

INDIA POLITICAL ECONOMY PROGRAM ESSAY

BREAKING OUT AND THROUGH
AN ESSAY ON INDIA'S FIRST WOMEN
IN LIBERAL ECONOMICS

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SUMMARY

This essay highlights the pioneering roles of India's first women economists in the field of liberal economics, namely Padma Desai, Sudha Shenoy, and Isher Judge Ahluwalia. It focuses on their academic and professional journeys, the barriers they faced, and their significant yet often overlooked contributions to economic theory and policy. The essay reflects on how these women's work shaped both academic discourse and policymaking in India.

Keywords: India political economy; 1991 economic reforms; women; liberal economics

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On the cover: Pillar of Ashoka (detail) at Sanchi, Madhya Pradesh, India. The pillars of the emperor Ashoka the Great (268–232 B.C.), renowned for their polished sandstone and intricate carvings, were dispersed throughout the Indian subcontinent and carried imperial edicts promoting moral and ethical conduct. The Lion Capital of Ashoka, which tops the pillar at Sarnath, Uttar Pradesh, has been adopted as India's national emblem. Twenty of the pillars of Ashoka still survive.

With a blast of its horn, the *SS Independence* pulled out of the Bombay docks one rainy August afternoon in 1955. On its deck, 24-year-old Padma Desai stood gripping the handrail and gazing out at the land she was leaving behind: a newly independent India where she had been an ace student, consistently ranking at state-level exams and winning scholarships that helped her chart her own independent course from Surat, where she was born, to Bombay for graduate studies.

She thought, too, of the baggage she was leaving behind: a loveless marriage, forced on her by circumstance, and the knowledge that life in her young country held no promise for her, no future.

As the liner cut through the Arabian Sea, she turned her gaze toward the horizon beyond which lay the land—she hoped—of opportunity to be all that she could be. She had a fellowship to Harvard’s Radcliffe College.

For Desai, abstract economic theory held no interest—she wanted to focus on how to solve critical economic problems. Would the Soviet economy have been more productive, for instance, if market forces had not been constrained by statism?

Studying monetary economics under Alvin Hansen and John Williams, Desai found she preferred Hansen’s simplified version of Keynes’s General Theory to the original. From Gottfried Haberler she learned the difference between absolute and comparative advantage. Visiting MIT professors Robert Solow and Paul Samuelson would also influence her—the former showed her that growth comes from capital accumulation and technological progress and that the state has no role in the process; the latter’s teachings on economic principles influenced her work as a teaching fellow in the department.

While the academic life was all she had hoped for, at the personal level she found she had merely exchanged one type of humiliation for another. Her male classmates snidely suggested she forget economics and try her luck in Hollywood; they asked her to stitch their coat buttons because that is what women

do, right? Despite her rigorous study schedule, she had to work on the side to support her dependent husband back home.

Her lifeline was the women she befriended—peers who opened whole new worlds of literature and cultures, introduced her to Western classical music, and became pro bono caregivers when her health collapsed under the stress of study and work.

More importantly, her female friends became her support and outlet to talk of the burdens of her past—and they helped build her resolve to break free of those shackles. Around that time, Betty Friedan had, through the Feminine Mystique project, kickstarted the second wave of the feminist movement, deeply influencing Desai’s understanding of familial life and the role of women as wives and mothers.

While she tussled with the idea of who she was and who she should be, Desai was selected for the Radcliffe doctoral program. Under Harbeler’s supervision, she tried to make sense of the Indian government’s role in the economy. Should the government stop planning and controlling altogether, or should it do more and do it better?

As she attempted to answer these questions, she adopted a neoclassical approach and argued for a short-term plan for India. In her model, the planning authority does not go away. Instead, it fixes exogenous variables like exports, government expenditure, and gross capital formation to enhance the distribution of expenditures on the variable of consumption among different households. In a world not ready for a change of order, she cautiously found a middle ground where the status quo of a controlled economy is modified though not entirely overhauled. In 1961, she published her thesis in the *Review of Economics and Statistics*.

Around the same time, just over 150 miles away from Desai’s hometown, an undergraduate at St. Xavier’s College, Ahmedabad, was making a radical case for free markets.

In 1962, writing for the American libertarian magazine the *Freeman*, Sudha Shenoy criticized the Indian five-year plans. She argued that the plans failed on every count: per capita daily food-grain consumption was subpar, annual cloth consumption was declining, and 90 percent of the houses in the country were “one-roomed hovels, with no facilities whatsoever.” She was unsparing:

When American and other “liberals” (statists) criticize something labelled “free enterprise,” they imagine they are criticizing the free market. But what these people consider to be the natural corollaries of the free market are not integral parts of it at

all. They are distortions produced in its working by misguided interventionism—the attempts of the state to do the duty of other parts of society, while neglecting its own duties. This causes imbalances and distortions in the market, and these are usually taken by the statist to be its normal and essential features. . . .

The statism of East Europe is called communism, the statism of India is called “the socialistic pattern of society,” and the statism of the USA is called “American free enterprise.”

Her conviction was no accident. Exactly a year before, she had read F. A. Hayek’s *The Constitution of Liberty* on its release. Hayek’s exposition on freedoms, the oppressive hand of the ever-expanding government, and—even more importantly—his argument for a free-market economy in a democratic setup with a strong rule of law and constitutional protections had left a deep impression on her 17-year-old mind.

How did a teenager even come across these ideas and books?

Sudha Shenoy was the daughter of B. R. Shenoy, the only liberal economist between Athens and Tokyo of the early 20th century. While the rest of her father’s contemporaries at the London School of Economics were enamored of Harold Laski and Fabian socialism, the senior Shenoy was influenced by Hayek and the Austrian tradition. As early as the 1930s, he was critiquing Keynesian economics in scholarly articles. In 1955, as part of the panel of economists put together to advise Nehru, he alone opposed deficit financing as a measure to fund the second five-year plan.

As her father went about his peripatetic career teaching, conducting research, and advising the Swatantra Party, junior Shenoy was exposed to the works of Hayek, Ludwig von Mises, and Henry Hazlitt at home and in college.

Her shift to the London School of Economics coincided with the publication of Murray Rothbard’s *Man, Economy, and State*. Despite straitened finances, she bought the volumes and was hooked. She attended lectures in the morning and, in the evening, read alternative views in Rothbard’s work. This juxtaposition of viewpoints strengthened her analytical framework for understanding the role of the state and studying the economy, further entrenching it in the Austrian way.

In the next two years, Shenoy wrote about the slippery slope of selective justice, problems of redistribution, and the inconsistent liberalism of statist. In each of her works, she debunked the flawed understanding of economic principles and argued how it led to faulty policymaking. In her words, “Economics certainly does not assume that all men are selfish monsters—though a great many

people, who should know better, go on talking in this fashion. Economics is concerned only with the principles governing the allocation of scarce resources among competing ends; it says nothing about the ends themselves.”

Meanwhile, back in India, 20-year-old Isher Judge arrived in Delhi from Calcutta in the summer of 1965 to study for a master’s degree in economics at the Delhi School of Economics (DSE). She was the ninth child in a home with strained finances and without intellectual role models and mentorship. Yet, much like her DSE professor, Padma Desai, Judge had excelled at academics and secured the scholarships and parental permission to progress further.

At Presidency College in Calcuttam she acquired mathematical rigor from her economics training, while at DSE the curriculum focused on theoretical results and social aspects of the discipline. But much of the curriculum and scope of learning was blinkered.

Judge’s cohort studied planning models without ever learning about the critique that B. R. Shenoy had written a decade earlier. Though DSE professors Sukhamoy Chakravarty, Amartya Sen, and Jagdish Bhagwati would go on to publish seminal works by the end of the 1960s, none of their cutting-edge research on India’s development policy was acknowledged, let alone discussed, in their classrooms. So much so that, when professors Bhagwati and K. N. Raj were consulted on the devaluation of the rupee in 1966, she and her classmates remained unaware of the ongoing debates and turbulent economic situation.

As Judge and her cohort toiled away preparing for their exams, the lack of academic fervor and challenge at DSE was affecting Professor Desai.

Desai had joined DSE as an associate professor upon returning to India in 1959. Soon after, Bhagwati—whom she had befriended in Boston when he was enrolled at MIT—also joined the faculty.

With Bhagwati, Desai coauthored *India: Planning for Industrialization* in 1968. This book traces the trajectory of Indian planning and protectionist policies and their effect on industrial growth and foreign trade from 1951 to 1966.

They argued that industrial planning focused excessively on detailed physical “target-setting” even though the government had no means of knowing or ensuring that the capacity it had licensed would allow the industry to meet such targets. Controls subjected the economy to excessive bureaucratic discretion and the whims of interest groups rather than to economic logic. The consequent lack of competitiveness, they wrote, had led to inefficiency in the industrialization process and to its decline in the ’60s.

The book polarized Indian academia. Those who hailed it considered it a breakthrough for liberal economic thinking in India. It catapulted Bhagwati into prominence. Desai, on the other hand, was consumed by personal setbacks. Resolved to end the marriage to an adulterer who had scarred her with emotional neglect and a venereal disease, she had filed a petition for judicial separation on returning to India. Little did she know that the process would wear her out, hampering her during her most formative years in academia.

Traveling back and forth between Surat and Delhi for court hearings, Desai endured an endless saga of doublespeak from her husband's legal team, only to lose the petition. A last-resort religious conversion finally set her free, but only after nine fraught years. Throughout that period, she drew strength from Bhagwati's companionship, from her lessons in Hindustani music, and from Russian language classes.

With Bhagwati taking their work on Indian economic reforms forward, the newly divorced Desai, at the age of 37, changed track when she returned to the US in 1968. She joined the Harvard Russian Research Center and focused on a critique of the Soviet economy. From the 1970s onward, Desai published extensively on this theme, establishing herself as a pioneering American scholar on the Russian economy.

Desai originated the modern econometric analysis of the Soviet economy. In *Perestroika in Perspective: The Design and Dilemmas of Soviet Reform*, she went beyond econometric analysis and reflected on Gorbachev's market reforms in the political, economic, and cultural contexts of Russian socialism. She wrote,

Shortages breed alienation. There is not much point in working hard, in doing one's best, if one cannot spend the money on a color TV or a dishwasher. The Soviet social contract is aptly described as "They pretend to pay us and we pretend to work for them."

Shortages breed corruption, too. The have-nots must grease the palms of the haves. In the Soviet case, the "haves" are generally party members, who can procure almost anything in short supply—a Moscow apartment, an attractive job, a place for a child in a prestigious school or for a sick relative in a better hospital—but for a price. And there is nothing more alienating for the masses than the knowledge that those in power are corrupt. The legitimacy of the rulers, of the party in general, and above all of the socialist system, becomes suspect.

The 1970s marked the end of Sudha Shenoy's involvement with India. At the completion of the two five-year plans, she wrote her final work on India, titled *India: Progress or Poverty?* In this book, she criticized the five-year plans for indulging industrial sectors and increasing inequality. She suggested abolishing industrial licensing and a variety of controls: capital issues, exchange, trade, price. She also suggested that the government let go of its claims over capital resources—that is, privatize public undertakings. The book almost went unnoticed, and those who did read it dubbed it as “India: Poverty and No Progress.”

Shenoy then pursued the cause of liberty through the Austrian economics tradition. In the scholarship she published in the following decades, she emphasized how spontaneous orders, and not premeditated design, were key to development. If the government had any role at all, she argued, it was to protect individual freedom and private property. Drawing on the Hayekian tradition, she contended that this was because politicians lacked specific competence and knowledge, and so any government intervention would lead to perverse economic consequences.

Isher Judge arrived in Boston in 1968 and joined MIT's doctoral program. Under Paul Samuelson, she studied the different schools of economic thought. Charles Kindleberger, who taught her international trade, was an advocate for foreign direct investment. Bhagwati, who had moved to Boston with his partner, Desai, became her supervisor, as did Richard Eckaus and Stan Fischer.

Judge's sojourn in Boston was not without its share of hurdles. She developed a tumor on her hip; though benign, it required surgery. Samuelson, Bhagwati, and her friends oversaw her care, with Samuelson bearing the medical expenses. Before she could recover, her father died of a heart attack back home. Unwilling to take on another liability to finance the travel, she overcame her grief seas apart from her family.

As Germaine Greer's *Female Eunuch* was furthering the women's liberation movement in the US, Judge moved to Washington, DC, to do a six-month internship with the International Monetary Fund in 1970. At the IMF, she found her calling in policy-oriented research on the Indian economy, using empirical data and statistical tools of analysis. Teaching wasn't for her. She deferred her thesis and secured a job in the IMF Western Hemisphere, where she was part of the maiden IMF missions to the Caribbean.

During this time, she married Montek Singh Ahluwalia. She also reconnected with Udham Singh, her former boss at Khalsa College, where she had taught briefly before moving to MIT. He introduced the couple to Manmohan

Singh, his colleague at DSE, and thus set in motion an enduring association between the two families, personal and professional.

After bagging a Brookings fellowship, Judge resumed work on her thesis. She studied the macro-econometric model of the Indian economy, exploring the determinants of inflation. Once the thesis was complete, Judge coped with child-care with the support of a nanny and her mother-in-law while converting it into her debut book, *Behaviour of Prices and Outputs in India: A Macro-econometric Approach*.

Manmohan Singh had advised Ahluwalia to return to India and apply for the role of economic advisor in the Ministry of Finance. Ahluwalia and Judge returned at the end of 1970s. While Ahluwalia rose in the government, Judge navigated her “Hindi-medium” self among the English-speaking elite of the power center. Gendered conversations and hierarchies of the Indian bureaucracy made the integration of the much younger Ahluwalias hard.

Judge was keen to pursue empirical research on the Indian economy at a research institution. The opportunity to do so arose when the Indian Council for Research on International Economic Relations (ICRIER) funded her project on understanding the cause of industrial stagnation. On the basis of her findings, and extending on Bhagwati and Desai’s 1968 book, she argued that excessive controls had slowed industrial growth since the 1960s and that the situation needed to change.

The bigger challenge, however, lay in putting out her scholarship, which challenged the orthodoxy of the discipline and contravened prevalent ideas. Judge’s second manuscript was initially stalled by Oxford University Press. Intervention by an Oxford professor helped clear the way for her second book, *Industrial Growth in India: Stagnation since the Mid-Sixties*. But its publication was met with hostility, including a news article that wrongly accused her of conducting dubious transactions.

Judge joined the Center for Policy Research in 1984 and worked on her next book, *Productivity and Growth in Indian Manufacturing*, a contemporaneous take on industrial growth and productivity. Around that time, India began taking baby steps toward liberalizing its economy and changing government policy, vindicating the position she had taken in her previous book.

Despite their years of scholarship—comparable to those of the men who constituted the Narasimha Rao Camelot—Desai, Shenoy, and Judge found no room at the high table where the decision to liberalize India was taken. There are several reasons for this.

Until the latter half of 20th century, the formal rules of the Indian Administrative Service effectively kept women out, thanks to a clause that required women to stay unmarried to remain in service. The lack of access to informal networks, mentoring, and self-promotion tactics only made matters worse. A handful of women were competing with a large pool of competent men. This prevented female bureaucrats from assuming top offices.

Insularity of networks plagued the economics academia too. Though there were several women economists, there were few opportunities for them to occupy technocratic positions. Desai, Shenoy, and Judge also faced the challenges of being nonconformist. For the Indian economics academia, affirming state intervention was *sine qua non*. Advocating the alternative meant oblivion or infamy.

While butting up against such walls, these three liberalizers also had their own peculiar circumstances to cope with.

Shenoy had no skin in the game. Unlike her father, who was engaged in India despite the fact that he was neither heard nor respected, Shenoy moved to foreign shores early on, where her ideas had currency. And like Desai, the focus of her work veered away from India from the 1970s onward.

At the South Royalton conference in 1974, she played a significant role in advancing the modern Austrian movement and emerged as one of its new voices. She held several teaching positions, primarily teaching economic history at the University of Newcastle, Australia. Her meteoric rise, from being elected to the Mont Pelerin Society at the age of 30 to holding command of the Austrian economics movement for decades, testifies to the prodigious talent that the country of her birth could not recognize.

For Desai, who struggled with navigating professional networks and what would later be diagnosed as neurosis, such opportunities were never an option. Her time in India was rife with setbacks, and it was only after she left the country once and for all that she found comfort and the motivation to progress. After working at the Harvard Russian Research Center and also marrying Bhagwati in 1977, she took up a professorship at Columbia University in 1980. There she mentored economics students over the next three decades and continued her research on emerging market economies. In the 1990s, she served as director of the university's Center for Transition Economies and as the US Treasury's adviser to the Russian Ministry of Finance.

Recognition for Desai's work on India and transition economies came only much later, when reformers like Manmohan Singh considered it India's misfortune that it had taken two decades to implement the ideas of Bhagwati and

Desai. Their book, *India: Planning for Industrialization*, became a touchstone for Indian scholarship on market-based reforms and an influence on a generation of professional economists, including some of the 1991 reformers who had studied under them at DSE.

Their other student, Isher Judge, faced somewhat different circumstances—and also made different choices.

Appearances at several conferences and the presentation of well-regarded papers had increased Judge's visibility in India by the 1980s. Eventually, she was asked by her former professor Arjun Sengupta, then special secretary to the prime minister, whether she would be interested in the position of deputy economic advisor. She declined—and pointed out that at thirty-nine, with a doctorate, she was more qualified than her husband had been when he got a higher-grade job at a younger age.

Besides her husband, two of Judge's own contemporaries from DSE days—Deepak and Rohini Nayar—were also intermittently serving in the administrative services. Deepak served as chief economic advisor in the Chandra Shekhar government and the earlier months of Manmohan Singh's Ministry of Finance, and his wife Rohini was in the services from 1969 to 1975 before publishing a book on rural poverty in 1991 and serving as principal advisor to the Planning Commission in 2004.

Judge, however, was never keen on working in the government. She preferred working independently or with a research institution, in order to guard her professional and academic independence. So, when Ahluwalia plunged into the thick of the 1991 reforms process, Judge advocated for the reforms in public forums. She participated in speaking engagements, wrote about the reforms, and engaged in public debate on the rationale for the reforms. She was also part of an outreach delegation to the US intended to draw attention to the changing India.

From 1997 onward, she worked as ICRIER's director; later she became the chair of its board. She rebuilt the institution, finding multiple sources of funding and setting the institution on a path of producing independent, robust research on an array of topics: trade, macroeconomic management and related challenges, regional economic cooperation (with a focus on South Asia), financial sector liberalization and regulation, and strategic aspects of India's international economic relations. ICRIER's work under Judge informed the government's negotiations with international organizations.

Desai, Shenoy, and Judge were among the few advocating for economic freedoms at a time when such ideas had little currency. That ideas of individual liberty and

a restrained state still remain contentious in the socioeconomic sphere makes their scholarship relevant today—even more so because they represent the diversity of thought in liberal economics, from the differences in their analysis to the divergence in their approaches to resolving economic problems.

Omitting them from India’s liberalization narrative or from any retelling of its economic history reflects the strong patriarchal perspective in economics and historical writing. This diminishes their contributions, especially those of Desai and Judge, who implicitly but profoundly impacted India’s liberalization process. It is also a sobering reminder that the reforms process itself can be a hindrance to the quest for economic freedoms, when different ideas and perspectives do not make it to the high table on account of deep gender biases or other blinkers.

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