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Crafting Chaos: The Classification of Unilateral Transfers under the Current Account at Bretton Woods and its Impact on Remittances to the Indian State of Kerala

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Abstract

This essay aims to analyse the classification of unilateral transfers under the current account at Bretton Woods despite significant opposition from larger delegations of major Allied powers, bringing to the forefront the global liquidity of remittances in the post-War years permitted by their fully currency convertible nature. Using the example of the Indian State of Kerala, this paper charts the relevance of their sustained uninterrupted flow to their subsequent exponential growth in the last three decades, using the case study as a pivot to argue for better policy measures that maximise their multiplier effect.

Keywords

Bretton Woods, Economic History, Remittances, India, Developmental Economics, Unilateral Transfers

Cover Page Footnote

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> I cannot emphasise too strongly the importance of good accounting practices. Economically sound financials are the cornerstone of any properly functioning market economy. Without that, supervision and regulatory systems are houses built on shifting sands.
>
> Howard Davies, *Tenth C. D. Deshmukh Memorial Lecture*
> February, 2000

The words of Sir John Howard Davies, an economist and professor at the Paris School for International Affairs at Sciences Po, delivered at the memorial lecture organised by the Reserve Bank of India in commemoration of its former Director Sir Chintaman Deshmukh, underscore the importance of bookkeeping practices in the realm of international trade and finance. That he should make such a statement at a memorial lecture in honour of C. D. Deshmukh is indeed prophetic, for Deshmukh himself was one of the most passionate advocates for accounting practice reforms. In his capacity as one of the official delegates of India at the Bretton Woods Conference in 1944, Deshmukh was responsible – in part – for the classification of unilateral transfers under the current account at the conference in New Hampshire. This paper will analyse the process through which such a classification came to fruition, the various personalities involved in its crafting, its impact upon global remittance movements and their currency convertibility in the decades following World War II, and the lessons to be learnt from these remittance movements for the understanding of the nature of remittances and the policies that can be crafted to effectively utilise them.

By establishing that the Bretton Woods Conference was an attempt to create international solidarity and cooperation in the establishment of global trade standards to prevent a repeat of the interwar years that were characterised by regressive capital controls that froze international trade, this paper will attempt to demonstrate how – despite the obvious major role of the large Allied forces in organising the conference and determining large tracts of its deliberations and decisions – seemingly minor countries like India (which, at the time was still a colony) had important and influential voices that were responsible for bringing forth radical alternatives to the table and forcing compromises on the part of major powers in several decisions. By taking the specific case of India, this paper will attempt to uncover the personalities involved in taking decisions that were path-breaking in their own right (in their ability to go against the still dominant colonial power) and to understand their role in deciding upon the classification of unilateral transfers under the current account despite opposition from the powerful delegation of the USSR, supported by other developed nations of the West.

This historical argument will be followed by an uncovering of the current state of the remittance economy across the world, and India's premier position as the leading remittance recipient internationally. Uncovering the mainstream narrative that prioritises the growth in remittances in the recent past, this essay will attempt to prove that remittances remained important even before their exponential increase in the 1980s through an analysis of the share of remittances as a percentage of total trade. In proving this point, the extensive research done on the experience of the Indian state of Kerala with remittances will be mobilised in the form of a case study to demonstrate how the historical continuation and uninterrupted flow of remittances allows for their increase over the course of time in a multiplier effect manner. Lastly, the impact of remittances will be analysed to uncover ways to prevent the negative influences of remittances on local economies and to suggest the need for policy frameworks and structures which will allow for the most productive utilisation of remittance receipts.

Methodology

This paper utilises a combination of primary, secondary, and tertiary sources, with data being gathered from national and regional government agencies, international bodies, and references found in scholarly work on the subject matter. The division of these sources can be broadly categorised as those that demonstrate the historical facts and conclusions of the Bretton Woods conference, those that demonstrate the importance of remittances and their nature in the global economy, and those that trace the growth and sustenance of remittances in India in the period between the Bretton Woods conference and the collapse of the pegged exchange rate system. The historical facts and conclusions of the Bretton Woods conference are obtained from three distinct sources: primary documents produced by the organisers themselves, primary documents produced by various countries' delegations to the conference, and secondary sources that form the bulk of the scholarly work analysing the conference. Those that establish the importance of remittances and their nature are primarily scholarly works produced in the recent past that have focused upon the rise in remittance flows across the world. And lastly, those that trace the growth and sustenance of remittances in India come from three sources: official documents by the Reserve Bank of India tracking outflows, official documents on migration analyses by the state governments of Kerala and Goa, and secondary sources tracking India's position as the world's foremost remittance recipient.

Documents produced by the conference itself are vague because of an agreement to only record those items on the agenda that had been discussed and decided upon, with a lack of references to the debates that took place on their subject to keep the anonymity of decision makers intact and to allow for consensus to override individual decision makers and their biases. These recordings, which are comprised of over five hundred documents that include the charter of the IMF and the World Bank and other proceedings, were produced by the U. S. Department of State along with the help of the International Monetary Fund and the World Bank. They are supplemented, however, by the recently uncovered unofficial and unpublished documents created over the course of the conference that are available at the National Archives in College Park, Maryland and the Library of Congress. Additionally, the discovery of the unofficial verbatim recordings of the proceedings of the conference, taken by the Treasury's stenographers, and unearthed by Kurt Schuler in the National Archives recently, has significantly enhanced our understanding of the various positions taken by participant nations at the conference. These unofficial verbatim recordings have formed the backbone of research for recent secondary sources on Bretton Woods including *The Battle of Bretton Woods* by Ben Steil.

Data on remittances are harder to find: the lack of official bookkeeping at the international level till the mid-1970s has led to a bulk of analyses focusing on the impact of remittances post this period. However, this paper uses records kept by the Reserve Bank of India in its balance of payments accounts along with statistical data from documents put forth by the governments of Kerala and Goa on the subject of international migration and their migrant populations. Moreover, it utilises official World Bank data to trace the growth of remittances between 1970 and 2011, proving that despite the rise in remittance contribution to GDP, the proportion of remittances as part of the total trade flows of a particular country (in this case, India) has not varied massively, and, if it has, has varied contrary to popular expectations for the rise in remittance proportions in the face of international migration in the 1980s and 1990s. This data is used in conjunction with theoretical research on the impact of remittances in developing countries, and on the nature of remittance flows, to analyse the potential impacts of the remittance inflows to India between 1944 and 1971.

Literature Review

The collapse of the international economic order after the First World War, and the ensuing chaos caused by the imposition of incredibly stringent capital controls that froze the development of world trade in the interwar years, led major global powers to contemplate the construction of institutions and mechanisms to prevent the abuse of the fallout caused by straining of diplomatic relations in times of conflict. The first concrete measure taken towards the construction of such institutions manifested itself in the discussions leading up to, and happening within, the Bretton Woods Conference, or the United Nations Monetary and Financial Conference, held at the Mount Washington Hotel in Bretton Woods, New Hampshire, from the 1st to the 22nd of July, 1944. Attended by 730 delegates from all the 44 Allied countries, the Conference signalled a new era of global international cooperation and structural transformation geared towards the regulation of international trade and finance after the ongoing World War. The Conference resulted in the formation of two institutions that remain phenomenally important in contemporary society: the International Monetary Fund, which was initially conceived with the intentions of ensuring stability in international trade and finance, and the International Bank for Reconstruction and Development (now known as the World Bank), which was initially conceived of as an instrument to mobilise reconstruction efforts after the War and aid in development measures across the globe. The importance of the role that these institutions played in the years immediately following the ratification of the decisions made at Bretton Woods by member states and the implications of the international monetary system of adjustably pegged foreign exchange market rate system that was put into place both are clear indicators of the significance of the conference as a pivotal point in economic history and point towards the necessity to analyse the processes and intricacies of the discussions and deliberations that took place between member states in order to gauge their relative impact upon the tangible results of the conference.

Despite the significance of analysing particularities of the conference, however, the largest body of work present upon the discussions and deliberations that took place in New Hampshire is of a largely narrative nature with general overviews and summaries dominating the bulk of writings on the subject. These range from official histories presented by the International Monetary Fund and the World Bank to larger works like Georg Schild's *Bretton Woods and Dumbarton Oaks: American Economic and Political Post-War Planning in the Summer of 1944.* Two works in particular have delved into the circumstances leading up to, and influencing, the decisions made at Bretton Woods: these include Giovanni Alberto's short yet incredibly rich "Bretton Woods and Its Precursors: Rules versus Discretion in the History of International Monetary Regimes", published for the United States National Bureau for Economic Research, and (more recently) University of Waterloo Professor Eric Helleiner's incredible well researched and thorough book, *Forgotten Foundations of Bretton Woods,* that encapsulates the intertwining histories of the various member states who were present at the deliberations at Bretton Woods. Both of these works are incredibly useful for the analysis of the interwar period and its impact upon the decisions taken in 1944, but fail to elaborate upon the nature of the decisions taken themselves and the ways and forms through which these decisions were moulded in the years following their implementation. This problem also plagues works like Harold James' "The Multiple Contexts of Bretton Woods" and Michael D. Bordo's "Tales from Bretton Woods", that aim more to chronicle in narrative format the happenings at the conference rather than draw substantive policy-oriented arguments from them. Moreover, the recent discovery and digitisation of not only the official Bretton Woods archives but also the records kept by United States personnel at the conference have limited the scope of utility of mere narrative documents, with the easy availability of primary sources pushing the focus of research from unearthing details of the conference to discovering and problematizing its nuances.

Such an attempt to discover nuances within the large quantities of narratives, data, and documents available on the Bretton Woods conference has seen an emergence of a large number of biographical sketches of key figures within the conference, and an emphasis on the role played by individuals rather than structures in determining outcomes.

Perhaps the most famous of these is Ben Steil's recent *The Battle of Bretton Woods: John Maynard Keynes, Harry Dexter White, and the Making of a New World Order*, which charts out the ideological oppositions between Keynes and White and their impact upon the transformation of the International Monetary Fund and the World Bank. In drawing ideological lineages for these two key players of the conference, Steil contrasts the role played by the more staunchly institutional and bureaucratic Harry Dexter White and the more liberal and innovative public intellectual John Maynard Keynes. Moreover, for each of these individuals, there have been a large number of accounts (both biographical in general and biographical specific to Bretton Woods) that include references to or chapters on their contributions and fierce disagreements at Bretton Woods: these include Nicole Julie Fobe's "Uma Proposta Esquecida – O Bancor", Roy Harrod's *The Life of John Maynard Keynes*, James Boughton's "New Light on Harry Dexter White", and, most controversially, Bruce Craig's *Treasonable Doubt: The Harry Dexter White Spy Case* on the collaboration between White and the USSR over a time period that covered the Bretton Woods conference. Despite their insightful analysis of the individuals involved in the conference however, all these works fail to intertwine the institutional histories and structural dynamics that played out at the conference with the works done by key leaders of various countries: in theorising on an individual's role in Bretton Wood, they transform the conference into an object rather than the subject of inquiry, thereby diluting the potential learning outcomes of the nature of deliberations behind decisions involved.

The last decade saw an upsurge in celebratory works commemorating Bretton Woods and its legacy: ranging from Scott Pardee's "50 ans après Bretton Woods: Quel est l'avenir du système monétaire international?" to Michael Bordo and Barry Eichengreen's *A Retrospective on the Bretton Woods System: Lessons for International Monetary Reform*, a multitude of scholarly articles and publications were put forth as markers of the success of Bretton Woods. However, despite commemorative scholarship not being always ineffective, that on Bretton Woods' fiftieth anniversary remained unfulfilling because of its inability to interact with the changing histories of the institutions left behind in the wake of Bretton Woods. The fundamental transformations that the International Monetary Fund and the World Bank underwent over the course of the fifty years of Bretton Woods' existence are inexplicable through a mere analysis of the aftermath of the conference: papers like "IMF Reform after the Crisis" by Dries Lesage, Peter Debaere, Sacha Dierchx, and Mattias Vermeiren, along with those like Henry Owen's controversially titled "The World Bank: Is Fifty Years Enough?" remain far more effective and penetrating than works covering the entirety of the Bretton Woods experience (like James Boughton's *Fifty Years After Bretton Woods*). Further, works that concentrated upon the collapse of certain structures established by Bretton Woods managed to accomplish a far greater deal in terms of analysing the real efficacy of Bretton Woods and its lessons for the years to come: Michale Bordo's "The Gold Standard, Bretton Woods, and Other Monetary Regimes: A Historical Appraisal" and Ron Phillips'

"The Failure of Keynesianism and The Collapse of Bretton Woods" both carved a niche within economic history analysis that allowed for an understanding of the nature of the propositions decided upon at Bretton Woods and the loopholes left behind in the drafting of policies that allowed for the unravelling of the pegged exchange rate system just three decades after its inception.

Therefore, given that analyses of particular structures and policies conceived during Bretton Woods serve as more useful indicators of both the scope of the conference and its impact on future years, this paper narrows its focus to decisions taken in New Hampshire regarding the classification of unilateral transfers under the current account. Large bodies of work have been put forth on other aspects of the conference. The structure and the composition of the International Monetary Fund and the World Bank has been well researched into by authors like Mark Copelovitch in his *The International Monetary Fund in the Global Economy: Banks, Bonds, and Bailouts* and like Edward Mason in his *The World Bank since Bretton Woods*; the pegged exchange rate system has been analysed in works like Ronald McKinnon's *Money in International Exchange: The Convertible Currency System*; and capital controls have been studied in works like Marcello de Cecco's "Capital Controls in the Bretton Woods and post-Bretton Woods International Financial System" and Thomas Willet's *International Liquidity Issues*. However, very little research has been done into the specific accounting practices and mechanisms that allowed these structures of capital controls and other forms of free trade disciplining features to be successfully implemented. Works mentioned previously have examined briefly the proposals to set up accounting standards and reporting guidelines by the International Monetary Fund and the World Bank, and have deemed them to be steps towards greater formalisation of the international financial and trade system. Yet, they have failed to account for the fact that these measures were in fact dramatic transitions in the nature of international bookkeeping and had massive implications for the specific flows of international trade. This is especially important considering that the crucial years following the Second World War were accompanied by restricted capital mobility that had to be managed to prevent a repeat of the interwar years while simultaneously allaying the fears of capital flight of those nations that had been battered by the consequences of the violence unleashed in that decade.

This paper takes upon itself the specific task of parsing the influences of an incredibly minute yet, as I hope to demonstrate, incredibly influential insertion in the Articles of the Charter of the International Monetary Fund that allowed for the classification of unilateral transfers (specifically small remittances) under the current account and therefore for their unrestricted global liquidity during the years that the pegged currency system was in place. The yield from this research attempts to partially fill the void that exists regarding the importance of, and the transfers of, remittances in the global economy in the years immediately following the Bretton Woods conference. Recent years have seen academic and policy efforts to understand the impacts of remittances in the last three decades given the rise of an almost unprecedented global mobility of labour: official World Bank documents like Ratha and Maimbo's *Remittances: Development Impact and Future Prospects* and more independent scholarly works like E. J. Taylor's "The New Economics of Labour Migration and the Role of Remittances in the Migration Process" begin their analysis in the late 1970s and trace it up the early years of the new millennium. Very little (if any) research exists in the area of the remittance economy between 1944 and 1971: this period, which was characterised by the then non-existent requirements by the International Monetary Fund and the World Bank of reporting inflows and outflows of remittances, proves to be particularly difficult to analyse because of the amorphous and decentralised nature of data available. Since countries were not required to submit a standardised account of the flow of unilateral transfers, and therefore employed diverse accounting strategies to log down these flows, a worldwide picture of remittances and their impact does not emerge till its codification in the 1980s. The nature of remittances, and the forms in which they are utilised by recipients, however, makes it evident that their continued and uninterrupted flow is absolutely necessary for the full extent of their impact to be perceived on the ground.

The emergence of India as the world's leader in remittance inflows has drawn a significant amount of research on the factors influencing, and the impacts of, the growth of remittances in the decades following the gradual decrease of capital controls in the global scenario and the opening up of Indian markets to global capital from the 1980s onwards. Works like Deepak Nayyar's seminal book on the issue, *Migration, Remittances, and Capital Flows: The Indian Experience*, track the burst of remittance inflows that followed the large scale migration of semi-skilled labour to the Gulf and skilled labour to the United States in these decades. More technical works like Poonam Gupta's "The Determinants of Remittances to India" and Chinmay Tumbe's "Remittances in India: Facts and Issues" track the causes for these inflows and aim to determine the arc of their development. However, these works ignore the fact that the continuation of the global flow of remittances in the period immediately after the Second World War allowed in subtle forms for the meteoric rise seen in their quantities in the decades following the collapse of the pegged currency exchange rate system in 1971. They fail to contextualise, in the absence of hard data gathered by either international agencies of the Indian government as a whole, the contexts for the growth of remittances and the histories of remittances in India before the 1970s, thereby losing valuable insights into the nature of remittances and the unique nature of the remittance experience in India. Thus, this paper will demonstrate the importance of remittances to the global flows of trade in the decades between the establishment of and collapse of the pegged currency exchange system of Bretton Woods by examining the case study of remittance flows to the Indian states of Kerala and Goa, drawing a link between India's current position as the world's leader in remittances and the historical push by India for the classification of remittances under the current account via its delegation at the Bretton Woods Conference in New Hampshire in 1944.

In doing so, this paper will also attempt to dismantle myths of Indian isolationism in the years immediately preceding and following the independence of the nation. Contemporary dialogue in the mainstream press around issues of India's interaction with the global economy by authors like Niranjan Rajadhyaksha and Arvind Virmani has often taken an anti-Nehruvian and anti-socialist regime hue. Both political and economic dialogue has been crafted in a manner that puts forth 1991, and India's triple process of liberalisation-privatisation-globalisation, as the prime mover in creating international financial and monetary cooperation and therefore in advancing India's interests on a worldwide platform. Such narratives, which are fuelled by works that draw comparisons between India and the former USSR, completely ignore ground realities that demonstrate the pivotal role India played in the formation, sustenance, and organisation of post-war institutions despite being a newly liberated colony of the British Empire. The Bretton Woods Conference, which India's delegation attended despite India being at the time a British colony, demonstrates the extent to which Indian leaders were thinking of ensuring India's pre-eminence and prominence on the global stage: while decrying British policies and pushing forth indigenous measures, India also managed to critique processes of reparations following the war through an independent and forward thinking strategy that focused upon sustainable and equitable international cooperation. Praised by many as being one of the most effective delegations despite its size at the conference in New Hampshire, the Indian delegation to Bretton Wood's narrative of influential decision making and institutional transformation is a narrative that deserves to be put out in order to shed notions of the post-War period being essentially dominated by a few nations in a hegemonic manner. Therefore, while putting forth an economic argument on the importance of considering the impact of remittances in the years immediately following the Bretton Woods conference, this paper will also critically analyse contemporary historiography of the conference and demonstrate how broadening the scope of inquiry into the nations that were pivotal in making the decisions taken at the conference can allow for a more comprehensive understanding of the conference's global influence.

India at Bretton Woods

United Nations Monetary and Financial Conference (Bretton Woods, New Hampshire), July 1-22 1944
From left to right: B.K. Madan, A.D. Shroff, Sir Jeremy Raisman, Sir Shanmukhan Shetty, Sir Theodore Gregory Sir Chintaman D. Deshmukh.

The grand narrative around Bretton Woods created by contemporary historians mainly describes the conference as the pinnacle of international cooperation and institution building, with efforts being made by conscientious world powers to minimise post-war damage and chaos. Emphasis is laid upon those who were in positions of power during the process of the deliberations undertaken during the conference, as seen in Benn Steil's *The Battle of Bretton Woods*:

> The Bretton Woods saga unfurled at a unique crossroads in modern history. An ascendant anticolonial superpower, the United States, used its economic leverage over an insolvent allied imperial power, Great Britain, to set the terms by which the latter would cede its dwindling dominion over the rules and norms of foreign trade and finance. Britain cooperated because the overriding aim of survival seemed to dictate the course. The monetary architecture that Harry White designed, and powered through an international

> gathering of dollar-starved allies, ultimately fell, its critics agree, of its own contradictions. (Steil 460)

Such narratives glorify and overemphasise the role played by the United States in the organizing and shaping of the conference. While it is undeniable that it was a conglomeration of world powers, especially the leaders of the Allied forces, which was responsible for conceiving and ensuring the fruition of the conference, it is irresponsible to declare that it was merely the decisions made by Harry White or John Maynard Keynes that set the stage for both the success and failure of Bretton Woods. Such arguments undermine the massive impact of the particularities of the conference, and of its foundational nature in rewriting and restructuring the rules of the global economy: decisions that were taken regarding classifications of funds, structures of institutions, and details of quotas and contributions were pivotal in transforming the nature and scope of the post-Bretton Woods international monetary and financial cooperation. These decision were inherently multilateral in nature and depended upon debate and discussion between all forty four nations represented at the conference. Negotiations between major world powers were, of course, more influential than those by minor ones, but it is pertinent to remember that objections by minor world powers led to significant compromises on the part of the leaders of the conference (including the United States, the United Kingdom, and the USSR) because of the spirit of equality and international cooperation within which the conference was organised.

This is amply demonstrated by considering the example of India, then a colony of the British Empire, which sent a small six person delegation to Bretton Woods that was incredibly influential in shaping the course of debates and discussions, and was widely praised as being one of the most astute delegations at the conference. As Bakhtiar Dadabhoy points out in his *Barons of Banking*, an exhaustive work on Indian central bankers who shaped the monetary policy of the nation over the course of its history, India was the only non-self-governing country participating in the conference: led by Jeremy Raisman, an Indian Civil Services officer who was then the Finance Minister in the Viceroy’s Council, the Indian delegation to Bretton Woods was made up of three Englishmen and three prominent Indians who aimed at representing India’s interest in a rapidly changing geopolitical world order. The British members of the delegation included Sir Theodore Gregory, the economic advisor to the Government of India at the time, and David Meek, the then Indian trade commissioner in London. The Indian members of the delegation included Sir Chintaman Dwarkanath Deshmukh, who was the Governor of the Reserve Banks of India at the time (and the first Indian to have held that position), Sir Shanmukham Chetty, a politician who had held the position of the Dewan of Cochin, A. D. Shroff, a prominent industrialist, and B. K. Madan, the then director of research at the Reserve Bank of India (Mittal). This eclectic group of individuals were tasked with the duty of navigating the international relations of a colony, and set out to Bretton Woods with the following four chief concerns: “the extension of purposes of the Fund to include economic development, equitable settlement of the sterling balances problem, securing a satisfactory quota for India [at the International Monetary Fund, and a] permanent seat on the Executive Board of the Fund and the Bank" (Dadabhoy). This paper will describe in particular the role of three members – Sir Jeremy Raisman, Sir C. D. Deshmukh, and Sir Shanmukham Chetty – in determining deliberations at the conference.

Sir Jeremy Raisman, born on March 19, 1892 in Leeds, was the third son of a poor Jewish immigrant family from Lithuania. A full account of his fascinating life is found in Anand Chandavarkar's vignette of his life published in the *Economic and Political Weekly* in 2001: a self-taught scholar of Greek who secured a scholarship to study Classics at Pembroke College in Oxford, he was an aspiring intellectual who went on to win the prestigious John Locke Scholarship for moral philosophy at university. Following the outbreak of the First World War, after repeated failed attempts to join the military, Raisman applied for and stood first in the entrance exams for the Indian Civil Services: a prestigious post affirming an individual's ability to serve in the "jewel of the British empire". He was initially posted as assistant collector in the impoverished Indian region of Bihar in 1916 (incidentally, also the region that was one of the largest recipients of domestic remittances in the country), where he was exposed to the one of the most poor and backward regions in the country, and where he improved his Hindi while simultaneously acquiring the ability to speak Bhojpuri and Maithili. He went on to serve in the customs department in Bombay and Calcutta, in the Central Board of Revenue, at the Reserve Bank of India as its Director, and finally as the Secretary of the Finance Department in the Government of India before being given the post of Finance Minister and Vice President of the Executive Council of the Viceroy within the Government of India in 1944. It is in this position as the highest financial official in the country that Raisman defended India's position at Bretton Woods, earning him praise from John Maynard Keynes and the Governors of the Bank of England (Sayers 1956) for his deft steering of the Indian economy in the wartime years that protected India's interests – especially with regards to the protection of India's wartime sterling balances - against powerful lobbying against such a policy by Winston Churchill's government in England.

Sir Chintaman Dwarkanath Deshmukh, born on January 14, 1896 in Nategaon in rural Maharashtra, as the son of a wealthy land-owning family with a history of public service. After securing the first place at the Matriculation Exams at the University of Bombay, Deshmukh went on to graduate with a First Class from Jesus College, Cambridge, in the Natural Sciences Tripos. At Cambridge, in the years during the First World War when the more diverse Cambridge Union was inactive, Deshmukh was the President of the Indian Majlis – a powerful and influential body of students from undivided India who debated and presented the concerns of the Indian state in England. Chintaman Deshmukh, like Raisman before him, stood first in the entrance exams to the Indian Civil Service and went on to serve as a Secretary at the Second Round Table Conference under Ramsay MacDonald in 1930. He later become associated with the

Reserve Bank of India, where he served as its first Indian Governor and, in his capacity as Governor, was a part of the Indian delegation at Bretton Woods. He attended, along with Theodore Gregory, meetings of Committee 3 and Committee 4 of Commission I of the Conference (which were “concerned with organisation and management, and form and status, of the Fund respectively”), and then took charge of the status of deliberations of Commission II, which was established to set up the International Bank for Reconstruction and Development (Dadabhoy). Incredibly invested in the institutions set up in the aftermath of Bretton Woods, Deshmukh continued as India’s representative on the Board of Governors both the International Monetary Fund and the World Bank for ten years after their inception, and, in 1950, also served as the Chairman of the Joint Annual Meeting of the two bodies held in Paris. Deshmukh “greatly impressed Keynes during the negotiations”, and was complimented by Keynes for his “dignity, ability and reasonableness” (Dadabhoy). He went on to serve as the Finance Minister of independent India in the cabinet of Jawaharlal Nehru, and also held the positions of Vice Chancellor of the University of Delhi and President of the Indian Statistical Institute.

Sir Ramasamy Chetty Kandasamy Shanmukham Chetty, was born on January 14, 1892 in Coimbatore to a business family that owned a number of mills in the city. He studied at the Madras Christian College, and went on to graduate in law from Madras Law College. Following the completion of his degree, he entered the family business, and went on to become the Councillor and Vice Chairman of the Coimbatore Municipality before entering active politics as a member of the Madras Legislative Assembly in 1920. He was inducted into the Central Legislative Assembly as Deputy President in 1923, and went on to become President in 1931, serving for two terms over the course of which he represented India at the International Labour Organisation conference in 1929, at the Assembly of the League of Nations in 1938, and, subsequently, at the Bretton Woods Conference in 1944. Chetty served as the Dewan of Cochin State between 1931 and 1945 on the invitation of the King of Cochin, Rama Varma (Hindu 2009): the undivided state at the time incorporated Kerala, which went on to become the largest recipient of international remittances in India. After the independence of India, Chetty served as the first Finance Minister of the newly formed nation under the Prime Ministership of Jawaharlal Nehru. In this period, under his astute and reasoned leadership, he was “credited with having resolved the sterling crisis, through which he managed to get back a huge amount from the British to the Indian Government” (Hindu 2009). At Bretton Woods, Chetty famously proclaimed that “international organisations have tended to approach all the problems from the view of the advanced countries of the West” (Lombardi 151), and strived to create a truly multilateral and internationally egalitarian framework for the global monetary and financial institutions that were being designed. After resigning from his post as Finance Minister over difference with Nehru, Chetty continued his work in the private sector and was instrumental in establishing the Indian Chamber of Commerce and Industry (Hindu 2009).

A number of landmark developments ensued after the deliberations of the Indian delegation at Bretton Woods that defined India's role in the International Monetary Fund and the International Bank for Reconstruction and Development. These were achieved through a close cooperation with – but definitely not through a subservience to – the delegation of the United Kingdom: the close ties between Keynes, Raisman, and Deshmukh, recorded in Keynes' personal diary as well as in Dadabhoy's *Barons of Indian Banking*, led to the granting of a larger quota within the IMF to India and a simultaneous reduction of the quota of China, and also paved the way for India to acquire a seat of an Executive Director at the IMF. The narrative of India's acquisition of a non-elected Executive Director position at the IMF in the light of the withdrawal of the USSR from the international organisation has been well documented in several works on the Bretton Woods conference. The grand debate around the issue of reparations, and the repayment of Sterling balances and the postponement of their decision at Bretton Woods (which almost prompted the Indian delegation to consider returning home from the conference as a mark of their boycott of its decisions) has also been carefully parsed in the grand Bretton Woods history. Kurt Schuler's recent interpretation of the transcripts of the conference uncovered by him have also included an analysis of how countries like India voiced their opinions on issues that did not directly affect them:

> The most fundamental issue in Commission I was what the IMF's purposes should be. How much should it focus on economic development, including full employment in rich countries and the improvement of living standards in poor countries, in addition to the more narrowly monetary problems of smoothing adjustment in the balance of payments and addressing financial crises? The delegates agreed to modest changes to Article I of the draft IMF agreement, listing the purposes of the organization, but not to bigger changes advocated notably by India and Australia. In compensation, Commission II changed the draft World Bank agreement to lay greater emphasis on economic development. (Schuler 12)

This trend of radical alternatives to the international monetary and financial order proposed by countries like India, Egypt, China, and Australia being struck down by the more cautiously conformist and status quo preserving big powers like the United States and the United Kingdom prevented Bretton Woods from being the cornerstone for a new developmental framework for postcolonial nations. These larger defeats, however, hid the smaller symbolic victories: the aftermath of the conference saw the fixing of the par value of the rupee at 4.145142857 grain of fine gold, marking the snapping of official ties with the Sterling (Dadabhoy); the resistance of the Indian delegation to blindly follow the British government's commands in the issue of determining the repayment of war debt marked the culmination of anticolonial resistance through official frameworks; and the victories of the Indian delegation in securing for itself positions on the Executive Boards of the International Monetary Fund and the World Bank marked the increasing importance of India on the world stage.

The Curious Case of Unilateral Transfers

Despite the trend of more radical solutions proposed by smaller countries being dismissed in favour of more conformist solutions, Bretton Woods saw the taking of several decisions in favour of countries other than the big Allied powers that seemed incredibly trivial but in fact caused a significant change in the way global accounting standards and practices transformed in the years following the Second World War. The most obvious transformation that took place was the creation of the distinction between the current account and the capital account: in order to sustain a reasonable amount of trade between countries in the fragile years following war, when tensions regarding capital flight were high and the dangers of repressive capital countries like those that were in place in the interwar years were omnipresent, Bretton Woods created a system of international accounting in which specific transactions were tracked either under the capital account (which was focused on purely financial transactions) and the current account (which was focused mainly on monetary flows arising from trade). The capital account was inherently restrictive: countries were allowed to place capital control that would prevent the sale and movement of assets in the post-War years and were also allowed to control the number of assets owned by those outside the country that could enter the territory. The current account, however, was to be kept completely tradeable: an agreement reached at Bretton Woods necessitated the commitment of various nations to keep trade flows open when they pertained to business interests in order to prevent recessionary tendencies from arising out of a slump in world trade. Decisions on what was to be included under the current account and what was to be included under the capital account were taken after careful deliberations within the committees at Bretton Woods, with delegates deciding which transactions had to be tracked under which category through their formal induction into the Charter of the International Monetary Fund.

One such decision taken regarding the classification of transactions under either the current or capital account was that regarding unilateral transfers. Norman Fieleke, in a paper for the New England Economic Review titled “Unilateral International Transfers: Unrequited and Generally Unheeded”, defines unilateral transfers – or, as he terms them, unrequited transfers, as:

> Unrequited transfers are unique among international transactions in that, by definition, they entail no quid pro quo. Generally, they are gifts, as their name implies. Examples are grants of cash or food from one country to another. (Fieleke 27- 28)

Therefore, unilateral transfers can most clearly be understood as those that involve no exchange between two parties but are characterised by a flow in a single direction. They prove to be challenging in calculating transactions under the current framework of double-entry bookkeeping systems: since, for the calculation of balance of payments, countries usually list transactions as either credits or debits, with the two cancelling each other, unilateral transfers pose a threat to the perfect equilibrium achieved through these two categories. The balancing of books is achieved by debiting an account called unilateral transfers – for some transfers like those of foreign aid, such a debit is not a mere balancer but also a good will gesture implying a possible future reciprocal action by the recipient – that allows for symmetry in the donor country's bookkeeping system. For the recipient country, there is a debit to the trade account to reflect the imports, and a credit to unilateral transfers to recognize the "complimentary nature of the imports" (Fieleke 28).

While such a balancing of books can be achieved by the creation of categories referring to unilateral transfers, the classification of unilateral transfers themselves was once a controversial issue: in order to balance the books, they had to be put under either the capital account or the current account. Ankit Mittal demonstrates how the current system of recording them in the current account is deceptive:

> In the current system of cross-border bookkeeping, unilateral transfers are recorded in the current account (income from trade and foreign business interests) and not the capital account (financial transactions that end up balancing the current account deficit or surplus) side of the transactions. This can be confusing since such transfers are purely financial transactions ideally suited to the capital account. (Mittal)

Since unilateral transfers do not, in the strictest sense of the term, represent trade interests or business transactions, their classification under the current account is therefore an anomaly. Such a difference, which today remains largely irrelevant given the almost complete dismantling of controls on both the capital account and the current account, was hugely relevant in the years following World War II, when restricted mobility of funds across countries was circumvented in the case of unilateral transfers through their classification under the current account. Fieleke lists the major types of private unilateral transfers as: "transfers by migrants of their possessions from their former to their new residences, remittances by migrant workers from their new residences to relatives or others in the countries the migrants have departed, and gifts, contributions, and pension payments between individuals and private organizations residing in different countries" (Fieleke 28). On the transfers between official organisations, he lists the following as the major categories: "financial grants or grants of material or technical assistance, cancellation of debt, and payment of pensions, taxes, and fees" (Fieleke 28). This paper is concerned with, specifically, "remittances by migrant workers from their new residences to relatives or others in the countries the migrants have departed" and the impact of these migrant remittances on the Indian economy in the years following the Second World War.

The decision to classify unilateral transfers under the current account was taken at Bretton Woods as part of a system that doubted the impact of fully convertible currencies (*sans* exchange controls) because of their ability to lead to "destabilising flows of speculative capital" (Schuler). The IMF agreement was an attempt to get member nations to move towards complete currency convertibility for current-account payments, with the option of establishing limits on convertibility on capital-account payments. Today, Article XXX of the Articles of Agreement of the International Monetary Fund reads as follows:

ARTICLE XXX

Explanation of Terms

In interpreting the provisions of this Agreement the Fund and its members shall be guided by the following provisions:

(a) The Fund's holdings of a member's currency in the General Resources Account shall include any securities accepted by the Fund under Article III, Section 4.

(b) Stand-by arrangement means a decision of the Fund by which a member is assured that it will be able to make purchases from the General Resources Account in accordance with the terms of the decision during a specified period and up to a specified amount.

(c) Reserve tranche purchase means a purchase by a member of special drawing rights or the currency of another member in exchange for its own currency which does not cause the Fund's holdings of the member's currency in the General Resources Account to exceed its quota, provided that for the purposes of this definition the Fund may exclude purchases and holdings under:

(i) policies on the use of its general resources for compensatory financing of export fluctuations;

(ii) policies on the use of its general resources in connection with the financing of contributions to international buffer stocks of primary products; and

(iii) other policies on the use of its general resources in respect of which the Fund decides, by an eighty-five percent majority of the total voting power, that an exclusion shall be made.

(d) Payments for current transactions means payments which are not for the purpose of transferring capital, and includes, without limitation:

(1) all payments due in connection with foreign trade, other current business, including services, and normal shortterm banking and credit facilities;

> (2) payments due as interest on loans and as net income from other investments;
>
> (3) payments of moderate amount for amortization of loans or for depreciation of direct investments; and
>
> (4) moderate remittances for family living expenses.
>
> The Fund may, after consultation with the members concerned, determine whether certain specific transactions are to be considered current transactions or capital transactions.

This section of the Agreement of the Articles of the International Monetary Fund, which was predominantly comprised of definitions of terms referred to in the rest of the document, was relatively uncontroversial in its adoption except for in the determination of the clauses under Section (d) – especially Section (d), Part (4). The specific terminology of what is currently worded as “moderate remittances for family living expenses” was highly contested and debated, with a bulk of opposition to its broader framing coming from the delegation of the USSR against countries “that heavily depended on remittances by emigrants for foreign exchange” (Schuler) like China, Greece, and India, that wanted family remittances to be classified as current-account payments to allow for their complete mobility and convertibility.

The details of the oppositions to this particular section are carefully documented in the transcripts of the Bretton Woods conference, recently made public through the searching of Kurt Schuler. The Special Committee had approved the definitions in principle, although “some improvements in language were still being considered” (Document 473: Minutes of the Meeting of Commission I of the International Monetary Fund, Page 825). Immigrant remittances that did not effect capital transfers and amortization payments were to be classified under the current account: but, on the insistence of the French delegation, efforts were made to ensure that the current account’s definition was not as restrictive as to prevent any control by member states of its transactions. The initial wording of the section was “Moderate immigrant remittances for family living expenses”: the Delegate of the USSR proposed the deletion of this bit on the grounds of it being difficult to distinguish between capital and non-capital immigrant remittance transactions, with the French Delegation, Bolivia, and Cuba supporting the Soviet proposal (Document 473: Minutes of the Meeting of Commission I of the International Monetary Fund, Page 914). This was staunchly opposed by the delegates of China, Greece, India, Canada, Egypt, El Salvador, and the Netherlands, in response to which – on the suggestion of the Delegate of Cuba – the word “immigrant” was deleted from the proposal. It was to be replaced with the word “abroad”, on the suggestion of the Delegate of Czechoslovakia, but such a proposal (initially approved) was later suspended on the withdrawal of this suggestion by the Delegate of Czechoslovakia himself. The

USSR, despite these changes, moved for a complete deletion of this section and the classification of the unilateral transfers under the capital account, thereby allowing for greater control by countries of these transactions: however, a vote on the elimination was lost, signalling a victory for the smaller powers at the conference.

Some level of national autonomy was preserved in the control of current account transfers, especially for those nations that had been occupied during the War, by putting forth Article XIV of the Articles of Agreement of the International Monetary Fund that permitted a transitional period during which countries were allowed to delay their obligation to allow current-account convertibility (Schuler):

> **ARTICLE XIV**
>
> **Transitional Arrangements**
>
> Section 2. Exchange restrictions
>
> > A member that has notified the Fund that it intends to avail itself of transitional arrangements under this provision may, notwithstanding the provisions of any other articles of this Agreement, maintain and adapt to changing circumstances the restrictions on payments and transfers for current international transactions that were in effect on the date on which it became a member. Members shall, however, have continuous regard in their foreign exchange policies to the purposes of the Fund, and, as soon as conditions permit, they shall take all possible measures to develop such commercial and financial arrangements with other members as will facilitate international payments and the promotion of a stable system of exchange rates. In particular, members shall withdraw restrictions maintained under this Section as soon as they are satisfied that they will be able, in the absence of such restrictions, to settle their balance of payments in a manner which will not unduly encumber their access to the general resources of the Fund.
>
> Section 3. Action of the Fund relating to restrictions
>
> > The Fund shall make annual reports on the restrictions in force under Section 2 of this Article. Any member retaining any restrictions inconsistent with Article VIII, Sections 2, 3, or 4 shall consult the Fund annually as to their further retention. The Fund may, if it deems such action necessary in exceptional circumstances, make representations to any member that conditions are favorable for the withdrawal of any particular restriction, or for the general abandonment of restrictions, inconsistent with the provisions of any other articles of this Agreement. The member shall be given a suitable time to reply to such representations. If the Fund finds that the member persists in

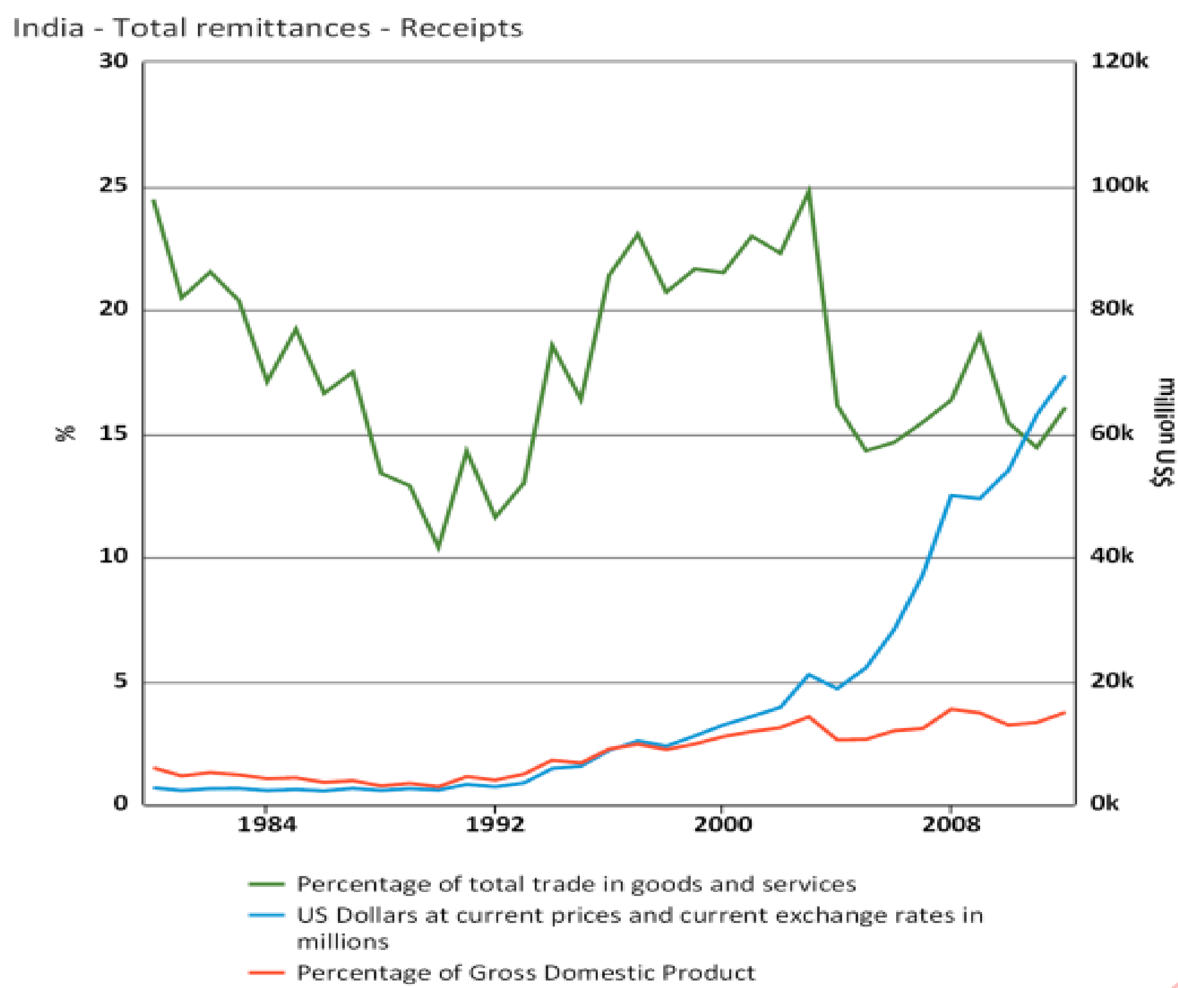
> maintaining restrictions which are inconsistent with the purposes of the Fund, the member shall be subject to Article XXVI, Section 2(a).

However, the dissuasion by the international structures created after Bretton Woods, and the international consensus that current account transfers should remain unregulated for the greater health of the global economy at large, ensured that such transactions were largely left untouched by the systems of capital controls emerging after the end of the Second World War. The restoration of systematic exchange rates and a growth in trade, which had been blocked by “trade barriers, opportunistic devaluations, and volatile capital flows during the Depression” (Mittal) was partially countered by a commitment to convertibility in the current account. Currency convertibility aimed at restricting speculative capital flows that could disrupt the exchange rate: thus, under a currency convertible current account, exporters to covert dollar earnings into local currencies since it was a trade transaction, but citizens could not freely convert local currencies to foreign currencies for the purchase of assets (because this was a purely financial transaction). The classification of unilateral transfers, which are theoretically purely financial transactions, under the current account, therefore allowed for the global liquidity of currency convertible remittances in the period following the Second World War and permitted emigrants to send money back home – a process that transformed regional economies within countries like India.

The Remittances Story in India

The remittances of migrants to their families back home in India is an age old phenomenon: from the days of intercontinental trade between India and East Africa, to the time of the Raj during which several Indians were either posted abroad or served abroad in a military capacity, Indian citizens have worked abroad in various capacities and at various skill levels. This phenomenon has seen an incredible upturn in the recent past, with semi-skilled labour emigration to Gulf States and skilled labour emigration to the United States and the United Kingdom seeing a large increase. Today, India is the world’s largest recipient of remittances, having received $69 billion of the sum total of $431.6 billion worth of official global remittances in 2015 (World Bank 2016). The RBI, analysing the data of remittance records in 2007-2008, calculated that 50% of “private transfers to India” were comprised of remittances towards “family maintenance”, 43% were classified as “local withdrawals/redemptions from Non Resident Indian deposits”, and 6% were comprised of personal gifts and donations to charitable or religious institution in India (RBI 2010a). The surge in both remittances and local withdrawals has been attributed to the change in exchange-rate policies and exchange-control policies by the Government of India since 1991, with rigid regulations on the conversion of rupees to foreign currencies were lifted after the repeal of the Foreign Exchange Control Act in 2000 (Chisti). The Foreign Exchange Control Act, which controlled the number of transactions per year and the exchange rate of the rupee, was replaced by the Foreign Exchange Management Act, which is more lax about its policies regarding convertibility and transfer of funds.

The *Economic Times* reported that remittances formed 23% of the country's foreign exchange reserves, making them a significant contributor to the stability of the balance of payments record within India. The rise in remittances has been seen as an indicator of the increasing macroeconomic stability of India, and an assurance of a certain stability in a volatile international currency convertible market. However, statistics on the percentages and volumes of remittances received by India demonstrate that, despite remittances increasing in gross value and as percentage of GDP, their proportion of total trade has remained almost stable, indicating that their importance began not only with the sudden spike in their absolute values at the beginning of this millennium, but rather from several decades preceding this phenomenon.



As the graph above created from data recorded by the World Bank shows, the rise in remittances that began in the late 1990s and early 2000s is merely a rise in the gross value of remittances – which can be explained by factors including India's opening up of trade barriers and the increasing use of official channels for the transfer of remittances. The percentage share of remittances in the total trade of goods and services has fluctuated widely since the recording of data in 1984, indicating that their share was almost 25% before the advent of the 1980s. This high proportion of remittances in the global trade indices of India suggests that – even in the decades between the 1940s and 1970s – remittances formed an integral part of the Indian economic equilibrium and therefore necessitate a careful study of their impact on the Indian economy as a whole.

The importance of remittances to the Indian economy can also be gauged by the Indian delegation's insistence on recording remittances under the current account at the Bretton Woods conference. In Committee 1, deciding the "Purposes, Policies, and Quotas of the Fund", chaired by Chinese diplomat Tingfu Tsiang, the IMF's resolve to enforce (if not directly, then through persuasion) current-account exchange controls was pushed forth by countries like India (Schuler). The specific decision to put remittances under the current account is also documented in the Indian delegation's report of Bretton Woods, present at the archives of the India Office in London:

> **41. Family Remittances and Current Transactions.** – Under the article relating to Explanation of Terms XIX (b) (4) 'moderate remittances for family living expenses' are specifically included among current transactions. At an earlier stage this reference related to 'moderate immigrant remittances'. The delegate of the Union of Soviet Socialist Republics proposed its deletion on the ground that it would be difficult to distinguish immigrant remittances which were capital transactions from those which were current transactions, and that the position might be left to be determined by the Fund in agreement with the members concerned. The Indian Delegation in common with a number of other delegations having regard to the large number of Indian labourers serving in foreign lands and the assurance which the specific inclusion of this provision would afford in respect to their interests. It was pointed out in the course of the discussion that obligations to the family are of more than a contractual nature and should be placed at least on par with contractual obligations. The specific inclusion of moderate remittances for family living expenses under the concept of current transactions was accordingly accepted by the Committee in its meeting on July 19 with the elimination of the limiting word 'immigrant'. (*Report of the Indian Delegation* 28)

Despite the understanding that eventually all transactions would come under a free currency convertible ambit, the Indian delegation's insistence on including family remittances under the current account in the short term to ensure their convertibility under the watch of the IMF suggests the importance of ensuring free and unrestricted remittance flows for India. This could be influenced the keen understanding of several members of the delegation to the particular problems of Indian states with large number of migrant workers: the Chairman, Sir Jeremy Raisman, had worked in Bihar, where a large number of residents migrated to other parts of the country in search for employment and also served in the British Army; Sir C. D. Deshmukh hailed from the state of Bombay, which bordered the Portuguese outpost of Goa, which was at that time one of the largest recipients of foreign remittances in the country; and Sir Shanmukham Chetty had been the Dewan of Cochin, a state that includes modern day Kerala, and therefore had been in the most appropriate place to understand the impact of foreign remittances to the domestic economy, and the importance of ensuring amenable bookkeeping standards that would allow these remittances to continue uninterrupted.

Understanding the details of the impact of remittances on the economies of Goa or Kerala specifically, however, remains incredibly difficult because of the lack of data available regarding remittances before their official recording by the IMF and the World Bank in the 1980s. Except for the incredibly important and unique Kerala Migration Surveys, moreover, there have been no regional accumulations of data by state governments that would allow for a clearer insight into the micro-level influence of remittances on the ground level (Tumbe 6). Even where data is available for remittances, the high usage of unofficial channels for the transmission of remittances, combined by the variety of methods through which remittances could be transmitted through official channels themselves, makes it hard to collate data to present a cohesive picture of their numerical composition. Therefore, this paper will use the methodology of a case study on Kerala to demonstrate the impact of remittances on the regional level, to show the necessity for the unrestrained continuation of remittances to sustain this impact, and to demonstrate the policies necessary to ensure the full and effective use of these remittances to enhance their multiplier effect on the economy at large.

Case Study of Kerala

Although India does not qualify as a remittance dependent economy given the relatively small percentage share of remittances in the Gross Domestic Product of the country, the concentration of remittances in certain states shows a remittance dependency ratio of over 10% in Punjab, Goa, and Kerala. If these states were countries, they would count as some of the top remittance-dependent economies of the world, especially given that their populations far outnumber those of many of the largest percentage-proportional remittance dependent economies. This paper uses the findings of Zachariah and Rajan (2010) that uses a combination of household remittances, NRI deposits, and emigrant stocks to calculate total remittances to Kerala in the absence of state level break up of “private transfers” by the Reserve Bank of India. The lack of inclusion of remittances in the computation of state domestic product leads to the absence of their reflection in the per capita income for states: a few attempts made to calculate remittance magnitudes to Kerala have been made by using an estimation of Kerala citizens working abroad as a percentage of total number of Indians working abroad (Gulati and Modi 1983) or by using a proxy variable such as per capita bank deposits by Keralites (Krishan 1994). The recent discovery of greater records on remittance inflows has led to a more comprehensive estimate of remittance flows for a period of three decades following the early 1970s (Kannan and Hari 2002), showing that remittance income as a proportion of Net State Domestic Product was around 23% in the second half of the 1990s. Thus, it becomes clear that the high per capita income levels in Kerala as compared to those in the rest of India are significantly impacted by remittance inflows: Kerala's per capita income was 60% higher than that of the all India level in 2002-2003 with the inclusion of remittances, while it was only 34% higher with the exclusion of remittances (Kannan 2005).

The high level of remittances in Kerala leads to questions regarding the sources, classification, and importance of remittances in the state. It also prompts a need to understand the effects leading up to, and factors contributing to, the rise in remittances to Kerala in the past three decades, and their link to existing remittance links from the decades preceding them. Kerala was a net in-migrating sate till the 1930s, after which it transformed rapidly into a net out-migrating state following a period of economic depression that began in the 1930s (Zachariah et al 2003: Chapter 2). A large population increase, effected by a rapid decline in mortality rates, which was not accompanied by a commensurate growth in economic opportunities within the state, led to a large exodus of citizens to other parts of the country and other parts of the world. The existing remittance networks were very important in harnessing the potential of this population boom:

> From a long-term point of view, it is important to locate the increasing role of remittances in the Kerala economy. This means that the international labour migration was an unintended but positive consequence of the slow but steady process of social development attained in Kerala. A generalised process of enhancement of basic capabilities of the people (e g, increasing educational attainments, better health and heightened awareness of opportunities beyond one's locale) made it possible, especially for the younger generation, to seize job opportunities abroad. (Kannan 2005)

Therefore, the conclusions reached at by K. P. Kannan in his "Kerala's Turnaround in Growth: Role of Social Development, Remittances, and Reform" for the *Economic and Political Weekly* demonstrate how the process of remittances manifests itself through an incremental increase generated by the positive effects of the impact of funds sent back home by emigrants that are utilised towards family expenses, allowing future generations and other members of the family to gain the requisite skills to emigrate abroad themselves. This is the crucial piece of evidence that marks the importance of keeping remittance channels open between 1944 and 1971 through the classification of family remittances under the current account at Bretton Woods: the process of gradual increase in remittances, which has a multiplier effect over time owing to the ability of each emigrant to successfully enable a large number of fellow citizens back home to emigrate, is crucial in understanding the impact of remittances in India and the way they can be harnessed in an effective manner.

Given the importance of the process of remittance accrual over time, and its dependence upon the utilisation of remittances by individuals in the region receiving remittances, it is important also to understand how remittances were utilised in Kerala over the course of time. A majority of migrant labour did not participate in savings based investment, and therefore their investment was based almost entirely in land construction, gold, and bank deposits (Saith 1992). Moreover, higher income resulting from a rise in remittances for the available data set showed a higher level of consumption: from the 2000s onwards, Kerala's consumption exceeded the national average by 41% (Lorier 14). A survey in 1998 showed that a majority of remittance receipts were used for consumption expenditures: 86% of households mentioned using these for living expenses, 36% mentioned using them for education, 27% for debt repayment, 11% for construction and repair of buildings, and 8% mentioned depositing them in banks (Zachariah, Matthew, Rajan, 1999). A more recent survey in 2008 found that emittances in Kerala were used by 74.5% of households for living expenses, by 38.9% for education, by 36.9% for repayment of debt, by 14.6% for bank deposits, by 9.4% for buying and building houses, by 5.6% for land reclamation, by 3.1% for dowry repayment, by 2.6% for purchase of land, by 0.4% for business, and by 6.3% for other purposes (Zachariah and Rajan 2008). Surveys also show that emigrant households are significantly better off than non-emigrant households: with, for example, 87% of emigrant households having electricity as compared to 66% of non-emigrant households (Zachariah et al 2003, p. 235-236). Although these numbers show the relative distribution of remittance usage, more data on the magnitude of remittance usage on each specific sector would shed much more light on where remittances are most directly utilised and to what degree.

However, there must be caution taken in understanding the effects of remittances, especially in presenting an overly optimistic view of their impacts. Remittances come with significant downsides, the most prominent being the "Dutch Disease Effect", or a negative impact on the tradeable sector arising from the prominence of certain revenue receipt sources that reduce the necessity of producing goods within a region. Studies have shown that the remittances had a negative impact on the goods producing sector, with production increasing in the non-tradeable sector and demand increasing in the non-tradeable sector as well (Harilal and Joseph 2003). The inflation rate also increased for Kerala as compared to the national average, resulting in unfavourable real exchange rates; however, Harilal and Joseph conclude that the net effect of remittances in Kerala seem to be largely positive despite these phenomenon because of the benefits accruing to the social, educational, and consumption sectors as a result of remittance inflows.

Limitations and Possibilities

The demonstration, through an analysis of the roots of the classification of unilateral transfers under the current account and their subsequent importance in the development of the state of Kerala, of the nature and forms of remittances in India has been accomplished under this paper with the limited number of resources available with a university setting.

Despite having access to transcripts, ordering copies of reports from institutions and governmental agencies in India and England, and delving through a multitude of secondary and primary sources containing data and analysis of remittances, the scope of this work remains narrow and there is still a large room for broader analysis should larger repositories of data, facts, and figures be available.

An accumulation of data for remittances on a national level between 1944 and 1971 might allow for a greater insight into the impact of the classification of remittances under the current account effected at Bretton Woods, especially on the ability of such a classification to ensure the transmission of remittances through official channels that would ensure their full convertibility instead of on the black market through a *hawala* or *handi* sysem, which was incredibly influential and widespread in the decades before liberalisation of the economy (Sasikumar and Hussain, 2007, p. 30 – 38). Moreover, a state-wise distribution of remittance flows by national agencies like the Reserve Bank of India could allow for an understanding – without the use of proxy variables – of the impact of remittances at the state level in differing sectors. Where data is available on the use of remittances by families receiving them, a further addition of information on the magnitude of expenditures on various forms of spending of remittances could allow for a more exact appraisal of the multiplier effect in various sectors.

On the historical end, access to larger bodies of work on the individuals responsible for the crafting of decisions at Bretton Woods, and subsequently, regarding unilateral transfers might assist in understanding the emphasis laid upon their classification. Moreover, more work like the *Report of the Indian Delegation to the United Nations Monetary and Financial Conference at Bretton Woods* on the reports sent by various delegations and a deconstruction of their arguments in favour of and against provisions relating to the International Monetary Fund and the World Bank would be incredibly useful in understanding the various streams of reasoning that went into the crafting of decisions regarding remittances. Lastly, accounts by the Indian Finance Ministry or erstwhile Planning Commission of India regarding policy decisions and proposals to best use remittances or handle their inflows would be significantly useful in understanding government approaches towards the maximisation of the multiplier effect of remittances.

Conclusion

Thus, in analysing the transcripts of the Bretton Woods conference and the wealth of material surrounding the landmark proceedings that transformed the international monetary and financial order in the years following the Second World War, this paper demonstrates the spirit of multilateralism and international cooperation that characterised early attempts at building global economic solidarity. Attempts to manage, and nurture, global trade were not merely made by large world powers: decisions to transform the shape and nature of the global economic system were taken by countries in coordination and consolidation with each other, often defying conventional understandings of how such nations would behave in power dynamics that were fundamentally disadvantageous to them. Countries like India, therefore, managed to raise demands for the more radical transformation of systems following World War II, and, despite being unsuccessful in generating change on a systemic level, managed to procure smaller victories in the manner of effecting policy changes of organisations formed at the Bretton Woods conference that had massive implications on a local and international level.

The importance of the decision to classify unilateral transfers, specifically family remittances, under the current account thus allowing for a global liquidity of remittances, is thus one of the unique features of international economic history highlighted by this paper that proves the crucial role played by smaller nations in the determination of larger structures of trade and commerce. It also allows for a greater understanding of, and a need to delve deeper into, the nature of remittances and their impact even before their meteoric rise in the last three decades. The recent excitement surrounding remittances today, therefore, is a product of their being ignored for several decades, and points to a promising trend within economic analysis that will allow for the greater understanding and utilisation of remittance receipts in promoting social and policy imperatives. The shedding of light on the importance on the historical flow of remittances also opens avenues for further research to be conducted not only on the extent of the flows of remittances into countries over the course of the last century, but also a historical analysis of their utilisation and distribution in regions across the world.

Lastly, this research provides concrete benefits to policy analysts and governments to make the maximum use of remittance inflows in the promotion of developmental goals. By highlighting the lack of emphasis on savings based investments, and the lack of structures that allow for productive investments to arise from remittances, this paper provides opportunities for further research to be conducted on the concrete policy frameworks that can arise to meet contemporary remittance challenges: for instance, in the recent enthusiasm over start-ups, the role of remittances in providing initial capital to smaller companies in home nations can be investigated as a possible alternative to larger institutional solutions. By providing a historical narrative to problems such as the lack of production economies in Kerala, the collation of data around remittances allows for the tracing to the root cause of problems such as production slumps, economic inequalities arising out of the selective nature of migration, and macroeconomic stability. Therefore, in understanding remittances from an economic history perspective, this paper allows for insights that extend far beyond the scope of either history or economics, and condenses them to be mobilised towards the creation of change at the ground level.

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