

A Review of "The Price of Aid: The Economic Cold War in India"

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In 2014, the newly elected Indian Prime Minister, Narendra Modi, announced the end of the country's Planning Commission (PC). Since its 1950 founding, the Planning Commission had designed ambitious five-year economic plans that decided how and where to allocate national resources. The PC was the embodiment of Indian central planning and a technocratic government. The PC survived different periods of modern Indian history: from Cold War-era development schemes to Indira Gandhi's Emergency era to India's 1990s economic liberalization. But the emergence of the Modi government meant the PC's demise, and thus India's decades-long experiment in economic planning was no more. How independent India understood and practiced economic planning, how its economy succeeded and stumbled, and what the future of Indian economic thought might resemble are at the heart of historian David Engerman's *The Price of Aid: The Economic Cold War in India*.

In the last ten years, foreign relations literature on Indian development featured impressive works on community development (Nicole Sackley's *Diplomatic History* article, "Village Models" and Daniel Immerwahr's *Thinking Small*), agricultural modernization (Nick Cullather's *The Hungry World* and Kristin Ahlberg's *Transplanting the Great Society*), and large-scale, state-directed economic development programs (David Ekbladh's *The Great American Mission*). Engerman builds upon this scholarship and goes further by connecting these separate threads, incorporating Soviet and Indian perspectives, as well as inquiring about the legacy of American and Soviet foreign assistance. He asks readers to consider whether aid creates stable nations and a more stable international system, and what the future of foreign aid might look like.

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It can be argued that for scholars of foreign relations history, of post-independence India, and of economic development, Engerman's book is key. Engerman's monograph not only examines government agencies like India's Planning Commission but also the individuals who oversaw it and depended on its success, such as Indian Prime Ministers Jawaharlal Nehru and Indira Gandhi. Whether profiling a government body or official, Engerman's prose transports readers to the India of the late 1940s, through to the 1970s, with the task of producing a better understanding about the development of the Indian economy, its power brokers, and the methods undertaken to transform India from a developing to a developed country.

The Price of Aid begins with a history of the Indian economy as it emerged in the aftermath of British colonialism. From there, the focus of the book's first section comes into view: the "competitive coexistence" between the United States and the Soviet Union, particularly from 1947 to 1955, to shape India's economic destiny.² Because of its large population, early independence, and the respect commanded by its larger-than-life first Prime Minister, Jawaharlal Nehru, both superpowers recognized the urgency of assisting the nation.

It is apparent, however, that India was no passive observer in this competition, even scheduling dueling visits between the U.S. and U.S.S.R. and making one aware of the other to extract better terms for India. As a nonaligned nation, India sought to chart its own path in foreign affairs, independent of the two leading superpowers. Because of its skills pitting the U.S. and U.S.S.R. against each other to see which nation could deliver the best aid package, India offered other nonaligned nations a model of how to become what Polish economist Michal Kalecki called the "proverbial clever calves that could suckle two cows."³

Additionally, Engerman builds upon or introduces provocative terms and concepts to the literature on Indian economic development and Cold War superpower competition. He probes the idea of "free money," or development dollars unattached to a particular project or industry. There is a substantive discussion about "short-tether" aid packages, where assistance is provided on short-term, even month-to-month agreements, instead of annual or multi-year appropriations. Arrange-

² David Engerman, *The Price of Aid: The Economic Cold War in India* (Cambridge: Harvard University Press, 2018), 118.

³ *Ibid.*, 2.

ments like the "short-tether" packages also allow donor nations to alter or add additional strings to aid, as the U.S. did when it tied food aid to India during an expected famine year, in order to get India to consume more pesticides and artificial fertilizers.

Engerman's greatest contribution, though, might be his introduction of "development politics," a concept explained in the book's opening chapter. This type of politics recognized that the Indian competition for external aid produced government ministries that grew more and more independent of central decision-making bodies or officials. On the side of the superpowers, it led to legislators revolting over foreign assistance or gradually becoming the buyers of last resort for Indian industrial products. *The Price of Aid* reveals how interconnected the global development project was between the U.S., U.S.S.R., and India, and that the superpowers used development aid as a Cold War weapon. At the same time, the latter utilized the Cold War as a development weapon.⁴

To tell this story, Engerman's study features three unique parts. The opening section, chronicling the late 1940s up until the mid-1950s, profiles the U.S. and U.S.S.R.'s "discovery" of India and how development aid became staples of both countries' outreach to a then-decolonizing world. Motivating India to search out and accept aid offers was a desire for *swadeshi* (self-sufficiency). The idea, a rallying cry that existed throughout India's independence movement, held multiple meanings but spoke to a larger aspiration that India, and India alone, become the singular force to feed itself and lift its citizens out of deep poverty. That being said, India was not about to turn away aid as a means to initiate the process.

Engerman correctly points out that while Indians supported nationalist leader Mohandas Gandhi and his political agenda, they were unsure or dismissive of his economic vision of handmade goods and development from the village up. Instead, the preferred economic approach in India's first decade as an independent nation was an embrace of Soviet-style industrialization. What Indians yearned for was a sped-up version of modernization, with leaps from an agrarian society to an industrial state in a matter of years, not generations. In this first section, Engerman demonstrates that to achieve economic prosperity, Indian leaders threw whatever they had or whatever was offered to them - community devel-

⁴ Ibid, 9-12.

opment, steel mills, and socialism - at their problems hoping something would stick.

The book's middle section, covering 1955 to 1966, highlights the heyday of the Cold War aid competition between the U.S. and the U.S.S.R. The American approach involved support for community development projects, especially in rural villages, and urged Indians to focus their resources on bolstering their agricultural output. To ensure that Indians had enough to eat, and also earn international plaudits for their assistance, the U.S. began food aid shipments of surplus wheat. As more significant amounts of U.S. aid rolled in, so did U.S. concerns that India should concentrate more on its agricultural output. Nevertheless, Indian planners instead bet on industrialization, a factories-not-farms approach, to boost their anemic economy.

As for the U.S.S.R., its outreach to India resulted in the construction of steel mills and power stations. Over time though, Soviet aid also came to include military equipment such as weapons and aircraft. Although American anxieties about a Soviet takeover of the Indian economy were unfounded, closer Indo-Soviet ties did indeed light a fire to increase all forms of U.S. aid to India. *The Price of Aid's* middle section provides a much-needed analysis of India's foreign exchange crisis of the late 1950s, an ordeal hobbling the Indian economy for years. The crisis is often under-analyzed in foreign relations literature. Still, the persistent problem gave the Indian political right (many of whom sought closer ties to the U.S.) a cudgel to criticize India's emphasis on industry over agriculture, the Planning Commission, and Indian leaders with close Soviet relations.⁵

The Price of Aid's final section, examining 1966 through 1974, investigates India's reliance on Soviet assistance, especially military aid. Engerman discusses several factors contributing to India's shift toward the Soviets: a Nixon White House distrustful of Indian leaders, Indians worried about too much dependence on Western aid, and a Soviet desire to expand bilateral trade with India. Although trade with the U.S.S.R. was indeed expanded, over time the two nations began to see each other as buyers of last resort for less than desired industrial products.⁶

What became undeniable to Indians during this period was that external aid, whether from the U.S. or the U.S.S.R. did not generate the

⁵ Ibid, 159-166.

⁶ Ibid, 271-273.

development outcomes that the Indian economy greatly needed. A decade of assistance promised a lot but delivered little, as pointed out by foreign exchange crises, a weak Indian rupee, and anemic per-capita growth (around 1.2% but as low as 0.3%), thus showing evidence that super-power aid had failed India.

In addition to the robust persuasive arguments aforementioned in previous chapters, Engerman's conclusion stands out as the most impressive. He explores what political scientist Francine Frankel called India's "double crisis" of the late 1960s and early 1970s: stagnant economic growth and political unrest severe enough to bring down the central government, the Indira Gandhi-led Congress Party.⁷

Since external aid failed to transform India into a developed and prosperous state, Gandhi's secular and socialist party, which had ruled India uninterrupted for thirty years, unraveled in the 1970s and lost its dominance over Indian politics. Accounts of the political history of India's Hindu nationalist movement often attribute its rise to Indian national security issues like Pakistan's pursuit of atomic weapons or border disputes with their northern neighbor, the People's Republic of China. It is evident, however, from *The Price of Aid* that frustration with the national economy and competing economic visions accelerated the crackup in Indian politics, the demise of India's secular social fabric, and the rise of a powerful political and right-wing cultural force that seized power and may function as India's ruling party for the first half of the twenty-first century.

As impressive as Engerman's book is, it is not without its flaws. *The Price of Aid* has a slow build-up, with the first section elucidating a familiar synthesis of previous scholarships like Dennis Merrill's *The Bread and the Ballot* (1990) or Daniel Immerwahr's *Thinking Small* (2015). The book's middle chapters try to balance Indian military history, economic history, and foreign relations history into a seamless narrative. Still, the intended takeaway is not always clear, at least to this reader. The book's focus is not toward Indian military history, so its pivot at times reads as an unnecessary detour from the gripping and novel economic history Engerman provides.

Lastly, Engerman is correct to posit that the story of Cold War superpowers competing to transform independent India fits into the "de-

⁷ Ibid, 305.

velopment as a global project” paradigm.⁸ But did other nations prominent in the nonaligned movement like Egypt or Indonesia, experience the wooing by Cold War superpowers, and if not, why? Was India the exception? Another question worth probing is to what extent did U.S. and U.S.S.R. officials believe that assistance to India would translate into gratitude, even support for objectives in South Asia, Southeast Asia, or the Middle East? Readers are further left wondering why both superpowers did not pull the plug on Indian assistance earlier, especially when all three parties recognized the depths of their failures. Like the arms and space races, neither the U.S. nor U.S.S.R. wanted to lose the aid race even when it resembled a game of chicken, with both sides going over a cliff.

These mild critiques aside, David Engerman’s *The Price of Aid* is a work that foreign relations, economic, and Indian historians have been waiting to read for a long time. A book at least ten years in the making, this monograph connects and makes sense of narratives that often bump up against each other, but rarely engage. Finally, a talented scholar like Engerman, deploying an array of U.S., Russian, Indian, British, and German sources, put these events into a commanding and comprehensive account. They Demonstrate how the three central countries pit and played off each other in a Cold War battle of what constituted development and modernity.

Engerman concludes his book with words of caution from international relations theorist Hans Morgenthau who argues that “foreign aid for economic development can be counterproductive if the goal of the giving nation is the recipient’s social and political stability.”⁹ In Morgenthau’s observation, aid programs do not create more stable countries, which was true in India’s case, nor do they lead to a more secure international system.

Engerman’s invocation of Morgenthau and his warning leaves readers wondering what aid programs can and should do for the recipient. Should they promote political objectives, such as advancing democratic reforms or safeguarding the rule of law? Should aid target specific industries or sectors of the economy, or be “free money” unattached to a particular project and left to the discretion of the recipient nation? How often does military aid lead to weapons being used against a possible ally

⁸ Ibid, 17.

⁹ Ibid, 358.

or, more often, a tool of government repression? Now, in an era where international cooperation and collective security agreements are questioned, viewed skeptically, or even derided as relics of the past, *The Price of Aid's* final words demand that readers rethink aid programs for the next generation and beyond. If older methods did not produce the desired economic or political goals, then what should be done differently and how can assistance make a difference in a world beset with significant challenges like climate change and economic inequality? The more we ask these questions, and the sooner we have these conversations, the quicker we can create a world better for both donor and recipient nations.