

The Paper Route

In democracies nothing is more great or more brilliant than commerce: it attracts the attention of the public, and fills the imagination of the multitude; all energetic passions are directed towards it.

—ALEXIS DE TOCQUEVILLE

Our family moved to Washington, D.C., in the mid-1950s when the Indian government posted my father as a part of a small team of engineers to negotiate the division of the Punjab rivers with Pakistan. The World Bank had offered to mediate the water dispute because it was funding development of river basins. We arrived in America during the heyday of the Eisenhower age. The country was in the midst of unparalleled prosperity. The American middle class was absorbed in the serious business of collecting bigger appliances and bigger cars for its bigger homes in the mushrooming suburbs. I was put into a typical American high school a short bus ride away from our apartment hotel on Sixteenth Street. My school was 80 percent “white” when I arrived and 80 percent “black” when I left three years later. Each day I used to lose a white classmate and gain a black classmate, and I witnessed the profound demographic revolution that led to the destruction of the American city and the triumph of suburbia.

Like many American kids, I got a job delivering newspapers before school. Each morning I would walk my route, distributing the *Washington Post* from house to house. I had to get up at 5 a.m., and in the freezing cold of winter, that required a lot of willpower. But I knew that my customers depended on me. There were other things that I had to bear in mind. When it rained or snowed, I had to cover the newspapers so people didn’t have to struggle with wet pages. I had to hold my tongue even if they didn’t pay me on time.

My paper route taught me that the customer is the most important person in America. No matter how big you are, you have a customer. I also learned that America was truly the land of opportunity. Not only because there were jobs available but because a hardworking person could hope to rise to the top in every field. Almost everyone believed that the best person would get ahead (except, that is, some of my black classmates who lived on Twenty-fourth Street). Americans were positive and optimistic. They did not think, as we did in India, that you had to snatch something from your neighbor in order to succeed. Both could get ahead, for there was enough to go around. The consistently high growth of the economy since the end of the war had reinforced this belief. Americans were thus less “political.” In contrast, middle-class Indians at this time had to put up with enormous scarcities of public and private goods; they were forced to cultivate “contacts” and “influence” for their most basic needs. They had to become “political,” for either my neighbor’s son or mine would get into a good school—there were not enough desks for both.

In my school in Washington I was surprised that we had to attend a class called “shop.” The

classroom was filled with lathes, tools, and machines, and we learned to work with our hands. We learned to repair a window, make a table, or unclog a sink. At the end of the year, we had lost our fear of technology. We had understood Bronowski's dictum that the world is understood through the hand, not the mind—the hand is the cutting edge of the mind. It explains why many Americans are “tinkerers.” This is a powerful idea for India, where we have traditionally had contempt for manual labor because of our caste system.

Three years later, my family returned to India, as the river dispute was settled peacefully across the table. The successful outcome was in part due to the farsightedness of the World Bank and its major donors, who agreed to finance irrigation development in both countries. It was a rare experience for the two hostile countries to resolve a conflict without a war. Since I was in my final year in school at the time, my parents agreed to let me stay behind. Just as I was getting ready to go back home six months later, I heard to my happy surprise that I had won a scholarship to Harvard University. So I stayed on.

My most vivid memories of Harvard are of encounters with ideas rather than persons. Over time the memory of persons has grown paler, whereas the ideas have grown and become richer. One of the first ideas I encountered at Harvard was that the “nation” was a relatively new concept in human history, although countries had existed for a long time. The United States, I began to realize, was the first modern nation, the country where the notion of modernity had originated. For the first time, a people had consciously decided to become a nation. The French, during their great revolution, followed the American example. However, they had to deal with a past. So did every other country that decided to become a nation in the past two hundred years. The Americans did not have a past. But Americans were also unique because they lived only for the future. We in India got the American idea of founding a nation via England; but our inspiration was American. This may sound odd to many Indians who contemptuously dismiss America as the land of Coke and McDonald's. Indian seekers of Hindutva and swadeshi should pause and reflect that their search for nationality is as American in its intellectual origins as the dreaded Kentucky Fried Chicken.

The more I lived in America, the more I learned about India. Unlike Americans, our project of nationhood, I realized, has to deal with the difficult terrain of our “golden past.” It is particularly exhausting because we do not have a homogeneous history. It is a diverse past of many religions, many regions and languages, and many peoples. The Americans solved their problem of diversity by throwing their numerous immigrant communities into the “melting pot.” Their ethnic immigrant minorities did not form separatist movements; they eagerly embraced the English language and the American way of life in order to get ahead in the land of opportunity. In India, we have historically dealt with our problem of diversity through the caste system. Each new minority became a subcaste. This solution worked well except when it came to the Islamic immigrants, who were the product of a proud universal religion and were unwilling to be assimilated as a subcaste.

If America is a melting pot, India is a mosaic. A good mosaic has a unity of style, and India's civilization and its way of life has a stylistic unity. Modern India is a product of Hindu tradition, the religion of Islam, and Western civilization. The search for a modern Indian nation has been the overwhelming obsession of the educated Indian for more than a hundred years. And it continues to

this day. The first seekers were liberal products of Macaulay's education policy, just as the modern Japanese were products of the Meiji education policy. They critiqued the past; they helped reform society (both Hindu and Muslim); they gave birth to the political movement for independence, and they brought about a national consciousness and ushered in an optimistic, modern India.

Soon after arriving at Harvard, I was caught up in another sort of optimism. It had to do with the future of the poor countries, and for a change even the usually gloomy economists were hopeful. They had begun to think, that the poor nations could rise out of poverty—and quickly at that. There was even a new and cheerful course in college called Development Economics which tried to capture their hopes. Paul Rosenstein-Rodan and Ragnar Nurkse were among the gurus of this new discipline. Rosenstein-Rodan diagnosed the problem of poverty as a failure of investment. When businessmen failed to invest, he argued, it was clearly the state's job to do so, and he advocated a massive plan of investment by the government to achieve what he called "balanced growth." Albert Hirschman, on the other hand, argued that it was better for the state to offer incentives to businessmen to invest rather than do so directly. He had acquired rich, hands-on experience of development in Latin America, and he was reluctant to let the government get into business. Limited protection, such as higher tariffs and cheaper credit, were the sort of incentives he had in mind to induce businessmen to invest.

What caught everyone's fancy in those days, however, was the well-known Harrod-Domar model, which regarded the problem as one of raising the savings in society and investing them wisely. The model was simple and elegant: growth was a function of the savings ratio divided by the marginal capital-output ratio. Thus, a poor country could accelerate its development if it could raise its savings by means of taxes or foreign aid—no one thought of foreign investment in those anticolonial days—and invest them in such a way that it got the most production out of its savings. India was the favorite laboratory among economists because it seemed to be following the prescription of Rosenstein-Rodan and Harrod-Domar. Intellectual opinion throughout the academic world held that the state could raise domestic savings and invest them in public-sector companies to accelerate economic growth and achieve what everyone called the "takeoff." Walt Rostow had recently introduced this expression in a book called *The Stages of Economic Growth*. It was the point when domestic savings reached a self-sustaining level. The "takeoff" remained a fashionable buzzword throughout my college days.

In India, I later realized, we primarily focused on the numerator, that is, how to raise savings, thinking it to be the essential problem. We ignored the denominator—capital productivity—and it turned out to be our Achilles' heel. Indian policy makers naïvely assumed that once the government made the investments, the returns from the capital would come automatically. Their innocent faith in state companies turned out to be altogether misplaced, for the output from the capital invested in the public sector was unacceptably low. There were many reasons for this, the chief ones being the lack of training, autonomy, and accountability of the senior managers in the public enterprises. It was a management failure. A little more realism and a lot more humility among our leaders might have helped in those early days. They could have instilled a stronger bias for profit and efficiency and this would have made all the difference.

Ragnar Nurkse suggested that there was "disguised unemployment" in the countryside, which

represented “hidden resources” of surplus labor waiting to be tapped for investment projects. Albert Hirschman added that as the economy gained momentum, latent entrepreneurship would emerge and technological breakthroughs would occur in the marketplace, representing a different sort of hidden resource. C.N. Vakil and P.R. Brahmanand in India, partially inspired by Ragnar Nurkse’s “disguised unemployment,” formulated their “wage goods” model of development, which Indian policymakers tragically ignored.

Most development economists at the time had an implicit faith in the ability of economic growth to ameliorate poverty. Growth would provide jobs, raise incomes, and “pull up” the people from poverty, said Jagdish Bhagwati in *The Economics of Underdeveloped Countries*. Despite their optimism, it is surprising that the economists were pessimistic about the ability of poor countries to export. Nurkse argued that the era of export-led growth was over and trade could not be an “engine of growth.” Raúl Prebisch, the influential economist in Latin America, insisted on import substitution because the terms of trade did not favor poor (Latin American) countries. The number of Indians who were taken in by Prebisch’s “dependency theory” amazed me. This unfortunate proposition of the Argentine economist, which swept the Third World in the 1960s, argued that the poor countries were permanently imprisoned in a state of dependency to the rich countries because of unequal terms of trade. The price of the manufactured goods of the rich countries would continuously rise, Prebisch argued, while the prices of the agricultural commodities would continuously go down. Thus, there was no hope for the Third World. With the rise of the East Asian countries, the world rightly discarded Mr. Prebisch’s second-rate theory.

There was a mild, noncombative student of economics in Cambridge, England, named Manmohan Singh, who argued for greater openness in trade and for a less controlled economy. He wrestled against Nurkse, saying that even “the initiation of the process of balanced growth” in Nurkse’s closed economy would entail an increase in import requirements which would have to be paid for by exports. He went on to rebut the prevailing pessimistic view about the poor countries’ export prospects by means of detailed empirical data. He showed that India’s “stagnation of export earnings was partly a consequence of faulty economic policies,” and not because of “dependency theory.” In the intellectual climate of the early 1960s, this low-key plea for reorienting the underdeveloped economies towards exports was lost as an aberration. Japan was the only example at the time of consistent rapid growth through exports among developing economies. Experts said that it too had practiced import substitution for a long time, and that too with extensive government intervention.

Thirty years later, the same mild-mannered economist got a chance to practice what he had preached. In 1991, Manmohan Singh found himself finance minister of India, where he acquitted himself brilliantly, using his low-key approach to his advantage, and ushered in the far-reaching economic reforms.

The Far East countries proved the tribe of development economists of the 1950s and 1960s wrong. Beginning with Japan, and followed by the four dragons—Korea, Taiwan, Hong Kong, and Singapore—East Asia embarked on a strategy of penetrating world markets with the export of low-cost manufactures, and they were gloriously rewarded by the enormous expansion in world trade in the fifties and sixties. Brazil too seized this opportunity and prospered in the process. However, the rest

of the Third World missed the bus. The economists, it seems, turned out to be hopelessly optimistic about the ability of poor countries to transform their economies through investment in import-substituting manufactures and overly pessimistic about their ability to export.

The economists also made the great blunder of believing that the state could become an entrepreneur. India and much of the Third World created state-owned companies which turned out to be hopelessly inefficient. These companies did not provide adequate returns and they did not add to the stock of domestic savings. Instead, they began to lose huge amounts of cash and became a drag on the economy. Import substitution led local businessmen to reinvent the wheel, resulting in the manufacture of poor-quality, high-cost goods without any reference to comparative advantage. At the same time, severe controls were placed on the private sector in many Third World countries. The desire for balanced growth and the need to ration scarce foreign exchange motivated the governments. However, this vastly reduced competition. Ironically, these and other state interventions ended in making the poor countries wasteful of capital. The investments did not pay off, their capital-output ratio was poor, and massive corruption was an unfortunate side effect.

In the end, the hope of rapid economic growth did not materialize. True, economic growth rates were better than they had been before the Second World War. After the war, the developing countries did grow—on average around 4 percent per annum—when they had been virtually stagnant in the first half of the century. This rate was also better than the 1 to 2 percent growth of the Western countries in the nineteenth century, at a comparable period of their industrial revolution. But the 4 percent growth was neutralized by population growth of 2.5 to 3.5 percent, leaving around 1 percent as real growth. This certainly was lower than what everybody dreamed of, and it was much lower than that of the Far East economies, which grew in excess of 5 to 6 percent (net of population growth) in the 1970s and 1980s.

The experience of Japan and the Far East countries turned out to be far more hopeful. They showed to the world not only that they could grow rapidly but also that they could ameliorate poverty at the same time. Their secret lay partly in their investments in education and health, which helped to create the initial conditions of greater equality as they undertook rapid industrialization. They understood that primary education (especially of girls) and primary health care do more for the poor, not only because they put a brake on population growth but because they place them in a better position to take advantage of the job opportunities that come with economic growth. Thus, prosperity is better spread across the population. Amartya Sen has propagated this idea of investing in human development with a missionary zeal; it may have won him a Nobel Prize, but it has not spurred the Indian state to act. The neglect of primary education remains our single biggest failure.

Like most of my classmates at Harvard, I was an unrepentant liberal. In the 1960s, liberals favored government intervention to fix market failures, create jobs, control prices, and create a welfare state. My liberal classmates were enthusiastic supporters of FDR's New Deal and Kennedy's vision of a compassionate society, which Lyndon Johnson took over after Kennedy's assassination. In Europe, liberals of our persuasion were socialists or social democrats. Liberals were left of center in America, but in the India of the sixties, we were smack in the center. We embraced wholeheartedly Nehru's vision of state-led industrialization, redistributive taxation, controls on the private sector—

all this eventually to wipe out poverty.

One of our liberal heroes at Harvard was John Kenneth Galbraith. Galbraith was lean and tall, witty and provocative, but he was also dogmatic and arrogant. He was already a celebrity, having captured America's imagination with *The Affluent Society*, but I found him a bad teacher. He used to mumble unintelligibly in class and did not care for his students. Serious economists ignored him, but his ideas held sway over my classmates and the liberals of our generation.

Galbraith used to dwell on the failings of market capitalism. Competition was at best imperfect in the real marketplace, he would say, and consumer sovereignty was a myth. Large companies set prices, contributed to cost-push inflation, and manipulated consumers through advertising to buy needless products. Giant corporations, with an army of skilled experts, exercised vast economic and social power, not in the community's interest but in their own. This made contemporary Western society rich in private goods but poor in public goods such as mass transport, public health, and low-cost housing and good schools for ordinary people. The remedy for these ills was an enlightened and interventionist government whose duty it was to fill the gap in public goods, thus ensuring a more balanced society that served the common good rather than the corporations and the rich.

John F. Kennedy appointed Galbraith ambassador to India after he became President, and I went to meet him in the summer of my sophomore year when I came home to Delhi on holiday. He generously invited me to lunch, along with several other young people. I was awed by the grand dining room of the opulent American embassy, recently designed by Edward Durrell Stone. I had expected Galbraith to be happy at the prospect of living in a country that was practicing his ideas. Instead, I found him gloomy and ambivalent. During lunch, he expressed serious concerns about excessive state controls on the Indian economy. He confessed that it might be better to have more private enterprise in a country at India's stage of development. His own ideas, he felt, were more suited to an affluent society. Galbraith's grim remarks that afternoon reinforced my growing doubts about Nehru's socialism, and the innocent lunch became a turning point in my thinking.

The celebrated issue of "planning versus the market" had been intensely debated around the world in the 1930s and 1940s. The worldwide consensus that emerged in the next decade supported enthusiastically India's experiment in planning. The most famous debate had taken place, curiously enough, among a bunch of Austrian economists. Those supporting planning, Oskar Lange and Abba Lerner, had pointed to the failures of the market and its inability to ensure perfect competition. They had argued that by planning, and with the use of computers, they could ensure that the right products were produced in the correct quantities and thus stimulate perfect competition. Their critics, Friedrich Hayek and Ludwig von Mises, however, had retorted that the most powerful computers of the planners would never be able to acquire the billions of pieces of information on constantly changing consumer needs and preferences and marry them to the resources of society, the production processes, and the technologies. Even if they got the information, they would not be able to react to it as speedily as the market. Moreover, in a planned economy, the factory managers would not have the incentive to provide truthful and rapid information to the planners. Since they were evaluated based on how much they produced, they would try to corner raw material to ensure that their production targets were met (to the detriment of other factories). As such, the planned economy would have

enormous waste and inefficiency compared to the market. Human self-interest in the market economy eliminated this inefficiency.

The development of the poor countries is an emotional subject that inspires much breast-beating. In the end, the medley of theories of the development economists turned out to be no different. They were disappointing. Together they constituted what Deepak Lall calls “dirigiste dogma,” seeking to justify massive government intervention and supplant the workings of a market economy. They concluded, among other things, that classical nineteenth-century liberal free trade was not valid for the developing countries; they argued that normal market-based growth was not appropriate for alleviating poverty but needed governments to redistribute assets through price and wage controls. Their many theoretical fads—“foreign exchange bottlenecks,” “unequal exchange,” “basic needs,” “dual economies,” “inexorably declining terms of trade”—were not harmless curiosities. Tragically, they were translated into policies, with poverty-stricken peoples as guinea pigs. And so we discovered that “bureaucratic failures” are far more common and worse than “market failures.”

Like all undergraduates, I read John Locke, Hobbes, and Mill in abundance, and I found my interest turning to philosophy. After reading Hume’s *Treatise of Human Nature*, I switched my major to philosophy at the end of my sophomore year. I was quickly rewarded with the elegant lectures of Quine on logic. More than the famous names, I was drawn to a shy and lanky professor named John Rawls who had recently arrived at Harvard. It was rumored that he had won tenure on the basis of a single, five-page paper called “Justice as Fairness,” having been preferred by the selection committee over many famous and established philosophers whose bibliographies ran into dozens of pages of books and scholarly articles. Rawls went on to become the most influential moral and political philosopher of his generation. His five-page paper became a famous book called *A Theory of Justice* which transformed the debate on equality, liberty, rights, and the role of the state. His selection was as much a tribute to Harvard’s ability to take risks with unknown but potential greats. Rawls also changed my way of looking at the world. His lectures made me question my beliefs, especially my uncritical acceptance of Marx’s notion of equality.

Rawls walked into class one day and asked us to play a thought game. We were to imagine that we were living in a hypothetical state of equality. We were to assume that we were all free, rational, self-interested people who were ignorant of our place in society—of our class, income, and status. Nor did any of us know our fortunes in nature’s distribution of assets and abilities, such as intelligence, strength, and beauty. Lastly, we were to assume that none of us suffered from an excess of envy. With this “veil of ignorance” we were asked to agree to a set of principles of justice with which we would build and appraise our institutions. Rawls contended that we would agree to two principles: first, that each person should have the maximum liberty compatible with equal liberty for others; second, we would opt for equality unless the inequality helped everyone, including the worst-off, and everyone had a chance to reach to the top.

Having agreed to the two principles in the hypothetical circumstances of a social contract, one practical consequence of his second principle is that in practical terms, as a worker I would consent to the president of the company earning more than me as long it motivated the president to earn more profit for the company and I got a bigger bonus or a higher salary as a result. The greater benefits

earned by a few could be justified, I realized, if the inequality improved the situation of the worst-off. Although Rawls's starting point was egalitarian, he had found a moral basis for inequality. His great insight was that free individuals would voluntarily consent to inequality in certain circumstances. This was a far more morally satisfying basis for inequality than Bentham's or Mill's utilitarian appeal to improving the common good or on grounds of efficiency (the company's performance). A moral justification based on consent seemed to me superior to one based on "the greatest good for the greatest number." In an oversimplified sense, Rawls had strengthened the foundations of a market-based liberal democracy, which strives for an equality of opportunity but not an equality of result. In my eyes, Rawls had diminished the attractiveness of socialism. Most of us had become socialists because we were repelled by the inequality of capitalism. Having said that, it is important to remember that Rawls's model only works in a genuinely open society. In the real world no society (not even America) is completely open. The key is to try to ensure that everyone has an equal start in life and can hope to rise to the top. Thus, an "open" primary school system is essential. Amartya Sen and others have also pointed out that equality is good in itself; there are other reasons to have it, such as individual self-esteem.

Despite my concerns with distributive justice, I have come to believe that alleviating poverty is more important than achieving equality. Improving the income distribution in a society should be an instrument for enabling the poorest and the most unfortunate to rise above the poverty line rather than achieving equality per se. My experience in an American high school has taught me that a decent public (nonprivate) education system, open to the poorest child, will do more for equality in society than all of Nehru's socialist programs. Capitalist America has done more in a practical sense for equality—by providing equality of opportunity—than many socialist or even social democratic Western countries. Even in an elitist place like Harvard, half my classmates were on scholarship and came from ordinary backgrounds. Surveys show that half the presidents of the largest American corporations come from modest backgrounds. Every family in America, from the richest to the poorest, believes that it belongs to the middle class (with the notable exception of African Americans living in the inner city). Inequality has grown in America over the past twenty years, but opportunities have not diminished.

I have found it frustrating that Indian intellectuals and political leaders are so anti-American that they are unable to perceive these qualities of America. The American education system has many flaws, but it is far fairer (and more creative) than most systems. Every time I suggested looking at the American education system, Indian intellectuals and policy makers dismissed me. This was also one of Nehru's blind spots.

Although Americans think of themselves as individualistic, they have historically had a rich civil society. One of the best books I read at Harvard was Alexis de Tocqueville's *Democracy in America*, which opened my eyes to the vibrancy of community life in America. I had also experienced it as a schoolchild in Washington, when my parents had to attend the Parent-Teacher Association meetings. At these PTA meetings, my parents got to know their neighbors. They talked about how to improve the school. Their talk soon turned to garbage on the streets, the local bus service, the condition of the roads, and other community concerns. I witnessed local democracy in action. Social

scientists refer to this as “social capital.” Tocqueville, a Frenchman who visited America in the 1830s, wrote that Americans were “joiners”: they joined all manner of local organizations (unlike the Europeans), and this was the strength of American democracy. They have a dense network of voluntary organizations: churches, professional groups, charitable institutions, neighborhood clubs, and so on. (However, this rich associational life has weakened in the last generation as family life has deteriorated.)

In contrast, the social life of Indians revolves around the family or caste. It does not encompass the whole community. Perhaps this is why our streets are dirty when our homes are spotlessly clean. Mahatma Gandhi understood this, and he tried to instill civic sense in his fellow citizens, but he failed. We finally amended our Constitution in the 1990s to usher in local democracy. Although state governments have been reluctant to give up power, panchayati raj has increasingly become real. (“Panchayat” refers to the ancient village assembly of five wise persons, and the name has been revived to designate the elected village council.) We now have periodic elections in villages, and today we have three million local legislators in our half a million villages (and one million are women). Madhya Pradesh has among the most vibrant ones, where Digvijay Singh, the chief minister, has pushed responsibility of schools down to the local panchayats in the manner of the American school district.

The great thing about an American liberal education is that it allows an undergraduate the freedom to explore many subjects. In my junior year I was drawn to Harvard’s well-known Sanskrit department, which had produced the great Harvard Oriental Series, consisting of more than a hundred volumes of Sanskrit scholarship and translations by the world’s leading scholars, similar to F. Max Müller’s *Sacred Books of the East*. Filled with reverence and awe, I was examining a leather-bound set on the shelves of Widener Library when I met Daniel Ingalls, the legendary professor of Sanskrit. He was reputed to be aloof and crotchety, but he agreed to let me join his elementary Sanskrit class, warning me that it was not going to be easy. We raced through Panini’s elegant grammar rules in the first six weeks, using Perry’s primer and Whitney’s grammar, and soon began reading selections from the *Kathasaritsagara*, the *Hitopadesha*, the Rig Veda, and the *Manavadharmashastra* from Lanman’s reader. We were half a dozen students, and the class used to meet in Ingalls’s Widener office, where he presided like an old schoolmaster. He used to scold and insult us each time we broke one of Panini’s rules. When we were good, he would reward us by reading from his forthcoming translation of Vidyakara’s love poetry. As he read, his mood would change. He would start to smile, and occasionally his eyes shone with a lover’s guile.

Ingalls was right. It turned out to be a difficult course, and I discovered that I could either read Sanskrit or do all my other courses. Reluctantly, I dropped Sanskrit after the winter semester. Ingalls was angry, saying that he had wasted three months on me. He tried to paint a romantic picture of the life of a Sanskrit scholar, but I was unmoved. My parents, on the other hand, were relieved that I had given up my love affair with Sanskrit. The idea of their son going all the way to Harvard to study Sanskrit was too bizarre.

If Ingalls fed my illusions about India, Henry Kissinger pricked them. I had replaced Sanskrit with Government 180, which was the basic course in international relations. Henry Kissinger was not as

famous at the time, but he was already a provocative name and his lectures attracted a hundred undergraduates. Kissinger taught us that the pursuit of national self-interest was the only legitimate course for a nation in its relations with other countries. When all nations pursued their interest it resulted in predictability, balance of power, and eventually peace in the world. There was no room for morality or altruism. Metternich was Kissinger's hero and model, and because of him and Talleyrand, Castlereagh, and Czar Alexander at the Congress of Vienna in 1815, the nineteenth century had been a "century of peace." The rules of the game were governed by realpolitik and political leaders played by these rules. Kissinger taught us that diplomacy was best conducted in secret, because media and parliaments in democracies tended to confuse the issue with moral considerations, and this led nations to take irrational positions that did not necessarily further their own interests.

For innocent and idealistic American undergraduates, especially during Kennedy's presidency, this amoral lesson was difficult to stomach, especially as it came from a "wily European." (Kissinger's thick German accent was particularly hard on us, and it emphasized his Europeaness.) To my discomfort, Kissinger used Nehru as an example of how *not* to conduct international affairs. He felt that Nehru injected a dangerous element of morality and idealism in international affairs. Besides, he said, moralizing was not pleasant to behold—no one liked being lectured to—and this was why India was not popular among the practitioners of power, although Nehru was a hero to the postwar world. Nehru was irresponsible, Kissinger said, in not promoting his own country's interest and in leaving India vulnerable. I wasn't sure what he meant. If he meant that India was too trusting of the Chinese, I think he was right. And history would soon prove him correct. If he meant that India's interest lay in aligning itself with America and not remaining nonaligned, that is a debatable issue. Kissinger concluded his lecture by saying that "it is dangerous to put dreamers in power."

Henry Kissinger went on to become secretary of state and to greater glory. He had the rare fortune of being able to practice what he had preached as an academic. But he was not good for India. At the best of times the relationship between the two largest democracies had been prickly, but in the early 1970s it plunged to its depths with Nixon and Kissinger's notorious "tilt" towards Pakistan, which further pushed India into the chilling embrace of the Soviet Union.

As I look back on my four years at college, I am shocked that we were so concerned with the distribution of wealth in those days that we ignored the whole subject of wealth creation. Perhaps it was because the Western economies were in the midst of unprecedented expansion, and everyone assumed that wealth would keep growing. But India's problem was different—to create wealth in the first place. India's intellectuals and policymakers, many of whom had been trained in the West, suffered from the same blind spot. Caught up in the Western fashions, I did not read the great Austrians, Joseph Alois Schumpeter and Friedrich A. Hayek and Ludvig von Mises. Thus, I missed the excitement of the capitalist revolution and the romance of "creative destruction." It was overshadowed by Marx's brilliant critique of capitalism, which I read in plenty. Even Max Weber's *Protestant Ethic and the Spirit of Capitalism* sounded more like a critique than a celebration. Most of my teachers at Harvard also had an antibusiness bias, which reinforced my own prejudice. As undergraduates in arts and sciences, we looked with contempt at the Harvard Business School across

the Charles River. All of us wanted to be scholars and dedicate our lives to the dispassionate pursuits of “truth, beauty, and justice” like Socrates. It is, of course, vastly different today, I realize. Today’s undergraduates, both in India and in the United States, don’t seem to suffer from our hang-ups and our idealism. They have the opposite problem. If the spirit of those times came in the way of building upon the lessons that I first learned as a thirteen-year-old boy from my paper route, today’s youth sometimes need to be reminded, I think, that there is a great world out there beyond money.