

Special Notes

A Revisit*

S. L. N. Simha

I am very happy to respond to Governor Reddy's request that I write "a detailed Preface to the reprint of the First Volume of the History of the Reserve Bank of India, which would give the readers the full background."

It is an excellent idea of Dr. Reddy to elicit from the author, after about thirty-five years, important and interesting aspects of the background of the History that may contribute to a full understanding of the contents of the History, not even a comma of which has been changed in this Reprint. For the first edition, the Chairman of the Editorial Committee, Dr. C.D. Deshmukh, wrote the Preface, though it reflected fully my ideas. Whatever I say in this Preface now is not a repetition of what has already been said. My hope is that at this advanced age (87), my memory has not failed me, at least on important matters.

Why the Project Taken Up in 1968?

The first question that may strike the readers is as to why the History project was embarked upon in 1968, only 33 years after the Bank's establishment, whereas very much older central banks had their history prepared after a very long interval. It is customary for us to compare the positions here with those of England, whatever be the subject. The first volume of the official history of the Bank of England was brought out about 250 years after its establishment in 1694!

In his Foreword, Governor Jha has given the reasons for understanding the preparation of the Reserve Bank's history. Though it was a young institution, the Reserve Bank of India (RBI) was one

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of the oldest central banks in the developing countries. Its formative years were eventful in many respects. “All these make the Bank’s initial years of special interest. The Bank therefore felt that it would not be too soon for a history of its earlier years to be written”.

The Governor also stated that a factor influencing the Bank’s “decision was that at this stage it was possible to draw upon the knowledge of those who were connected intimately with the Bank in its earlier years”. The Governor made particular reference to Deshmukh, the first Indian Governor, who had agreed to chair the Editorial Committee.

I think other influences were also there to make the Reserve Bank take up the History project. In the matter of the preparation of the history of central banks, commercial banks and other institutional agencies and organisation, there was a marked change in the 20th century, especially after World War II. There was a notable tendency for institutions to become publicity conscious, an aspect of which was to arrange for the compilation of a history of the institution. Central banks too fell in line. International financial institutions like the IMF and the World Bank also started compiling their history, after something like two decades of their establishment towards close of 1945. In India, the State Bank of India authorities took steps, sometime in the early 1960s, for the compilation of the history of their predecessor institution, the Imperial Bank of India.

Undoubtedly, all this influenced, gradually, the Reserve Bank of India to embark upon a history of the Institution. I remember, distinctly, that when sometime in 1958 I went to see Governor H.V.R. Iyengar to give him the first copy of a new edition of the Bank’s *Functions and Working*, he remarked “ I suppose that before long we have to think of starting work on the Bank’s history. Keep this in mind”. I am sure he would have taken some action on this during his tenure of office but for the Mundhra affair, which dampened the spirits of this dynamic Governor.

It took about a decade for Iyengar's expectations to be realised. Early in 1968, the Bank decided to have a history of the Bank compiled. A memorandum in this regard was placed before the Committee of the Central Board for its concurrence.

I think it is fair to let the reader to know that the Bank's decision to embark on the History project early in 1968 rather than sometime later, was also related to the Bank's desire to keep me in the Bank's service, as I had thrown many hints that I might leave the Bank as I found it impossible to work with my official superior at the Industrial Development Bank of India (IDBI), which was then a subsidiary of the RBI. When I returned to India on 1st July 1964 from my assignment at the IMF, I was transferred to the IDBI, out of displeasure of the bosses, since I had declined to go to the UTI as the Executive Trustee. I accepted this in protest, though the silver lining was that I would be working with Dr. Madan, as my boss. He and I had worked together very cordially and productively from the time I joined the Bank in 1945. I found it impossible to carry on with Dr. Madan's successor and I proceeded on leave, from sometime in September 1967, not an uncommon phenomenon! I did not trouble the new Governor, L.K.Jha, who had assumed office earlier in July.

Sometime in January 1968, I met the Governor to discuss my future in the Bank. In particular, I asked him about my going back to the Bank proper. He said that would be possible, but I had to take a salary cut, the extra amount which I had been given as General Manager of the IDBI, as compared to my emoluments at the RBI. This meant getting the same emoluments and status that I had before I left for the IMF in December 1961, and this after what was generally regarded as good performance at the IMF and also as a delegate, on behalf of India, to some U.N. Committees, including the most important of these, the General Assembly of the U.N. at the 18th session. I hinted, in somewhat strong language, that I might leave the Bank's service and the Governor said, raising his voice, that I was welcome to do it. By that time tea arrived and we sipped the beverage in silence, he in between his puffs of cigarette. He looked

at his watch and then said “Simha, we have spent more than an hour and let us leave this matter for a while”. The next time I met him was to give the draft outline of the History I had prepared for the use of the Editorial Board!

In parenthesis, I must say that I did not believe the story that the Governor was helpless that if I went back to the Bank I could not get the present emoluments and some corresponding increase in my status. It was obvious to me that some people in the Bank did not want me to go back to my old department - Research and Statistics, which held much scope for work and raise, and cooked up a case to achieve their object.

From the foregoing, it would appear that the timing of the History project to commence in March 1968 was related to the expiry of my leave by the end of February. Since I did not wish to go back to the IDBI and the Bank envisaged difficulties in taking me back to the RBI, without reduction in the salary, the only way of keeping me in the Bank's service was to entrust to me the writing of the History, without looking for anyone else, giving me the special designation of “Officer-on-Special Duty”, with the emoluments unchanged. I considered that the arrangement was good for the Bank as well as me, particularly since I had the requisite qualifications for the job.

Editorial Committee

I may add that Deshmukh was quite pleased with my choice as the writer of the History, since he had watched my work, at close quarters, at the RBI for four years and learnt about my work at the IMF too, as a staff member and later as a member of the Executive Board. During these years, I had many occasions to meet him in Washington, Mumbai, New Delhi and Hyderabad.

I was very happy at the choice of the Editorial Committee. Besides Deshmukh, I knew the remaining three members too very well. Anjaria and I worked together in the RBI, for about a year, and at the IMF for about two and half years. He was my senior in both the places. I also knew him as a fellow economist from 1940. He

wrote an excellent review of my M.A. thesis, *The Theory of Interest*, published by the University in book form. I had many contacts with Saraiya, thanks to my dear friend Hasmukhbai Parekh. Bhabatosh Datta too was known to me well, especially after he joined IMF service for 3-4 years, as Division Chief.

I must add, however, that knowing the Editorial Committee members intimately is not an unmixed blessing, especially if a member has had official connections with the institution whose history was being written. It could lead to situations when the author may have to yield to the Committee against his best judgment. Writers of history must ever be vigilant. I must hasten to add that I was fortunate in this regard with regard to my Editorial Committee colleagues.

I must mention 2-3 matters in this connection. Anjaria and Saraiya complained that I had said very little about the 'outstanding' role which Sir Manilal Nanavati, Deputy Governor in the years 1936-41, had played in the matter of agricultural credit. I said that from the documents available, the Governor, Sir James Taylor, had taken direct interest and responsibility in regard to agricultural credit, and I could find very little material about Sir Manilal's role. Chairman Deshmukh came to my rescue. He said that what I mentioned was correct and added that Sir Manilal's contribution was considerable but much of this was behind the scenes. Since he happened to be the Secretary of the Bank when Nanavati was Deputy Governor, he had personal knowledge of the matter and so he drafted something in 3-4 places to bring out Nanavati's contribution. Anjaria and Saraiya were not quite satisfied, but did not pursue the matter.

I had to disappoint Deshmukh himself on two matters. First, he said that in connection with the visit to India of Sir Otto Niemeyer in 1936, to conduct a financial enquiry in terms of the Government of India Act, 1935, and in particular to make proposals for the assignment of 50 per cent share of income tax to the provinces, he (Deshmukh) had prepared a memorandum to be submitted to Sir Otto, on behalf

of the C.P. and Bearer Government, and that the memorandum was very much appreciated by Sir Otto. Deshmukh gave us the gist of what he had written and inquired if the matter could be put at a place he considered appropriate. I said No. I must have a copy of the actual memorandum. I tried my best with the Maharashtra Government to secure a copy, but it was an impossible task, was the reply. Deshmukh did not pursue the matter.

Deshmukh was largely responsible, as Finance Minister, for the All-India Rural Credit Survey organised by the Reserve Bank in 1951 and completed in 1954. He inquired, at a meeting of the Editorial Committee, whether the gist of the report, including the proposal for nationalisation of the Imperial Bank could be mentioned briefly, in two-three pages in our Report. Saraiya said he had no objection, but I was not in favour of it. Here again, Deshmukh did not pursue the matter.

Other than what I have mentioned above, there was no item, small or big, on which there was any difference between me and the Editorial Committee. It was totally a smooth affair!

Staff for the Project

Although the professional staff that I asked for the History project was relatively small, just eight, it was not easy to get them. With great difficulty, I could secure the services of only five junior officers, of whom two were meant wholly to cover the subjects of the RBI's role in the spheres of agricultural credit and banking regulation, respectively. Of the remaining three, one officer, an excellent person otherwise, was not in good health and was planning to seek premature retirement. So, really for the major part of the History work, I had only two assistants, both ladies, but I must say their capacity for work and dedication were of the highest possible order. Another person of great help was our liaison officer with the Bank's administration department, Nispat Desai, an exceptionally pleasant chap. With his long service in the Secretary's section of the Bank, he was very helpful in getting us documents from

within the Bank, and also photographs. I rejected recruitment from outside, after careful consideration.

Our stenographic staff was also adequate, considering that in those years there were neither computers nor zerox facilities. At least six copies had to be taken of the drafts. But they rose to the occasion and did a magnificent job, inspired by my long-standing secretary, Kurup, who was also exceptionally strict in the matter of maintenance of the secrecy of the papers.

My experience in the History project brought out vividly what miracles can be achieved by the motivation of the staff, at all levels. Shortly after the History project started in March (1968), one Saturday I took the five officers to my house, close to the Bank, and spoke to them about the importance of the project on which we have embarked, the first one of its kind the Bank had undertaken. It was the duty of all of us to endeavour to achieve excellence in every aspect of the work and bring glory to the Bank.

Apart from loyalty and exceptionally high sense of duty to the institution, I sought from them personal loyalty to me. It is interesting that of the five officers selected to assist me, one, Pilo Mirza, worked in my section right from the time she joined the Bank in 1946 or so. I also took her to Washington as our technical assistant, when I went there in 1961, to work at the IMF as India's Alternative Executive Director. She assisted Anjaria too. The IMF personnel department used to say that they had not seen at all a technical assistant of Mirza's devotion.

Krishna Murthy, who assisted me in drafting the sections on banking, was my student at the University of Mysore. I think he was of Brahmananda's batch. Ramanathan, who was to assist me in monetary matters, was in the Research Department of the Bank for many years, and so I knew him very well. However, he could not give his best as he was not in good health and, as mentioned already, was planning to seek early retirement. Varadarajan, the expert in rural credit, was known to me intimately, though he was working in another department, where he had earned reputation for his expertise and dedicated work.

All the five swore loyalty to me and over the months their loyalty and hard work rose higher and higher. The same was true of the secretarial staff. To them, during the two years they worked on the project, the clock did not exist nor did they think of taking even casual leave. I think they all know that I was leaving the Bank after the completion of the History project; they must give me their best.

Office Accommodation

In those days, there was acute shortage of accommodation in the Bank, while recruitment of staff was going on merrily. In many sections, an employee could get a chair and table only if some other employee was on leave! I told the management I must have accommodation in the main building, so that it was easy for me to get the records I wanted and meet people. The credit for obliging me in this regard goes entirely to D.N. Meluste, Executive Director; he was an officer who knew the relative importance of my assignment and was blessed with rare vision.

The accommodation was just enough for my staff, almost touching the shoulders of one another; they had neither the inclination nor the time to grumble or complain. Right from day one they concentrated on work. My staff sat just adjacent to my cabin, which enabled me to communicate with them frequently and for the staff to walk into my cabin as and when they needed, without any protocol. I hardly used the electric calling bell during my 25-year service in the Bank; it was even more so during the two year stay in that cabin, much to the relief of the occupants in the two adjacent cabins. In those days, ringing the bell to call the office boy (crudely called 'peon', officially) was regarded as a great privilege of an officer, and so it was exercised freely! It need hardly be mentioned that the office boys resented the bell ringing frequently.

Material for the History

I did not envisage any difficulty in securing enough material for the History on the lines I conceived and I felt that the RBI's archives

and those of the Central Government in New Delhi, which also had the papers of Sir Purshotamdas Thakurdas, the most important Director of the Central Board, should give me plenty of material. There were numerous books by Indian authors like Professor C.N. Vakil, which shed some light on the Bank's history. The Asiatic Society Library and the libraries at leading colleges contained books and Reports that could help.

I was confident that the Bank's Governors, Deputy Governors, senior executives and Directors of the Central Board, past and present, and leading financial papers, all constituted reasonably good sources. As a teacher of economics at the University, with special interest in monetary and banking matters, I also possessed a lot of knowledge relevant to the Bank's History. I was also familiar with the history of the Bank of England, right from the inception, having taught it for some years at the University.

I did not consider it necessary to obtain material from foreign sources, especially the U.K., both at the Bank of England and the office of the Secretary of State for India. There was none besides me who could be deputed for the purpose. I was not willing to stir out of Bombay till the History project was over! Information on any specific point could always be obtained through correspondence, with the help of Governor, the Ministry of Finance and the Office of the Indian Higher Commissioner.

It is not my practice to pack my books with all kinds of details, more by way of display of scholarship than real utility. Nor is it my practice to give footnotes liberally. Moreover, it was my wish that the book should be around 750 pages, royal size, inclusive of the index. Actually, it went beyond this, by about 130 pages!

Period to be Covered

Very early in the History project, when Deshmukh happened to meet me in the Bank's apartment building, where his brother also

stayed, he mentioned that he was keen that the History must cover about twenty years. I think he had in mind that the History must cover the period roughly until the time he laid down office as Finance Minister, in 1956. I had some ideas about the period the History must cover, but I told him he must first discuss the subject with the Governor and then we discuss it in the Editorial Committee. Accordingly, Deshmukh spoke to the Governor.

The Governor decided to discuss the subject with the Editorial Committee, after a week or so. I feel that meanwhile he consulted the Finance Secretary or Finance Minister.

At the meeting, as I had guessed, Deshmukh said he would like the History to cover a twenty-year period so that he might give to the author and the Committee the benefit of his experience during the five and odd year period he was Finance Minister.

The Governor then asked for my views. I mentioned that a 20-year History would require at least three years, even if I were given additional staff. In this connection, I also mentioned that the feeling in me to leave the Bank's service, soon after the History project, was getting stronger and so I would prefer a shorter period, say until the time Deshmukh relinquished the Governor's office. That would mean we take the History up to mid-1949, or the end of that year. I added that if the decision was as per Deshmukh's preference, I would not abandon the project. I would make adjustments and arrangements such that the History project did not suffer.

After further discussion, a 16-year period, 1935-51, was decided upon. In his Foreword, the Governor has said as under, about this matter:

1951 constituted a water-shed in the country's annals, since it witnessed launching of India's first Five Year Plan. It was also felt that the period that followed was too close for it to be viewed in the kind of time perspective that history needs.

Time Frame

I was very happy that the period to be covered by the History was fixed at 16 years. No time was fixed either by the Bank or the Editorial Committee for the completion of the project. From experience, I felt that I should be able to do the job by about the end of June 1970, certainly not later than September, to allow time for binding of the book. The Editorial Committee felt this was all right. Actually, the work was completed in two years, for reasons mentioned below.

Following nationalisation of the major segment of banking in September 1969, it looked as if Jha would not continue as Governor. Sometime in October or November, he called me to mention that he would probably go in March 1970 and would I please finish the History project before that, so that he may have the pleasure of writing the Foreword: I said it was difficult, but I would try.

About the same time, Deshmukh, during one of his visits to Bombay, requested me to speedup the History work, since he had other important things to do, especially the writing of his biography. He said that until the history work was over, he would not embark on any major work.

That was not all. Anjaria, whose term of appointment as Deputy Governor was to conclude in February-March 1970, felt that he might not get extension of service and so he also expressed a desire that the History project be speeded up, though he did not mention any date for this.

The last straw on the camel's back was my goodself! Towards the close of 1969, I began to feel rather strongly that I had enough of the RBI and that I should get back to academic life, not necessarily a university. The ICICI was planning to set up a financial management and research institute in Madras and it looked as if they were keen to have me as the first Director. It appears that H.V.R. Iengar, who had agreed to be the Chairman of the Board of Governors of the Institute, also expressed a strong desire that I be the first Director. The Institute

was to come up in the last quarter of 1970. I needed about six months to make arrangements for my children's education in Bombay.

For all these reasons, the History work had to be advanced by almost six months. Drafting, proof-reading and various other tasks connected with the History project had to be done under exceptional pressure, but I found that my staff, at all levels, professional and non-professional, rose to the occasion and did such a magnificent job that it did not seem that we had really advanced the work by several months. In particular, the two ladies, Mirza and Vimala, worked in a manner that was far out of this world.

I need hardly mention that the pressure on me was also terrible. I was also burdened, much against my wish, with supervising the drafting of a new edition of the Bank's publication *Functions and Working*, which the Governor said was most urgent. Even earlier, my time used to be taken away now and then for other work. Thus, for a week I had to go to Sri Lanka to give lectures at the SEANZA course, since some other person could not come, at the last minute. Articles had to be written for the new house magazine of the RBI. There were also occasions when I was called by the IDBI in connection with some major projects that had been taken up for consideration during the time I was the General Manager.

The pressure of work on my secretary and the stenographers was no less severe, generally and in particular in the last three months of 1969. The task of preparation of typed material for circulation to the members of the Editorial Committee was enormous. The matter had to be typed in two sets and compared. The era of the zerox machine had not arrived. Printing technology was such that it was difficult to incorporate additions and alterations. Proof-reading at three stages – galley, page and final page – proved onerous. Yet, none grumbled or complained or even showed signs of exhaustion. They were driven by a missionary spirit; they were participating in a great venture!

Anyway, for all the last minute hurry, the History volume came all right. It was received very well by economists, the press (many wrote editorials), former Finance Ministers, Governors and Deputy Governors, past and present and my senior colleagues in the Bank. There was general appreciation that the project was completed in two years. I had also a good word from the Managing Director of the IMF, Mr. Schweitzer. If my memory serves me right, he said that I had set such a high standard that it would be difficult for others to follow. Some went so far as to call the work monumental! There was a brief and appreciative review in *Finance and Development*, the quarterly publication of the IMF and the World Bank. If my memory does not deceive me, in two-three places in that short review, the adjective 'admirably' was used.

Freedom for the Author

It is widely accepted that the person entrusted with the writing of history of any institution must have the fullest freedom. For this purpose, it is considered desirable to select someone totally unconnected with the institution to write the history. Likewise, any committee, such as an Editorial Committee, to help the author, should consist of people, at least the majority, who have had no connections with the institution, either in the past or at present.

The above principles were not followed in the case of the first volume of the History of the Reserve Bank! All the same, the principle of freedom to the author was achieved in a full measure, without the slightest hitch of any sort on any issue, during the entire period of the History! This feat is explained by the character and philosophy of three parties involved in the History project, namely, (1) the Bank's Governor, L.K.Jha (2) the Editorial Committee and (3) my humble self as the author.

Jha was an outstanding civilian, with academic distinction at Cambridge when Keynes was there. He believed in total delegation of work to his deputies, without the slightest interference when an eminent personality was the chairman of Editorial Committee.

After I was appointed to write the History, he did not call me even for the sake of courtesy, nor to give me instructions of any sort. When I sent him a copy of the outline of the History I had prepared, he had no comments. When I sent him the draft of the first one or two chapters, for his information, he wrote to say that he would see the History in print and nothing needed to be sent to him earlier! In fact, I even wondered if he was indifferent to the History project! He was indifferent to the point of not saying a good word about my work or any word when printed copies were given to the Directors at a board meeting, his last as Governor. Advance copies of the History came from The Times of India press that morning. He told me “ Just place copies on the table. That is enough!”

Earlier, it appears, an Executive Director proposed to the Governor that after the entire manuscript was completed, the Deputy Governors and Executive Directors must be given an opportunity to go through the manuscript and make suggestions. The Governor rejected it summarily. He said this was a matter for the Editorial Committee, especially me, to decide. But for Jha, I wonder if the History volume would have seen the light of the day for quite sometime. The only occasion Jha overruled me was with regard to the number of copies to be printed. I proposed 10,000 copies. He thought 2,500 copies. I think the book has been out of print for many years now. But this was mainly an administrative matter, which he had the right to decide.

Towards the close of 1969, Anjaria mentioned to me a different idea with regard to the publication of the volume. He wanted the whole manuscript to be sealed and kept away for a year, after which the Editorial Committee must assemble to review the manuscript and finalise it for printing! I told him it was too late to think of this as about two-thirds of the manuscript had already been printed! He was a little surprised to hear about this rapid progress of printing. I told him that without this progress, the volume would not be ready by the end of March 1970.

I must also mention here that at my request, Mr. K.C. Raman, production manager of the Times of India Press, had instructed the staff to accept my instructions freely, as though I was the production manager! Since the press was close to my apartment building, nearly every morning I used to visit the press, after my morning walk in the company of our morning club members! The cooperation of the press was magnificent. I also arranged for the manufacture of natural shade paper, at the Andhra Pradesh Paper Mills, especially for the History volume.

The Editorial Committee too gave me total freedom. In fact, it was fundamental to my accepting the responsibility for writing the history. At the very first meeting, before I could say anything about total freedom, Deshmukh himself referred to it in something like the following words:

“Simha, even as the Bank has given the Editorial Committee complete freedom as regards the scope, pattern and size of the volume, the Editorial Committee is giving you the fullest freedom. When we discuss the scope of the volume, as soon as you have prepared the outline, we may have some suggestions as regards some additions. We will discuss this thoroughly and leave it to you to decide in the light of our views.

He went on to say:

Freedom carries with it responsibility. I have seen, very closely, your work at the Bank for about four years and I had nothing but the highest regard for your work, in quality and balanced presentation of your views, be it interest rate policy or stock exchange regulation or gold policy. And, you know what freedom I gave you the newly appointed research boys in all your work. I am sure there will be no problem on either side in the history project”.

Anjaria endorsed Deshmukh’s views. He said that he was quite pleased with my work, during the four years I had worked with him,

first in the Bank and then in the IMF, marked by frankness, and fair and balanced outlook. Anjaria said “we have to give complete freedom in our own interests. We cannot be expected to bear the burden. We are only an Editorial Committee. The show is really his”.

I had absolutely no problem with the Editorial Committee nor did they have any with me. It was an exceptionally smooth affair; otherwise, the History project could not have been completed in two years, not just the drafting by me and scrutiny by the Editorial Committee, but printing, binding, etc, concerning a book of 878 pages, royal size, in days of poor technology by today’s standards.

This completes Governor Reddy’s mandate to me to write “ a detailed preface to the second edition of the volume I, which would give the readers the full fledged background”. Readers must also read carefully the Preface written by the Editorial Committee Chairman Deshmukh. It explains the scope and philosophy of the History volume. The Preface reflects very much my ideas which I mentioned to the Editorial Committee at the first meeting, and which the Committee accepted, without any reserve. In fact, Deshmukh asked me to stay with him when his Preface, the draft of which I had sent him at Hyderabad, was finalised. He said it might look odd if both he as a Chairman, and I as author, wrote separate prefaces on the same matter. I said I would do only the thanks giving in the little piece I would write in the introductory section.

In the first paragraph of the Preface, Deshmukh has mentioned “Actually, the Chairmanship of the Editorial Committee to compile an authentic and comprehensive history of the Reserve Bank of India has been for me an extremely interesting and responsible assignment”. I would say that it reflects very much my own feelings as an author. I feel it is, without doubt, the best piece of work I have done in my writing life spread over sixty-five years. It was a source of immense joy to me to be engaged in writing a book of these magnificent contents, without the usual rigmarole of ordinary facts and figures. I

now realise, much more than I did in 1968-70, the favour conferred on me by the Bank in appointing me to write the History volume!

Before I conclude, may I convey my profound thanks to Governor Reddy for having asked me to write this Preface? It has been a source of immense pleasure to me to recall to my mind personalities and events relating to the History volume thirty-five years ago. May the History projects of future years achieve great success.

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