission are safeguarded. Second, we have to attempt to re-establish the bona fides of our Mission.

... contd..

These will prove to be difficult tasks. I believe that, among other things, they will require an absolute cessation of communications or advice from the Center delivered through ambassadorial or other official channels concerning what the Indian government should or should not do. Such communications can be exploited for political purposes which are extraneous to the real issue and which cannot be the business of an academic organization (most particularly of a foreign one) dedicated to research and to the communication of its results.

Neither Sukhamoy nor I can believe that the type of over-simplified notions about the role of computers which are present in the ambassadorial message could have originated from our Cambridge group. The claims made in the letter on behalf of the computer are seriously misleading to lay-men and there are by now plenty of competent people in the Planning Commission who are capable of demolishing any such claims. The danger is that Sukhamoy, Dick and myself will be accused of intellectual dishonesty; against this I shall take immediate steps. To compensate for the misunderstandings generated by the letter - but also to underline the intrinsic importance of the work - I plan to circulate a summary of our methods and Third Plan results. In this way I hope to make all interested groups aware of both the merits and the limitations of our approach. Sukhamoy agrees with me that this is necessary under the circumstances.

I realise, of course, that you may choose to disregard my warning on the subject of ambassadorial communications and other messages sent to the Indian government. It would, however, be fair and helpful if in the future you would advise me about such moves, so that I would be better able to function as the Center's representative in Delhi and to safeguard our interests.

Sincerely yours,

Louis Lefebvre

P.S. I think that in all fairness Little should be warned before his arrival about the difficult situation that may be awaiting him. I think this would be better done from Cambridge than from here.

cc: Professor Paul Rosenstein-Rodan
cc: Professor Richard Eckaus

DBS

December 2, 1964

Ambassador Chester Bowles
India Desk
Department of State
Washington, D.C.

Dear Chet:

Our model of the Indian economy was presented at a conference on economic planning in Princeton Friday and Saturday November 27th and 28th, sponsored by the Universities-National Bureau Committee on Economic Research. I enclose a copy of our paper which is authored by Dick Eckaus who talked to you with me up here, and Louis Lefebvre who is our current representative in India. This document is now in the public domain and will be published in a book with the other conference papers in a few months. Any reference you make in India to the model might include mention of the fact that it came to your attention as a result of this conference paper.

The paper includes both a formal statement of the structure of the model and in its latter section, a discussion of its substantial results to which it points.

I'm sending a copy to John Lewis.

Best regards.

Sincerely yours,

Max F. Millikan
Director

MFm:kmo
enclosure

December 4, 1964

Mr. Douglas Ensminger
The Ford Foundation
32 Ferozshah Road
New Delhi, India

Dear Doug:

An issue has come up which I gather has created something of a stir among members of the Planning Commission, and since they may be bringing it to your attention, I thought I had better give you the background.

Ambassador Nehru paid us a visit in mid-October in the course of a trip he made to Boston on quite other matters. He was interested in our work on India and in response to his request we explained our computerized model of the Indian economy authored by Messrs. Eckaus, Lefebvre, and Chakravarty, designed to test the internal consistency of Indian plans and to exhibit the consequences for Indian growth of alternative patterns of resource allocation. He asked whether this tool had been brought to the attention of top officials of the Indian government and we replied that while Lefebvre was planning to explain it at the working level in the Planning Commission, we were hesitant to press it vigorously at higher levels precisely because we did not wish to give the appearance of trying to affect decisions which were properly India's to make. We conceived of our contribution as technical and therefore wanted to make it at a technical level where its limitations would be fully understood. This model shows, among other things, the possibility of having a greater allocation of investment for consumer's goods including housing and agriculture and less for machines to produce machines without imperilling growth or lengthening the period of dependence on aid.

As reported from Delhi, Ambassador Nehru wrote a letter to Ashoka Mehta in which he apparently indicated that he had seen in Cambridge the results of our model. He is reported to have been impressed by this model and to have urged Mr. Mehta to bring it to the attention of the Planning Commission with the idea that it might be used by GOI to examine possible alternative Fourth Plan computations. This was apparently reported in a distorted version as a proposal that the alternatives be examined in Cambridge, which was not our intention. Some of our Indian friends have apparently concluded that Ambassador Nehru wrote this letter at our instigation and that this reflects an intention on the part of the Center to attempt to influence political decisions about the Fourth Plan in which in their view foreigners should not be meddling. The fact that the Center is known to have connections in various parts of the U.S. Government has apparently increased in some Indian minds the plausibility of this interpretation.

Mr. Douglas Ensminger

- 2 -

December 4, 1964

The model is now in the public domain. It was presented by Lefebvre to a seminar in the Planning Commission, had previously been shown to Pitambar Pant, and was then presented at a conference on economic planning held in Princeton November 27th and 28th before a group of economists concerned with these matters. I enclose for your information and that of your staff a copy of the paper authored by Professors Eckaus and Lefebvre which was distributed along with other papers on planning in other countries to the participants at the Princeton conference.

If you want any further information you can secure it from Lefebvre, one of the authors of the paper, who as you know is now at our office in Delhi.

Best regards.

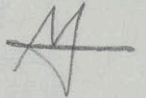
Sincerely yours,

Max F. Millikan
Director

NFM:kmo
enclosure

P.S. I suspect that the reason for the misunderstanding about whether Indian Plans should be tested against our model in Cambridge or in India was that at the time Ambassador Nehru visited us we did not believe that there were any computer facilities in India which were capable of handling the number of variables our model requires. We have been eager to see the whole operation transferred to India at the earliest possible date and were pleased to learn several weeks ago that there was a new computer in Bombay set up by the Control Data Corporation which has a capacity to deal with our model. The model is now programmed for the IBM 7090 and the program must be converted to be used on the Bombay machine. We have been in consultation with the Control Data Corporation headquarters in Minneapolis and they are eager to collaborate with us in rewriting the program for their machine. They are now at work on this problem and within a few weeks the program should be in shape to be run in Bombay if the Planning Commission wishes to do this.

DEC 21 1964



THE FORD FOUNDATION
32 FERROZSHAH ROAD
NEW DELHI 1, INDIA

CABLE:- FORDENS NEW DELHI
TELEPHONE:- 46951 (10 LINES)

December 14, 1964

Dr. Max F. Millikan, Director
Center for International Studies
Mass. Institute of Technology
Cambridge 39, Mass.

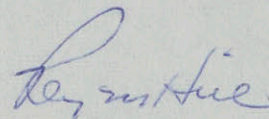
Dear Dr. Millikan:

Many thanks for your letter of December 4, 1964 which has been received while Dr. Ensminger is out of India. I shall bring your letter and its attachment to his attention upon his return December 22.

It is reassuring to have this background information. Should indeed any problem of misinterpretation arise here we are now alerted.

We appreciate your thoughtfulness.

Sincerely



Rey M. Hill
Deputy Representative

December 31, 1964

Professor Louis Lefebvre
MIT/Center for International Studies
161/48 Chanakyapuri
P.O. Box 253
New Delhi, India

Dear Louis:

Your cable about the article in the weekly NOW found me virtually alone in Cambridge during the holiday week. Paul and Margaret have been off in Peru and Chile, first on Alliance business, and the second advising Frei, since mid-December. Dick is in Chicago at the AEA meetings. We will all reassemble on the first business day after New Year's, next Monday, January 4th. I have just sent off a cable to you as follows:

Re your cable we will phone or cable after receiving your letter and after Rodan returns from Chile Monday January 4. He had planned leave for India around January 20. I follow end February. Administrative arrangements proposed your memo December 24 approved. Letter follows. Happy New Year.

I am a little unclear from the cable as to what your request for authorization for a return trip to Cambridge means. My understanding was that you and Steve were both planning to leave India in any case around the middle of January. I gathered you had planned to take a rather lengthy stay in Europe on your way home, perhaps not getting back to Cambridge until late spring, but that Steve had expected to be here at the latest by the beginning of the second term, on February 8. As you were aware, Paul had planned to come to India for two or three weeks as soon as his classes were over on January 20. I had not planned to come at all this year, but the Advertising Council, a New York organization is putting on a Round Table in New Delhi jointly with P.N. Dhar's Institute of Economic Growth on the general subject of economic growth and social justice and I have been under great pressure to participate. I have finally yielded and agreed to come partly because this might give me an opportunity to follow up on whatever discussions Paul has with our Indian friends. I had felt in advance of your cable that it was very important that Paul and I, preferably jointly but failing this at a minimum individually, should have an opportunity to talk with you at length before our discussions with the Indians. It is clear to me from your letter of December 10 to the three of us that there remain some misunderstandings which urgently need to be clarified as to the appropriate role of scholars and academics in their relations to policy issues in foreign countries as well as in our own. I want to get this letter off before the office shuts down for the holidays and will not go into this any further now, but I do think we need face-to-face discussion.

On the other hand, pending receipt of your letter I have serious reservations about the wisdom and necessity of your making a flying trip to Cambridge and then returning to Delhi. I have some concerns as to how this kind of an emergency trip would look to the Indians and some question as to whether it is important that you return to India for a very brief stay after consultations with us. I am not against this but simply remain to be persuaded that it is better and more important than other alternatives. The choices seem to me to be the following:

1. Louis and/or Steve could return to Cambridge for a thorough discussion with all of us here in the fairly near future before Paul takes off for India. In this event again, either Louis or Steve or both could return to India on the one hand, or could remain after such discussions in Europe and/or Cambridge leaving it to Paul and me to follow up on these discussions in Delhi.

2. Alternatively, possibly one or both of you now feel that you would like after such discussions to return to India yourselves for the follow-up discussions either briefly or with a plan to stay longer in India than you had originally contemplated. I would certainly not rule this alternative out, pending further information from you about the Indian situation, but would not want to decide on this course at least without a further exchange of views by letter, cable, or phone than we have had as yet.

3. Louis and Steve could both plan to leave India without expecting to go back in which event it would, I think, be important that Louis should in any event see Paul either in Cambridge or Europe before Paul arrives in Delhi, and both of you should perhaps see Paul in Europe and/or me in Cambridge before Paul's Delhi trip.

4. Louis and/or Steve could plan to delay departure from India until Paul at least arrives there.

Which of these alternatives would be preferable and whether still other alternatives should be considered I do not feel I at least can judge until we have your full verbal and/or written report on the recent events described in your cable. All of these alternatives seem to me at least worth careful consideration and discussion. Without further information from you that we now have, I would not want to settle finally on any one of these alternatives.

I now want to conclude this letter in order to get it off, assuring both of you only that I am at this point extremely eager that nothing, repeat nothing, in this rather prickly and complex collection of options is in any way at this point excluded by anything that has happened. I hope we can get the earliest possible reaction from you, and will hope on our part to get in turn the earliest possible reaction back to both of you ~~once~~ we hear further from you.

Sincerely yours,

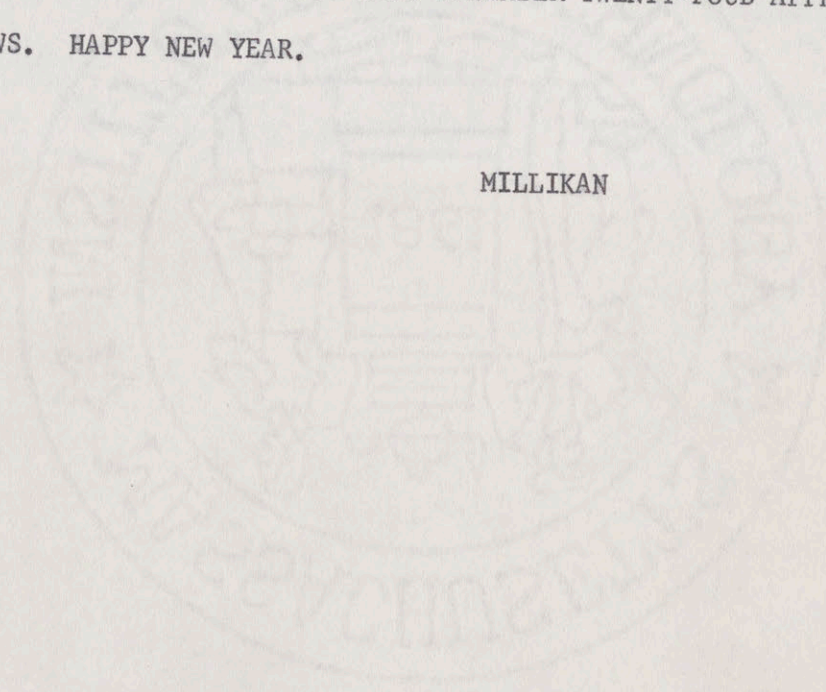
Max F. Millikan

December 31, 1964

TO: LEFEBER

RE YOUR CABLE WE WILL PHONE OR CABLE AFTER RECEIVING YOUR LETTER
AND AFTER RODAN RETURNS FROM CHILE MONDAY JANUARY FOUR. HE HAD PLANNED
LEAVE FOR INDIA AROUND JANUARY TWENTY. I FOLLOW END FEBRUARY. ADMINIS-
TRATIVE ARRANGEMENTS PROPOSED YOUR MEMO DECEMBER TWENTY-FOUR APPROVED.
LETTER FOLLOWS. HAPPY NEW YEAR.

MILLIKAN



CLASS OF SERVICE

This is a fast message unless its deferred character is indicated by the proper symbol.

WESTERN UNION TELEGRAM

W. P. MARSHALL, PRESIDENT

SF-1201 (4-60)

SYMBOLS

DL = Day Letter

NL = Night Letter

LT = International
Letter Telegram

The filing time shown in the date line on domestic telegrams is LOCAL TIME at point of origin. Time of receipt is LOCAL TIME at point of destination

54P EST DEC 29 64 BA231

B CDU430 LNL672 RVZ360 S353 72 PD INTL FR CD ITO NEWDELHI VIA

WUCABLES 72 29 2350

MILLIKAN MITCENIS

CABRIDGE (MASS)

DESCRIPTION OF ONE CENTERS GOVERNMENTAL CONNECTIONS TWO USE
OF MODEL TO PROMOTE PARTICULAR POLICIES THREE LETTER FROM WASHINGTON
INDICATING THOROUGH KNOWLEDGE OF CONTENTE JUST APPEARED IN
NEW WEEKLY CALLED NOW STOP ACCUSATIONS OF INTERFERENCE IMPLICITLY
LINKING ONE WITH TWO AND THREE STOP LETTER AND COPY FOLLOW
STOP

END #1

OF SERVICE

fast message
unless
character
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WESTERN UNION TELEGRAM

W. P. MARSHALL, PRESIDENT

SF-1201 (4-60)

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BCDU430 PAGE 2

REQUEST AUTHORIZATION OFR RETURN TROP TO CAMBRIDGE AFTER ASSESSMENT
OF RESPONSE STOP MEANWHILE ADVISE TAKING NO ACTION PENDING
FULL DISCUSSION

LEFEBER MARGLIN

(36).

December 7, 1964

	DIRECTOR	
	SECY	
✓	ASST. DIR.	<u>DB</u>
	SECY	
	ADMM. OFF.	
	SECY	
	FISCAL OFF.	
	SECY	
ROUTED BY:		

Professor Louis Lefebvre
161/48 Chanakyapuri
P.O. Box 253
New Delhi, India

field T.

Dear Louis:

A brief addendum to my last letter. I called Chet Bowles in Washington just before he left for India to urge once again that if he made any use of our results in India he should describe them as having come to his attention through the National Bureau paper. I have sent him a copy of the revised edition of this which has now been rather widely distributed. He urged that I also send a copy to John Lewis which I have done with a covering note, a copy of which I enclose.

We will welcome any further bulletins on the progress of events in Delhi.

Best regards.

Sincerely yours,

Max F. Millikan
Director

MFM:kmo
enclosures (1)

Signed in Dr. Millikan's absence
to avoid delay.

P.S. Bob Bishop tells me that action of the Institute Budget Committee on Department tenure recommendations which he had expected by the end of November has been put off until late December or early January. They have taken action on the so-called Mandatory cases, namely those where the Institute rules require action for the continuation of an appointment beyond this June, but have delayed all the non-mandatory cases until later. We will all keep our fingers crossed.