

Notes

This is not a scholarly work. It is a personal account of the events and ideas that have pervaded our times in India. Hence, I have tried to avoid littering the text with footnote numbers. I have, however, quoted others and made liberal use of their ideas, and I acknowledge them below.

INTRODUCTION: THE WISE ELEPHANT

- xiii "... the causes of wealth ...": Quoted in J. M. Keynes, *Collected Works*, vol. 10, pp. 97–98. Cited in David Landes, *The Wealth and Poverty of Nations* (W. W. Norton, New York, 1998), p. vii.
- xvi When I was in college The term "takeoff" originated in 1960 with Walt W. Rostow's *The Stages of Economic Growth* (Cambridge University Press, Cambridge, 1960). It was Rostow who had suggested that an industrial revolution would be marked by the rise of capital formation from under 5 percent to over 10 percent of income. Thirty years later, Rostow lamented the misunderstanding: "My colleagues insisted on regarding the rise in the investment rate in the takeoff as a primal cause in the manner, say, of a Harrod-Domar growth model A part of the fault was mine. If I had it to do over again, I would state emphatically, right at the beginning,... [that the] emergence of a rate of net investment sufficient to outstrip the rate of increase of population and to yield a positive net rate of growth is at least as much the result of prior sectoral growth as a cause of the growth." Walt W. Rostow, *Theorists of Economic Growth from David Hume to the Present* (Oxford University Press, New York, 1990), p. 434.
- xvi India's per capita income World Bank, *World Development Report*, 2000–2001 (Oxford University Press, New York, 2000).
- xxii Between 1970 and 1990 Jeffrey D. Sachs and Andrew Warner, "Economic Reform and the Process of Global Integration," *Brookings Papers on Economic Activity*, no. 1 (1995): pp. 1–118.

PART ONE: OUR SPRING OF HOPE (1942–65)

- 1 "Some try to represent ...": James Wilson, founder and editor of the *Economist*, in November 1843, in its tenth issue, in an article titled "Widow Biddle and the Poor Needle-Women of the Metropolis," from *The Pursuit of Reason: The Economist, 1843 1993*, by Ruth Dudley Edwards (Hamish Hamilton, London, 1993).

ONE

RANTING IN ENGLISH, CHANTING IN SANSKRIT

- The family conversations in this chapter have been reconstructed from interviews with members of my family, mostly in the early 1980s, except in the case of my grandfather, with whom I spent long hours in the early 1960s.
- 4 three million people perished: The official Famine Inquiry Commission (1945) reported a death toll of "about 1.5 million." W. R. Ackroyd, a member of the commission, later wrote, "I now think it was an underestimate, especially in that it took little account of roadside deaths." Quoted in Amartya Sen, *Poverty and Famines: An Essay on Entitlement and Deprivation* (Clarendon Press, Oxford, 1981), p. 52. Sen has estimated the death toll to be around 3 million (Appendix D, pp. 195–216).
- 5 "liberator with clean hands ...": The phrase belongs to André Malraux, *Antimemoirs*, trans. Terence Kilmartin (Hamish Hamilton, London, 1968), p. 133.
- 5 caused not by a decline in the food ...: "The [food] supply for 1943 was only about 5 per cent lower than the average of the preceding five years. It was in fact 13 per cent higher than in 1941, and there was, of course, no famine in 1941" (Sen, *Poverty and Famines*, p. 58).
- 5 "Rangoon falls to Japan ...": The excerpts from the reports of the district officers and commissioners are from the Famine Inquiry Commission (ibid., Appendix VI, p. 55). The newspaper reports are from the *Statesman* and quoted in K. C. Ghosh, *Famines in Bengal, 1770 1943* (Indian Associated Publishing Co., Calcutta, 1944).
- 6 "The Bengal Famine ...": Patrick French, *Liberty or Death: India's Journey to Independence and Division* (HarperCollins India, Delhi, 1997), p. 181.
- 6 "I hate Indians ...": John Barnes and David Nicholson, eds., *The Empire at Bay: The Leo Amery Diaries, 1929 1945* (Hutchinson, London, 1988), p. 832.
- 6 "the very different attitude ...": Penderel Moon, *Wavell: The Viceroy's Journal* (Oxford University Press, London, 1977), p. 89.
- 6 "figment of the Bengali imagination": French, *Liberty or Death*, p. 181.

- 6 Amartya Sen reminds us: See his book with Jean Dreze, *India: Economic Development and Social Opportunity* (Oxford University Press, Delhi, 1995), chap. 4.
- 8 “To have FDR’s ...”: Christopher Ogden, *Life of the Party: The Biography of Pamela Digby Churchill Hayward Harriman* (Little, Brown, Boston, 1994), pp. 122–23.
- 8 the truth was that ...: Warren Kimball, ed., *Churchill and Roosevelt: The Complete Correspondence* (Princeton University Press, Princeton, N.J., 1984), vol. 1, p. 374. Quoted in French, *Liberty or Death*, p. 139.
- 8 “I feel absolutely satisfied ...” and the remaining quotes in this paragraph are also from *ibid.*, p. 145.
- 11 There were two competing visions ...: I owe the inspiration for this paragraph to Tony Joseph’s column, “Two Utopias, Three Preferences,” in *Business Standard*, August 1997.

TWO SMELLS OF THE BAZAAR

- 16 “The principle of ...”: Irving Babbitt (1865–1933), “Democracy and Leadership,” address at Harvard University.
- 18 “possessed great influence ...”: Quoted in David Landes, *The Wealth and Poverty of Nations* (W. W. Norton, New York, 1998), p. 166.
- 18 “No Englishman who started ...”: *Ibid.*, p. 162.
- 18 “not merely a crime ...”: *Ibid.*, p. 167.
- 21 In the inner and outer ...: Alan Ross, *The Emissary* (Collins Harvill, London, 1986), p. 8.
- 23 GD became the largest supporter of the Congress ...: The historian Bipan Chandra says that he has found no evidence of GD financing the Congress. However, GD did generously support Gandhi’s charities—Charkha Sangh and Harijan Sangh. Nevertheless, everyone believed that Birlas supported the Congress with money, including the British.
- 23 “every possible step ...”: Margaret Herdeck and Gita Piramal, *India’s Industrialists* (Three Continents Press, Washington, D.C., 1985), vol. 1, p. 71.
- 24 “I think Queen Mary ...”: Lord Wavell, *The Transfer of Power*, vol. 4, cited in Minhaz Merchant, *Aditya Vikram Birla: A Biography* (Viking, New Delhi, 1997), p. 26.
- 24 “English rule without Englishmen ...”: M. K. Gandhi, *Socialism of My Conception* (Bhartiya Vidya Bhawan, Bombay, 1966), p. 225.

THREE THE TRAIN TO NOWHERE

- 27 “They saw a Dream ...”: Charles Leland (1824–1903), “The Masher,” *Brand New Ballads*.
- 27 “Long years ago we made a tryst ...”: Jawaharlal Nehru, *Independence and After: A Collection of Speeches* (Publications Division, Government of India, New Delhi, 1949), p. 3.
- 29 It had no such effect ...: Daniel Thorner, *The Shaping of Modern India* (Allied, Bombay, 1980), p. 120.
- 30 They put together a powerful ...: One of the promoters wrote, “This is a matter of extreme importance in India, where the energy of individual thought has long been cramped by submission to despotic governments, to irresponsible and venal subordinates, to the ceremonies and priesthood of a highly irrational religion, and to a public opinion founded not on investigation, but on traditional usages and observances.” This was in a letter to the Right Honourable Lord John Russell, MP, on the subject of Indian Railways (London, 1848), cited in Daniel Thorner, *Investment in Empire: British Railway and Steam Shipping Enterprise in India, 1825 1849* (University of Pennsylvania Press, Philadelphia, 1950), pp. 151–52.
- 31 In comparison, the United States had ...: Thorner, *Modern India*, p. 120.
- 32 She worked hard to get ...: Macaulay summed up the aim of English education in India as being the raising of an English-educated Indian middle class “who may be interpreters between us and the millions whom we govern; a class of persons, Indians in blood and colour, but English in taste, in opinions, in morals, and in intellect.” Macaulay had contempt for Oriental culture. He wrote in a famous and arrogant statement: “I have no knowledge of either Sanskrit or Arabic But I have done what I could to form a correct estimate of their value Who could deny that a single shelf of a good European library was worth the whole native literature of India and Arabia ... all the historical information which has been collected from all the books written in the Sanskrit language is less valuable than what may be found in the most paltry abridgements used at preparatory schools in England.” (The text of Macaulay’s Minute is in M. Edwardes, *British India, 1772 1947* (Sidgwick and Jackson, London, 1967).
- 37 On a fine spring day ...: The firsthand account of Alexander’s battle comes from letters and accounts written by fifteen contemporaries of Alexander who fought under his command. Alexander knew that he was making history and he made sure that he had plenty of historians at hand. On the basis of these sources Arrian wrote his famous *Campaigns of Alexander*, from which I have largely drawn my narrative. Arrian, *Campaigns of Alexander*, trans. Aubrey de Selincourt (Penguin Books, London, 1971). I have supplemented it with J. W. McCrindle, *The Invasion of India by Alexander the Great* (Constable, Westminster, 1896), and chapter

15 of *The Cambridge History of India* (Cambridge University Press, Cambridge, 1922), vol. 1.

- 41 On the soggy banks ...: Arrian, *Campaigns of Alexander*, p. 274.
- 41 “the Indian cavalry ... did not ...”: Stephen P. Rosen, *Societies and Military Power: India and Its Armies* (Cornell University Press, Ithaca, N.Y., 1996), pp. 80–83.
- 41 “checked the advance of his ...”: Arrian, *Campaigns of Alexander*, pp. 288–89. See also *ibid.*, p. 83; Jadunath Sarkar, *Military History of India* (Sarkar, Calcutta, 1960), pp. 8–10, 20–23. The same views are echoed by Radhakumud Mookerji in *Chandragupta Maurya and His Times* (Rajkamal Publications, Bombay, 1953), p. 26, and by Bimal Kanti Mazumdar in *Military Systems of Ancient India* (Firma K. L. Mukhopadhyay, Calcutta, n.d.), p. 46.
- 41 “the Indian defenders of the Punjab were ...”: Sarkar, *Military History*, p. 21.
- 42 “private animosities, personal ...”: Major General Niranjana Prasad, *The Fall of Tawang, 1962* (Palit and Palit, New Delhi, 1981), pp. 13, 20. See also D. K. Palit, *War in High Himalaya*, p. 106, cited in Rosen, *Societies*, p. 242.
- 42 Even in the victorious wars ...: Harbakhsh Singh, *War Despatches: The Indo-Pak Conflict, 1965* (Lancer, New Delhi, 1991); Sukhwant Singh, *India's Wars since Independence*, 2 vols. (Vikas, New Delhi, 1981). Professor Stephen Rosen concludes from these two works that “in 1965 the Indian Army displayed low levels of cohesion within infantry units, which led to their early collapse in battle; low levels of cohesion among infantry units, which affected their ability to cooperate on the battlefield; and perhaps even lower levels of cohesion between tank and infantry units” (Rosen, *Societies*, p. 48).
- 42 The end result is that ...: Dharendra Narain, *Hindu Character* (University of Bombay Publications, Sociology Series no. 8, Bombay University Press, Bombay, 1957).
- 42 The adult Indian male personality ...: P. Spratt, *Hindu Culture and Personality: A Psycho-analytic Study* (Manaktalas, Bombay, 1966), pp. 1, 9; Sudhir Kakar, *The Inner World: A Psycho-analytic Study of Childhood and Society in India* (Oxford University Press, Delhi, 1978), pp. 104, 134.
- 43 Although we normally ...: The economic historians Douglass North and Robert P. Thomas write: “Efficient economic organization is the key to growth; the development of an efficient economic organization in Western Europe accounts for the rise of the West.” *The Rise of the Western World* (Cambridge University Press, Cambridge, 1973), p. 1.

FOUR

BLIND THEN, BLIND NOW

- 44 “Good intentions ...”: Jami, “The Camel and the Rat,” *Baharistan* (fifteenth century).
- 45 “the deceased king’s jewellers”: Dwijendra Tripathi, *The Dynamics of a Tradition: Kasturbhai Lalbhai and His Entrepreneurship* (Manohar, New Delhi, 1981), p. 24.
- 45 “without dispute, one ...”: *Ibid.*, p. 26.
- 45 “light in weight and heavy in price ...”: *Ibid.*, p. 28.
- 46 “If the price of textiles is low ...”: Niranjana Bhagat and others, eds., *Tribute to Ethics: Remembering Kasturbhai Lalbhai* (Gujarat Chamber of Commerce and Industry, Ahmedabad, 1983), p. 9.
- 47 “Sheth Kasturbhai has set up ...”: Tripathi, *Dynamics of a Tradition*, p. 99.
- 49 “Probably nowhere else ...”: Jawaharlal Nehru, *Jawaharlal Nehru’s Speeches*, vol. 3, 1953–57 (New Delhi, 1958), p. 3.

FIVE

IF WE WERE ONCE RICH, WHY ARE WE NOW POOR?

- 52 “The greatest thing since ...”: Francisco López de Gómara, *History of the Indies*. Cited in David Landes, *The Wealth and Poverty of Nations* (W. W. Norton, New York, 1998), p. 60.
- 54 “From the most ancient times ...”: G. W. F. Hegel, *The Philosophy of History*, trans. J. Sebree (Dover, New York, 1956). Quoted in Sugata Bose and Ayesha Jalal, *Modern South Asia* (Oxford University Press, Delhi, 1998), p. 1.
- 54 When they arrived near Calicut ...: M. N. Pearson, *The Portuguese in India*, *The New Cambridge History of India*, vol. 1.1 (Cambridge University Press, Cambridge, 1987), p. 5.
- 55 He spoke about spices ...: The Portuguese discovered that a hundred-weight of pepper could be bought in Calicut for three ducats and sold in Europe for eighty ducats. Landes, *Wealth and Poverty*, p. 89.
- 55 In the words of Adam Smith ...: D. K. Fieldhouse, *The Colonial Empires* (London, 1982), p. 3. On the other hand, Dr. Samuel Johnson was dismissive: “I do not much wish well to discoveries, for I am always afraid they will end in conquest and robbery.” John Wain, *Samuel Johnson* (London, 1974), p. 278.
- 55 The English got to this wealth ...: The East India Company was founded on the last day of 1600 by a royal charter granted by Queen Elizabeth I to the “Governor and Company of Merchants of London trading into the East Indies,” vesting them exclusive trading rights. In 1613 the company was granted a *jarman* for trading rights at Surat by the Mughal emperor.

- 55 “unbeatable for quality ...”: Ibid., p. 225. According to N. Steensgaard, “The Growth and Composition of the Long-Distance Trade of England and the Dutch Republic Before 1750,” in James Tracy, ed., *The Rise of Merchant Empires: Long-Distance Trade in the Early Modern World, 1350-1750* (Cambridge University Press, Cambridge, 1990), pp. 102–52. The East India Company’s export of cotton fabrics rose from 221,500 pieces to 707,000 pieces in the 1680s.
- 55 “Indian cottons transformed ...”: Landes, *Wealth and Poverty*, p. 154.
- 56 During the Mughal Empire ...: According to Irfan Habib, it was closer to 150 million. “Potentialities of Capitalist Development in the Economy of Mughal India,” *Journal of Economic History*, vol. 29, no. 1, pp. 32–37.
- 56 “not in any way backward ...”: Ibid., p. 34.
- 56 “The annual revenues of the Mogul emperor ...”: John Kautsky, *The Politics of Aristocratic Empires* (University of North Carolina Press, Chapel Hill, 1982), p. 188. Cited in Landes, *Wealth and Poverty*, p. 156. Landes says that these estimates are based on pre-World War I dollars, and one must multiply them by twenty to twenty-four in order to match the 1990s dollar value.
- 56 India had a 22.6 percent share ...: Angus Maddison, *Chinese Economic Performance in the Long Run* (OECD, Paris, 1998). China had 23.1 percent of world GDP in 1700 and the whole of Europe had 23.3 percent. By 1952, India’s share declined to 3.8 percent and China’s to 5.2 percent; Europe climbed to 29.7 percent and the United States had 28.4 percent by 1952. By 1995, India grew modestly to 4.6 percent, China doubled to 10.9 percent, while Europe and the United States declined somewhat to 23.8 percent and 20.9 percent, respectively. See also Paul Bairoch and Maurice Levy-Leboyer, *Disparities in Economic Development Since the Industrial Revolution* (Macmillan, London, 1981).
- 56 “More important, there was a ...”: Tapan Raychaudhuri, “The Mid-Eighteenth-Century Background,” in *The Cambridge Economic History of India*, edited by Dharma Kumar and Meghnad Desai (Cambridge University Press, Cambridge, 1983), vol. 2, pp. 3–35. He goes on to say, “It drew upon a wide range of manufactures and commercial crops to supply an extensive domestic as well as overseas market. India’s textile exports met the basic requirements of cloth in several part of South-East Asia and the Middle East. The competitive power of this line of trade—based on very low costs of production—is evident in the need felt by the British textile industry for protective tariffs despite the high cost of intercontinental trade.”
- 56 It is not surprising ...: The descriptions of eighteenth-century India by F. Buchanan, J. L. Holwell, Hove, F. Pelsaert, J. Ovington, M. Wilks, J. Forbes, and W. Bolts can be found in *ibid.*
- 57 “The competitive strength of Indian manufacturers ...”: Ibid., p. 32: “India had not witnessed any agricultural revolution. Her technology—in agriculture as well as manufactures—had by and large been stagnant for centuries. For a country so advanced in civilization, the technology was also rather primitive. The use of inanimate power in any form was virtually unknown.”
- 57... the peasant was extremely poor: The standard of living of the Indian masses when the Europeans first came to India is a controversial issue. Whereas European travelers and visitors reported general misery, a number of scholars think that these travelers did not really understand the true picture. Some have even calculated the food intake of peasants and concluded that the Indian ryot lived as well if not better than the English farm laborer. These income estimates seem to me hard to believe, although they have been calculated by respected scholars. It is risky business to project incomes backwards from the twentieth to the eighteenth century. Even a small mistake, when it is expanded over two hundred years, contains a huge multiplier and can be misleading. I find it hard to accept their conclusions because European agricultural productivity had begun to improve at this time with better techniques, labor-saving devices, and stronger property rights. Some historians claimed that India would have become an industrial economy had British colonialism not intervened and tragically cut it from its inevitable destiny. A Japanese scholar has reinforced this view. Writing on the economy of central India in *The Cambridge Economic History of India*, he cited the royal karkhanas of the seventeenth century, saying, “[O]ne is tempted to speculate if [these royal workshops] might not have moved in the direction of mechanisation and become the state model factories for the model industrialisation of India, had they not been terminated by the British conquest of the country.” This is idle speculation particularly when after fifty years of trying as an independent nation, the broad industrialization of India still eludes us.
- 57 “In India it is seldom ...”: F. Buchanan, *A Journey from Madras ... (1807)*, cited in Raychaudhuri, “Mid-Eighteenth-Century Background,” p. 29.
- 57 According to Paul Bairoch ...: Paul Bairoch, “Ecart des niveaux de vie avant la Révolution industrielle,” *Annales: économies, sociétés, civilisations*, vol. 34, no. 1 (January–February 1979).
- 57–8 India remained slow ...: Was the Indian merchant somehow to blame? When the huge European market opened in the seventeenth century and there was huge escalation in demand, it created enormous supply problems in India. There were many reports of irregular supplies and delivery failures. This would have been the ideal incentive, one would think, to infuse innovation in the supply chain.
- The Indian merchant also occupied a central place in the supply chain. He bought cotton pieces from the spinners and weavers, and sold them to the European traders and chartered companies; they in turn delivered them to their European customers. He normally advanced capital to the weaver against the promise of delivery. The weavers usually operated from their homes, employing their whole family as a small-scale family-based unit. The weavers were very poor, and they depended on merchants for their raw material. The merchants kept them “on a short leash,” paying them by the day so that they would not run off with the goods or the advance.

This was different from the European “putting out” method, where the merchant took part in the production process. Because the European merchant was much more deeply involved in the process, he presumably had a greater incentive to innovate. Because of this leisurely system and slow transport, it often took years to deliver the product. Irfan Habib, a scholar of Mughal India, describes huge trains of bullock-carts, numbering tens of thousands, carrying raw cotton from the ports of the spinning and weaving villages. These bullock-trains moved a few miles a day and took six months to deliver the material.

Why couldn’t the Indian merchant have taken charge of the whole process, especially when there were massive rewards to be had? Rather than merely advancing money to the weaver, he could have found, assembled, and bought the raw materials; he could have assembled a large number of workers in one place and supervised their manufacture. Certainly he would have had to face the challenges of organizing large-scale activity, but that is what entrepreneurship is all about. This process of organizational innovation would thus have led to opportunities for technological innovation.

58 England had achieved ...: Simon Kuznets, “Underdeveloped Countries—Present Characteristics in the Light of Past Growth Patterns,” mimeographed paper, 21 April 1958. Quoted in Gunnar Myrdal, *Asian Drama: An Inquiry into the Poverty of Nations* (Pantheon, New York, 1968), vol. 1, p. 454.

58 “the bone’s of the cotton weavers ...”: Quoted in Deepak Lall, *The Hindu Equilibrium*, vol. 1, *Cultural Stability and Economic Stagnation: India, c. 1500 BC–AD 1980* (Clarendon Press, Oxford, 1984), p. 184.

59 Since India consistently exported ...: My uncle must have been quoting Paul Baran, *The Political Economy of Growth* (Monthly Review Press, New York, 1957), p. 148. Later a calculation by Irfan Habib put the drain in 1882 as 4 percent of national income versus 10 percent of Baran’s. Irfan Habib, “Studying a Colonial Economy—Without Perceiving Colonialism,” *Modern Asian Studies*, 19 March 1985, pp. 375–76.59 My uncle had put forth ...: Indian nationalists had talked of the “drain” as early as the beginning of the twentieth century. Dadabhai Naoroji, *Poverty and Un-British Rule* (London, 1901); R. C. Dutt, *The Economic History of India in the Victorian Age* (London, 1906).

60 Also, the overhead cost ...: It was around 20 million pounds or less than 2 percent of exports at the end of the nineteenth century and less than 1 percent of exports in 1913. K. N. Chaudhuri, “India’s International Economy in the Nineteenth Century: An Historical Survey,” *Modern Asian Studies*, 19 March 1985, pp. 375–76.

60 If India had maintained ...: Vera Anstey, *Economic Development of India* (London, 1929), p. 511.

60 Only a part of that precious ...: In world trade circles India was always the world’s “sink” for gold and silver. Pliny was aware of India’s appetite for precious metal in ancient times, and J. M. Keynes used it to argue for a gold exchange standard for India in *Indian Currency and Finance* (London, 1913). Nationalist historians had admitted that capital did increase partly because of bullion imports, but they argued that it went into the hands of landlords and aristocrats rather than helping to finance economic activity. Inequality may have increased with bullion imports, but this was not Britain’s fault. In any case, it is not relevant to the drain theory. B. R. Tomlinson, *The New Cambridge History of India*, vol. 3, *The Economy of Modern India, 1870 1970* (Cambridge University Press, Cambridge, 1996), p. 15.

61 By 1900, India’s share had declined ...: Maurice and Taya Zinkin, *Britain and India* (Chatto and Windus, London, 1964), p. 67.

61 In 1896, Indian mills supplied ...: Angus Maddison, “The Colonial Burden: A Comparative Perspective,” in M. Scott and D. Lall, eds., *Public Policy and Economic Development: Essays in Honour of Ian Little* (Clarendon Press, Oxford, 1990), p. 57. The “drain” quite simply was equal to the current account surplus.

61 Manufacturing output grew ...: Rajat Ray, *Industrialisation in India: Growth and Conflict in the Private Corporate Sector* (Oxford University Press, Delhi, 1982), p. 341.

62 The British government finally ...: The general tariff was raised to 7.5 percent in 1917, to 15 percent in 1922, reaching 31 percent in October 1931. A special rate of 20 percent (15 percent for British goods) was fixed for low-quality cotton textile imports in 1930, and this rose to 50 percent for non-British goods in 1932 and 75 percent in 1933. Dharma Kumar, “The Fiscal System,” *The Cambridge Economic History of India*, vol. 2, pp. 921–24.

62 Hirachand, the construction magnate ...: Tomlinson, *Modern India*, p. 143; Ray, *Industrialisation*, p. 276ff.

62 “The Empire is a bread ...”: Quoted in John Strachey, “The Great Awakening,” *Encounter*, no. 5 (1961): p. 9.

62 “If the British Empire fell ...”: Quoted in Michael Brown, *After Imperialism* (Heinemann, London, 1963), p. 294.

63 So did France, Holland ...: John Strachey’s *End of Empire* provides a wealth of evidence disproving the old idea.

63 By 1914, India had the ...: Morris D. Morris, “The Growth of Large Scale Industry to 1947,” in *The Cambridge Economic History of India*, vol. 2, p. 553

63 Gunnar Myrdal found that ...: Myrdal, *Asian Drama*, vol. 2, Appendix 2, p. 1843ff.

63 According to Myrdal, poor work ...: Ibid., p. 1862.

63 These were compounded by ...: Ibid.

64 “After all, China’s level of technology ...”: Joseph Needham, *Science and Civilization in China* (Cambridge University Press, Cambridge, 1958), vol. 1.

64 Capitalism developed in the East ...: Ernest Gellner, *Plough, Sword, and Book: The Structure of Human History* (University of

Chicago Press, 1988), PP. 39–69. See also Robert Merton, “Science, Religion, and Technology in Seventeenth Century England,” *Osiris*, vol. 4 (1938): pp. 360–632.

64 Deepak Lall, another economist ...: Lall, *The Hindu Equilibrium*, vol. 1, pp. 2–3, 341. Also Morris, “Growth of Large Scale Industry.”

65 “nature like life is unfair ...”: David Landes, *The Wealth and Poverty of Nations* (W. W Norton, New York, 1998), p. 45.

65 But they do behave in that way ...: There is now extensive empirical evidence from different cultures and climates that uneducated peasants are rational economic actors. See J. Nugent and P. Yotopoulos, *Economics of Development: Empirical Investigations* (Harper & Row, New York, 1976) for details of such studies.

65 Economic historians no longer ...: Ray, *Industrialisation*, p. 339.

65–6 Amiya Kumar Bagchi suggests ...: Amiya Kumar Bagchi, *Private Investment in India, 1900 1939* (Cambridge University Press, Cambridge, 1972).

66 An Indian entrepreneur, he feels ...: Morris, “Growth of Large Scale Industry,” pp. 553–676.

66 According to the Calcutta historian Rajat Ray ...: Ray, *Industrialisation*, p. 2.

66 in the eighteenth century ...: Anstey, *Economic Development of India*, p. 282.

67 It did not try to educate ...: There were only nine agricultural colleges in the whole of India in 1946, with a total enrollment of 3,110 students. G. Blyn, *Agricultural Trends in India, 1891 1947* (University of Pennsylvania Press, Philadelphia, 1966).

67 “no colonial power helped ...”: Arthur W. Lewis, *Growth and Fluctuations, 1870 1913* (George Allen and Unwin, London, 1978), p. 225. It would have needed massive investments in education and human development. A hugely motivated government could only have created this social infrastructure as in Japan and the USSR. But a colonial government did not have the same motivation. Of course, the building of such infrastructure would also have created jobs, put money in people’s pockets, and promoted the growth in demand for the products of Britain’s industrial economy. But the colonial government did not think in that way. For that matter, neither has independent India’s government paid enough attention to human development and literacy, and this dramatically distinguishes India from the successful nations of the Far East. The question is why Japan (also an Asian country which did not experience a scientific revolution) took off industrially so rapidly after the Meiji reforms in the nineteenth century while India (and China) did not. The key reason seems to be that Tokugawa society had a higher level of literacy and this contributed to technological progress, first in agriculture, then in industry. The Japanese, even in the seventeenth century, showed a greater curiosity about Western science and technology than the Indians (or the Chinese). Whereas India was ahead because of its large export trade, Japan became more advanced technologically.

SIX THE PAPER ROUTE

69 “In democracies ...”: Alexis de Tocqueville, *Democracy in America* (1835–39), bk. 2, chap. 2, p. 19.

72 they helped reform society: As C. A. Bayly and others have pointed out, the reforms began much earlier with the bhakti and sufi sects. There has been radical rethinking of Raj history, which thought of the eighteenth century as a time of troubles and chaos. The new history speaks about the vivid commercial activity that thrived once the Mughal monopoly disappeared. See C. A. Bayly, *Indian Society and the Making of the British Empire* (Cambridge University Press, Cambridge, 1988), and his later *Rulers, Townsmen and Bazaars* (Cambridge University Press, Cambridge, 1992).

76 Like most of my classmates ...: The word “liberal” has been usurped by those left of center to describe a person who stands for change in the social order in favor of the poor and the weak. In the process, they have totally confused the word and the old verbal precision had been lost. The old meaning of liberal, what is now called “classical liberal,” meant a person committed to maximizing liberty—via free markets, free trade, and small government. Many of these beliefs, in fact, attach to the conservatives of our time.

78 “dirigiste dogma ...”: Deepak Lall, a professor of economics at the University of California, Los Angeles, has used this expression in *The Poverty of Development Economics* (Oxford University Press, New Delhi, 2000), p. 57. He includes the work of the following non-neoclassicals, whose writings have been influential in providing various elements of the “dirigiste dogma”: R. Nurkse, *Problems of Capital Formation in Underdeveloped Countries* (Oxford University Press, New York, 1953); G. Myrdal, *Economic Theory and Underdeveloped Regions* (Vora & Co., Bombay, 1958); A. O. Hirschman, *The Strategy of Economic Development* (Yale University Press, New Haven, Conn., 1958); P. N. Rosenstein-Rodan, “Problems of Industrialization of Eastern and South-Eastern Europe,” *Economic Journal*, June–Sept. 1943; T. Balogh, *Unequal Partners*, 2 vols. (Blackwells, Oxford, 1963); R. Prebisch, *The Economic Development of Latin America and Its Principal Problems* (United Nations, 1950); H. Chenery, “The Interdependence of Investment Decisions,” in A. Abramowitz (ed.), *The Allocation of Investment Resources* (Stanford University Press, Stanford, Calif., 1959); P. Streeten, *The Frontiers of Development Studies* (Macmillan, New York, 1972).

There has always been some opposition to these dirigiste views. See G. Haberler, “A Survey of International Trade Theory,” *Princeton Special Papers in International Economics*, 1961; J. Viver, *International Trade and Economic Development* (Oxford University Press, New York, 1953); P. T. Bauer and B. S. Yamey, *The Economics of Underdeveloped Countries*

(Cambridge University Press, Cambridge, 1957); T. Shultz, *Transforming Traditional Agriculture* (Yale University Press, New Haven, Conn., 1964).

- 80 “One of the best books ...”: According to Tocqueville, “Americans of all ages, all conditions, and all dispositions constantly form associations. They have not only commercial and manufacturing companies, in which all take part, but associations of a thousand other kinds, religious, moral, serious, futile, general or restricted, enormous or diminutive. The Americans make associations to give entertainments, to found seminaries, to build inns, to construct churches, to diffuse books, to send missionaries to the antipodes; in this manner they found hospitals, prisons, and schools. If it is proposed to inculcate some truth or to foster some feeling by the encouragement of a great example, they form a society. Wherever at the head of a great undertaking you see the government in France, or a man of rank in England, in the United States you will be sure to find an association.” Alexis de Tocqueville, *Democracy in America* (Vintage Books, New York, 1945), vol. 2, p. 114.
- 81 Social scientists refer to this as “social capital ...”: The sociologist Max Weber also remarked on this aspect of American life at the end of the nineteenth century: “In the past and up to the very present, it has been a characteristic precisely of American democracy that it did *not* constitute a formless sand heap of individuals, but rather a buzzing complex of strictly exclusive, yet voluntary, associations.” Max Weber, “The Protestant Sects and the Spirit of Capitalism,” in *From Max Weber: Essays in Sociology*, trans. and ed. C. Wright Mills and Hans Gerth (Oxford University Press, New York, 1946), p. 310.

SEVEN CAPITALISM FOR THE RICH, SOCIALISM FOR THE POOR

- 85 “Those who have given ...”: Anatole France, *The Crime of Sylvestre Bonnard* (1881), trans. Lafcadio Hearn, pt. 2.
- 87 In 1944, India’s leading ...: The industrialists came together as a part of a committee set up by Jawaharlal Nehru and the Congress in 1938. The Bombay Plan was the popular title given to *A Plan of Economic Development of India* (Penguin, London, 1945).
- 87 They preferred foreign debt ...: Ibid., pp. 53–54.
- 87 “rights attached to private ...”: Ibid., pp. 94–95.
- 88 Not only was he a close associate of ...: Sunil Khilnani, *The Idea of India* (Hamish Hamilton, London, 1997), p. 83. E. J. Thompson, who was a translator and friend of Tagore, apparently depended highly on Mahalanobis’s literary judgment, and according to Khilnani, “he enlisted him in the preparation of a never-published Oxford Book of Bengali Verse.”
- 88 It was Mahalanobis’s deep commitment to rationality ...: Nehru was attracted to other scientists as well. Meghnath Saha, an astrophysicist famous for the “Saha equation,” was also at the Planning Commission; others who influenced Nehru were Homi Bhabha, Shanti Swaroop Bhatnagar, and K. S. Krishnan.
- 88 “subjects natural phenomena ...”: Quoted in Ved Mehta, *Portrait of India* (Yale University Press, New Haven, Conn., 1993), p. 286.
- 88 We used to have a great ...: P. C. Mahalanobis, “The Asian Drama: An Indian View” *Sankhya*, series B, vol. 31 (1969), p. 446. Quoted in Khilnani, *Idea of India*, p. 87.
- 89 “possibly one of the most ...”: J. B. S. Haldane to P. C. Mahalanobis, 16 May 1955. Quoted in S. Gopal, *Jawaharlal Nehru* (Oxford University Press, Delhi, 1979), vol. 2, p. 305.
- 89 “a two-pronged attack on the ...”: Michael Brecher, *Nehru: A Political Biography* (Oxford University Press, London, 1959), p. 533.
- 89 The finance minister, C. D. Deshmukh ...: C. D. Deshmukh, *The Course of My Life* (Orient Longman, Bombay, 1974), p. 209.89 “Even if one is pessimistic ...”: Haldane is quoted by Gopal, *Nehru*, vol. 2, PP. 305–6.
- 90 a socialist revolution by consent ...: Taya Zinkin, “Nehruism: India’s Revolution Without Fear,” *Pacific Affairs*, September 1955. Quoted in Gopal, *Nehru*, p. 307.
- 90 “the establishment of a socialist ...”: Indian National Congress, *Congress Bulletin*, January 1955.
- 90 intellectual joint venture ...: Sanjaya Baru, “Paradigm Shift: The Indian Experience,” *India Today*, 15 August 1997, p. 70.
- 90 “... in the spirit of high adventure”: L. K. Jha, *Economic Strategy for the ‘80s* (Allied Publishers, Bombay, 1980), p. 7.
- 90 “The production of steel ...”: Ved Mehta, *Portrait*, p. 287.
- 91 In the 1950s, there was an ...: C. N. Vakil and P. R. Brahmanand, *Planning for an Expanding Economy* (Vora and Co., Bombay, 1956). I am grateful to Meghnad Desai for reminding us about this alternative vision. See Meghnad Desai, “Development Perspectives: Was There an Alternative to Mahalanobis,” in Isher J. Ahluwalia and I. M. D. Little, *India’s Economic Reforms and Development* (Oxford University Press, Delhi, 1988); pp. 40–47.
- 94 “the bigger houses realized ...”: J. Bhagwati and P. Desai, *Planning for Industrialization* (Oxford University Press, London, 1970), p. 270. The data is from the Monopolies Inquiry Commission Report (1965), and R. K. Hazari’s trenchant critique, *Industrial Planning Policy* (Planning Commission, Government of India, 1967), presents plenty of data to support this behavior.
- 95 “acceptance of controls came ...”: I. G. Patel, “Free Enterprise in the Nehru Era,” in D. Tripathi, ed., *State and Business in India: A Historical Perspective* (Manohar Publications, New Delhi, 1987), p. 351.
- 95 “with the benefit of hindsight ...”: B. K. Nehru, *Nice Guys Finish Second* (Viking, New Delhi, 1997), pp. 270–71.
- 96 “greater emphasis on State enterprises ...”: R. Tirumalai, *TTK, the Dynamic Innovator* (TT. Maps & Publications, Madras, 1998),

pp. 38–39.

96 “The one enterprise ...”: Ibid., p. 57.

99 “a rather weak and hollow reed ...”: I. G. Patel, “The Socialist Legacy,” *Economic and Political Weekly*, vol. 16, special number, July 1964, pp. 1219–25.

PART TWO: THE LOST GENERATION (1966–91)

EIGHT BAZAAR POWER

103 “Commerce is ...”: Edmond and Jules de Goncourt, *Journal*, July 1864.

106 Years later, I realized ...: Some of the ideas in this chapter were originally published in my article “Local Memoirs of a Global Manager,” *Harvard Business Review*, March–April 1993, and reprinted in several anthologies, including Christopher Bartlett and Sumantra Ghoshal, eds., *Transnational Management* (Irwin, Boston, 1995), pp. 768–76.

NINE LERMA ROJO AND TAICHUNG NATIVE NO. 1

123 “There is life ...”: Charles Dudley Warner, “Preliminary,” *My Summer in a Garden* (1871).

125 Marx too, curiously enough ...: The idea of an Indian villager as an independent unit was taken by Marx from Sir Charles Metcalfe, who expressed it in a famous and oft-quoted Minute in 1832 when Marx was still a boy. The idea was turned into a myth and appropriated by the nationalist movement. The myth continues. B. R. Ambedkar condemned this myth in the Constituent Assembly when he asked, “What is a village? It is a sink of localism, a den of ignorance, narrow-mindedness and communalism.”

126 “These idyllic village communities ...”: Quoted in Daniel Thorner, *The Shaping of Modern India* (Allied, Bombay, 1980), p. 238.

126 “modern industry, resulting ...”: Ibid., p. 358.

126 “We must gradually return ...”: Quoted from M. K. Gandhi, “Hind Swaraj,” in Penderel Moon, *Gandhi and Modern India* (W. W. Norton, New York, 1969), pp. 286–89.

127 We were proud that ...: For a fine account of the drama that followed Nehru’s death and Shastri’s ascent, see Michael Brecher’s fascinating *Succession in India: A Study in Decision Making* (Oxford University Press, London, 1966). See especially chapter 3 (pp. 32–69).

127 In the late 1950s ...: Selig S. Harrison, *India: The Most Dangerous Decades* (Princeton University Press, Princeton, N.J., 1960).

128 “It is a painful thought that ...”: Unpublished Nehru letters, August 1957. Quoted in Brecher, *Succession*, p. 145.

129 “The representatives of the people ...”: B. K. Nehru, *Nice Guys Finish Second* (Viking, New Delhi, 1997), p. 431.

129 As usual, Indians were ...: Brecher, *Succession*, pp. 139–50.

130 “What are you doing, Daddy?...”: B. K. Nehru, *Nice Guys*, p. 467.

130 “reminding us of the ...”: Ibid.

131 “That Subber Maniyam of yours ...”: Ibid., p. 470.

131 He understood that if technology ...: B. M. Bhatia, “India’s Agricultural Performance Growth Amidst Neglect,” R. A. Choudhary and others, eds., *The Indian Economy and Its Performance Since Independence* (Oxford University Press, Delhi, 1990), p. 209.

132 Some people worry that one region ...: Ibid., p. 208.

132 There is new evidence that ...: C. H. Hanumantha Rao, “Agriculture Policy and Performance,” in Bimal Jalan, ed., *The Indian Economy: Problems and Prospects* (Viking, New Delhi, 1992), p. 121.

132 Hence, regional disparities ...: Ibid.

132 The poor have gained ...: A. V. Jose, “Agricultural Wages in India,” *Economic and Political Weekly*, vol. 23, no. 6 (25 June 1988). See also G. S. Bhalla and D. S. Tyagi, *Patterns in Indian Agricultural Development: A District Level Study* (Institute for Studies in Industrial Development, Delhi, 1989).

132 They had hoped for the ...: Hanumantha Rao, “Agriculture Policy,” p. 128.

133 “The task of developing agriculture ...”: Quoted in Deepak Lall, *The Hindu Equilibrium*, vol. 1, *Cultural Stability and Economic Stagnation: India, c. 1500 BC–1980 AD* (Clarendon Press, Oxford, 1984), p. 282. The emphasis is Lall’s.

134 “For the life of me ...”: Thorner, *Modern India*, p. 225.

134 “It was rare to come across ...”: Ibid., p. 238.

135 “decade after 1947 witnessed ...”: Ibid., p. 245.

135 The land reforms, such as ...: Ibid., p. 246.

136 “For many months of the year in Punjab ...”: Ibid., p. 233.

- 136 He has demonstrated ...: Ashok Gulati and others, *Export Competitiveness of Selected Agricultural Commodities* (National Council of Applied Economic Research, New Delhi, 1994), pp. 286–300.
- 137 He has vividly demonstrated that ...: Amartya Sen and Jean Dreze, *India: Economic Development and Social Opportunity* (Oxford University Press, Delhi, 1995).

TEN CASTE

- 139 “Distribute the world ...”: John Ruskin, *Sesame and Lilies* (1869), vol. 2, p. 150.
- 141 For example, oil-pressers in Bengal ...: M. N. Srinivas, “Varna and Caste,” in *Caste in Modern India and Other Essays* (Asia Publishing House, London, 1962), pp. 63–69.
- 141 In the villages, Muslims and Christians ...: David G. Mandelbaum, *Society in India* (University of California Press, Berkeley, 1970), vol. 2, pp. 545–52.
- 141 An anthropologist described ...: J. M. Hutton, *Caste in India*, 4th edition (Oxford University Press, London, 1963), p. 1.
- 141 “a group’s acknowledged ...”: Louis Dumont, *Homo Hierarchus: The Caste System and Its Implications* (University of Chicago Press, Chicago, 1980), p. 191.
- 141 Some academics have argued ...: See, for example, Ronald Inden, *Imagining India* (Basil Blackwell, Cambridge, 1990), pp. 31–32, 69.
- 142 In recent years, sociologists have ...: G. S. Ghurye, *Caste, Class and Occupation* (Popular Depot, Bombay, 1961).
- 142 André Bêteille proved ...: André Bêteille, *Caste, Class and Power: Changing Patterns of Social Stratification in a Tanjore Village* (University of California Press, Berkeley, 1965).
- 142 Other sociologists have confirmed ...: J. Lerche, “The Modernisation of Relations of Dominance Between Farmers and Artisans of Urban Families,” *Sociological Bulletin*, vol. 42, nos. 1 and 2 (March–September 1993): pp. 85–112.
- 142 Adrian Mayer studied ...: Adrian Mayer, “Caste in an Indian Village,” in C. J. Fuller, ed., *Caste Today* (Oxford University Press, Delhi, 1997), pp. 48–49.
- 142 There are at least two cultures ...: Myron Weiner, “India: Two Political Cultures,” in *Political Culture and Political Development*, edited by Lucian W Pye and Sidney Verba (Princeton University Press, Princeton, N.J., 1965), pp. 199–244.
- 143 “The man coming from ...”: Narendra Panjwani, “Living with Capitalism: Class, Caste, and Paternalism Among Industrial Workers in Bombay,” *Contributions to Indian Sociology*, n.s., vol. 18, no. 2 (1984): pp. 267–92.
- 144 The artisan castes seem to ...: Ibid., p. 35. Panini provides evidence from a number of studies by Navlakha (1989), Jayaram (1997), Sagar Jain (1971), Subramanian (1971), Lambert (1963), Panini (1993), Holmstrom (1976), and Panjwani (1984). Open entry does not ensure equality—that is an unfortunate truth—at least not for a long time. Competitive exams favor those who are already advantaged.
- 144 Caste is especially important ...: Mark Holmstrom, *Industry and Inequality: The Social Anthropology of Indian Labour* (Allied, Bombay, 1985), p. 247.
- 145 They are now in competition ...: E. R. Leach, ed., *Aspects of Caste in South India, Ceylon, and North-West Pakistan* (Cambridge University Press, Cambridge, 1960), pp. 6–7. See also F. G. Bailey, *Caste and the Economic Frontier: A Village in Highland Orissa* (Manchester University Press, Manchester, 1957), p. 224.
- 147 In the words of V. S. Naipaul ...: *India Today*, 18 August 1997, p. 37.
- 148 “modern industry, resulting ...”: *New York Daily Tribune*, 8 August 1853.
- 148 “India’s caste order formed ...”: Max Weber, *The Religion of India: The Sociology of Hinduism and Buddhism*, trans, and ed. Hans H. Gerth and Don Martindale (Free Press, Glencoe, 1958), p. 38.
- 148 He found that the village was ...: Oscar Lewis, *Village Life in North India* (University of Illinois Press, Urbana, 1958), chap. 4.
- 154 One day ... caste will be ... · I owe this idea to the late M. N. Srinivas, the doyen of Indian sociology, in a lecture at the India International Centre, 21 September 1999.

ELEVEN MULTIPLYING BY ZERO

- 155 “Though those that ...”: Shakespeare, *Cymbeline* (1609–10), act 3, sc. 4, 1. 87.
- 156 To stop Morarji, the Syndicate ...: I owe this account of Indira Gandhi’s succession to Michael Brechers fine book, *Succession in India: A Study in Decision Making* (Oxford University Press, London, 1966), pp. 190–225.
- 157 Many years later, L. K. Jha confirmed ...: L. K. Jha confirmed this to Ashok Nehru, son of B. K. Nehru, at a gathering in Lala Bharat Ram’s house in Delhi ten days before he died in Pune.
- 158 “1966–1980 is effectively ...”: Ibid., p. 102.

- 159 Economist Isher Ahluwalia estimates ...: Isher J. Ahluwalia, *Industrial Growth in India: Stagnation Since the Mid-Sixties* (Oxford University Press, Delhi, 1985).
- 160 To pay for these losses ...: V. M. Dandekar, "Forty Years After Independence," in Bimal Jalan, ed., *The Indian Economy* (Viking, New Delhi, 1992), p. 59, table 9.
- 162 Actual duties collected went up ...: Rakesh Mohan, "Industrial Policy and Controls," in Jalan, *Indian Economy*, p. 109; see especially table 8.
- 162 yet we were in balance-of-payment difficulties ...: Ibid., p. 108.
- 162 Despite these enormous defects ...: Central Statistical Organisation, Government of India, at constant prices. Ibid., p. 101, table 2.
- 162 "India was amongst the worst ...": Ibid., p. 108, although he neglects to mention the name of the report.
- 163 After Mrs. Gandhi returned to power ...: I owe this account of I. G. Patel's career to Ashok Desai's column, "The Future of the Government," in *Business World*, 7–21 December 1998.
- 164 Bank deposits soared ...: C. Rangarajan and Narendra Jadav, "Issues in Financial Sector Reform," in Jalan, *Indian Economy*, p. 147.
- 164 By 1990, the banks' gross profits ...: Dandekar, "Forty Years," p. 149.
- 170 "She's not interested ...": R. M. Lala, *Beyond the Last Blue Mountain: A Life of J.R.D. Tata* (Penguin Books, New Delhi, 1993), p. 274.
- 170 "I am convinced that a prime cause ...": J. R. D. Tata, *Keynote* (Tata Press, Bombay, 1986), p. 39.
- 170 "it should have given way to managerial autonomy ...": There was a growing recognition of this problem in the 1980s. Mrs. Gandhi's adviser L. K. Jha wrote in 1980 that the public-sector enterprises would be effective only "if they enjoy the requisite measure of autonomy" (L. K. Jha, *Economic Strategy for the '80s* [Allied Publishers, Bombay, 1980], p. 38). The majority inside remained unapologetically dirigiste, however. One of the most powerful former bureaucrats, P. N. Haksar, who had been Mrs. Gandhi's adviser in the late 1960s and early 1970s, wrote in 1986: "Whatever may be the abstract charms of efficiency of the marketplace, Indian economic development cannot take place without the powerful intervention of the State. Public Sector, therefore, is an inescapable necessity and must be safe-guarded against the virus of the newly imported disease of 'privatization' as advocated by the World Bank" (in preface to R. K. Nigam [ed.], *Towards a Viable and Vibrant Public Sector* [Documentation Center, New Delhi, 1986]). The official Arjun Sen Gupta Committee on Policy for Public Enterprises claimed in 1984 that the problem of bureaucratic interference was the result of accountability to Parliament, but it did not have the courage to suggest genuine autonomy. Instead it wrote, "In general Parliament's intervention to the overall performance of public enterprises had a very beneficial impact," and went on to suggest the creation of holding companies as intermediaries between the enterprises and the government. Managers of state enterprises rightly saw the holding companies as an additional layer of bureaucratic control. (The committee's report is included in *Towards a Viable and Vibrant Public Sector*.)

TWELVE MERCHANTS OF MARWAR

- 176 "No matter who ...": Henry Ward Beecher, *Proverbs from a Plymouth Pulpit* (1887).
- 176 Gradually they turned to industry ...: Government of India, Monopolies Inquiry Commission Report, New Delhi, 1965, pp. 119–21.
- 176 Eight were Marwaris ...: "India's Fifty Business Families," *Business Today*, 22 August 1997, p. 218.
- 176 Similarly, in contemporary Pakistan ...: Hanna Papanek, "Pakistan's New Industrialists and Businessmen," in Milton Singer, ed., *Entrepreneurship and Modernization of Occupational Cultures in South Asia* (Duke University, Program in Comparative Studies on Southern Asia, Durham, N.C., 1973).
- 177 In the latter half of the nineteenth century ...: The great textile magnates of Bombay in the nineteenth century were the Petits, Wadias, and Tatas (Parsees); the Currimbhoys (Khojas); the Sassoons (Baghdadi Jews); and the Khaitans, Gokuldases, and Thakarseys (Bhatias from Kutch). In Ahmedabad the leaders were Jain banias—the Sarabhais and Lalbhais—who had been prominent shroffs (although Nagar Brahmins had set up the first mills). Rajat Ray, ed., *Entrepreneurship and Industry in India, 1800–1947* (Oxford University Press, New Delhi, 1992), pp. 42–44. Other prominent commercial communities were Guptas and Aggarwals in the north and the Chettiers in the south.
- 177 "nine-tenths of the bankers ...": James Tod, *Annals and Antiquities of Rajasthan*, 1829–32, vol. 2, p. 166.
- 178 For example, Bhagoti Ram Poddar ...: Tom Timberg, *The Marwaris* (Vikas, New Delhi, 1978), p. 128.
- 178 The arrival of the Delhi–Calcutta railway ...: Ibid., p. 57.
- 178 During the First World War ...: Ibid., p. 66.
- 178 G. D. Birla's grandfather, Shiv Narain ...: Ibid., p. 5.
- 178 When the Marwari needed money ...: Ibid., p. 6.
- 179 At the same time ...: Omkar Goswami, "Sahibs, Babus, and Banias," in Ray, *Entrepreneurship and Industry*, p. 233. See also Ray's introduction, p. 52.

- 180 “create something really ...”: Minhaz Merchant, *Aditya Vikram Birla: A Biography* (Viking, New Delhi, 1997), p. 105.
- 180 “This permission is just a piece ...”: Ibid., p. 116.
- 183 When he died suddenly in 1995...: Ibid., p. 257.
- 183 “human factory—making factory ...”: Gita Piramal, *Business Maharajas* (Viking, New Delhi, 1996), p. 153.
- 184 Finally, after hard lobbying ...: Merchant, *Birla*, p. 220.
- 185 “Eat only vegetarian food ...”: Piramal, *Business Maharajas*, p. 208.

THIRTEEN DREAMS IN KABUTARKHANA

This chapter is based partially on a longish interview with Anil Ambani in 1996 in Bombay.

- 187 “Boldness in business ...”: Thomas Fuller, M.D., *Gnomologia* (1732), p. 1006.
- 188 Like other traders ...: Interview with Anil Ambani, 1996.
- 189 Dhirubhai is proud to belong to the “zero club”...: This expression is attributed to Udayan Bose, the managing director of Credit Capital. Quoted in Gita Piramal, *Business Maharajas* (Viking, New Delhi, 1996), p. 17.
- 192 “In our country it would ...”: Ibid., p. 41.
- 192 As a result of such efficiencies ...: Sumantra Ghoshal, professor at London Business School, who prepared a case study on Reliance. Cited in Piramal, *Business Maharajas*, p. 46.

FOURTEEN LICENSING BLUES

- 196 “No system of regulation ...”: Louis Brandeis (1856–1941), U.S. Supreme Court justice.
- 199 “colossal vistas of red sandstone ...”: André Malraux, *Antimemoirs*, trans. Terence Kilmartin (Hamish Hamilton, London, 1968), p. 132.

PART THREE: THE REBIRTH OF DREAMS (1991–99)

- 211 “A nation has character ...”: Madame de Staël, from *De la littérature* (1800).

FIFTEEN THE GOLDEN SUMMER OF 1991

This chapter is based on a series of lengthy interviews that the author had with the actors in the reform drama throughout 1999: P. V. Narasimha Rao, Manmohan Singh, P. Chidambaram, Montek Singh Ahluwalia, A. N. Varma, Ashok Desai, Rakesh Mohan, and Deepak Nayyar. It was supplemented by discussions with the economist Arjun Sengupta, the editor T. N. Ninan, and Janaki Kathpalia, who was at the finance ministry at the time.

- 213 “All reformers are ...”: George Moore, *The Bending of the Bough* (1900), p. 1.
- 213 “The Delhi-based Center ...”: The results of this widely quoted opinion poll first appeared in the influential *India Today* magazine in November 1996 and were later quoted in the *Times of India*, *Indian Express*, and *The Hindu*.
- 223 “While Prime Minister Narasimha Rao ...”: Quoted in Shashi Tharoor, *India: From Midnight to the Millennium* (Arcade Publishing, New York, 1997), p. 194.

SIXTEEN A MILLION REFORMERS

- 228 “Every man is a reformer ...”: Edgar Howe, *Country Town Sayings*, 1911. Cited in Rhoda Thomas Tripp, *International Thesaurus of Quotations* (Thomas Y. Crowell, New York, 1970), p. 780.

SEVENTEEN NEW MONEY

The source material for this chapter is based on personal meetings and interactions of the author with the businessmen cited in the text between 1995 and 1999.

- 255 There is no easy answer ...: Christopher de Bellaigue, “Bombay at War,” *New York Review of Books*, 22 April 1999.

EIGHTEEN OLD MONEY

The source material for this chapter is based on personal meetings and interactions of the author with the businessmen cited in the text between 1995 and 1999.

- 261 “The interval between the decay ...”: John C. Calhoun, *A Disquisition on Government* (1850).
- 267 depends partly on Indian society’s ability ...: I owe a great debt to Francis Fukuyama in this discussion of familial versus managerial capitalism. In his *Trust: Social Virtues and the Creation of Prosperity*, he points out the difference between the American, Japanese, and German managerial capitalism and the Chinese, Italian, and French familial capitalism. According to Fukuyama, social capital gets eroded during periods of strong political centralization. He illustrates this by the weakening of French guilds during French absolutism. This is an important lesson for India, which is coming out of fifty years of centralization preceded by a hundred years of a powerful colonial state. It will take time for Indians to rebuild their civil society and release the “arts of association.” Our chambers of commerce, for example, will have to get over the habit of servility in their dealings with the government. As Fukuyama points out, “The left is wrong to think that the state can embody or promote meaningful social solidarity. Libertarian conservatives, for their part, are wrong to think that strong social structures will spontaneously regenerate once the state is subtracted from the equation. The character of civil society and its intermediate associations, rooted as it is in non-rational factors like culture, religion, tradition, and other pre-modern sources, will be key to the success of modern societies in a global economy ...” Francis Fukuyama, *Trust: Social Virtues and the Creation of Prosperity* (Free Press, New York, 1995), p. 31.
- 268 An example is the Palanpuri Jains ...: Joel Kotkin, *Tribes: How Race, Religion, and Identity Determine Success in the New Global Economy* (Random House, New York, 1993), p. 206.

NINETEEN THE RISE AND RISE OF A MIDDLE CLASS

- 279 “The most perfect ...”: Aristotle, *Politics* (c. 322 B.C.), bk. 4.

TWENTY MODERN VS. WESTERN

- 291 “It is only the modern ...”: Oscar Wilde, “The Decay of Lying,” *Intentions* (1891).
- 295 His elegant autobiography ...: Jawaharlal Nehru, *An Autobiography* (Oxford University Press, New Delhi, 1980).
- 295 “a third way, which ...”: R. K. Karanjia, *The Mind of Mr Nehru: An Interview* (London, 1960), pp. 100–101, cited in Francine Frankel, *India’s Political Economy, 1947–1977* (Princeton University Press, Princeton, N.J., 1978), p. 3.
- 296 “His attention to trivia ...”: Michael Brecher, *Nehru: A Political Biography* (Oxford University Press, London, 1959), p. 18.
- 297 “The first thing I want to write about ...”: Gandhi’s letter to Nehru dated 5 October 1945 is in the appendix of D. G. Tendulkar’s eight-volume biography, *Mahatma: The life of Mohandas Karamchand Gandhi* (Government of India, Publications Division, Delhi, 1951).
- 298 “the most traditional and the most ‘modern’ ...”: Arthur Koestler, *The Lotus and the Robot* (Macmillan, New York, 1961), p. 280.
- 299 Robert Bellah, a student ...: Robert Bellah, *Tokugawa Religion* (Free Press, Glencoe, Ill., 1957).
- 299 Weber had suggested ...: Max Weber, *The Protestant Ethic and the Spirit of Capitalism*, trans. Talcott Parsons (Charles Scribner’s Sons, New York, 1958).
- 300 David Washbrook, a historian ...: David Washbrook, “From Comparative Sociology to Global History: Britain and India in the Prehistory of Modernity,” *Journal of East and South East Asian History*, vol. 40, no. 4 (1997): pp. 401ff.
- 301 “as Buddhism crossed ...”: This corollary was put forth by Peter Berger, the professor of religion and sociology at Boston University, ten years ago. At that time Professor Berger also suggested that the roots of East Asian success might lie in the folk religions of the Far East rather than in the great religious traditions.
- 301 ““true body of Buddha ...”: Ambrose Y. C. King, “The Transformation of Confucianism in the Post-Confucian Era: The Emergence of Rationalistic Traditionalism in Hong Kong,” in Tu Wei-Ming, ed., *The Triadic Chord: Confucian Ethics, Industrial East Asia, and Max Weber* (Institute of Asian Philosophies, 1991). See also Tu Wei-Ming, ed., *Confucian Traditions in East Asian Modernity: Moral Education and Economic Culture in Japan and the Four Dragons* (Harvard University Press, Cambridge, Mass., 1996).
- 302 China’s culture and religious ...: Max Weber, *The Religion of China*, trans. and ed. Hans H. Gerth (Free Press, Glencoe, Ill., 1951), p. 151.
- 302 “There is no difference ...”: Rod MacFarquhar is quoted by Nathan Glazer, “Diffusion of Values and the Pacific Rim,” in John D. Montgomery, ed., *Values in Education: Social Capital Formation in Asia and the Pacific* (Hollis Publishing Co., Hollis, N.H.,

1997), p. 58.

307 The first vision was ...: Francis Fukuyama presented his thesis in *The End of History and the Last Man* (Free Press, New York, 1992).

307 “Opposed to this utopia ...”: Samuel Huntington, *The Clash of Civilizations and the Remaking of the World Order* (Simon & Schuster, New York, 1996).

TWENTY-ONE DEMOCRACY FIRST, CAPITALISM AFTERWARDS

310 “Reformers have the idea ...”: *Economist*, 24 June 2000. This quote from George Bernard Shaw appeared in a special survey in this issue, entitled “Government and the Internet,” on page 10 of the survey.

313 The journalist T. C. A. Srinivasa-Raghavan ...: T. C. A. Srinivasa-Raghavan, “Growth versus Politics in Democracies,” *Business Standard*, 13 May 2000. This was in a book review of the first edition of *India Unbound*. Although I initially reacted petulantly to this review (by shooting off a letter the next day), I am grateful to him for pointing out the divergence between growth and politics, which has partially led to my writing this new chapter for this edition.

314 Mancur Olson, the social scientist ...: Mancur Olson, *The Rise and Decline of Nations: Economic Growth, Stagflation, and Social Rigidities* (Yale University Press, New Haven, Conn., 1982).

315 In a major investigation ...: Alex Inkeles and David H. Smith, *Becoming Modern: Individual Change in Six Developing Countries* (Harvard University Press, Cambridge, Mass., 1974).

315 This process culminated after World War II ...: In the United States, manhood suffrage came quite early, and later the bargaining process emphasized free land and free education to the secondary level, an equality-of-opportunity version of the welfare state. With Disraeli, Britain had relatively early manhood suffrage and full parliamentary government, while Lloyd George on the eve of World War I brought the beginnings of a welfare system to Britain. Bismarck in Germany produced an early welfare state but postponed electoral equality and parliamentary government. While there were differences in the historical encounters with democratization and “welfarization,” a century after the process began all the advanced capitalist democracies had similar versions of the welfare state—smaller in the case of United States and Japan, more substantial in Europe. Democracy has been supportive of capitalism in this sense. Without this welfare adaptation it is doubtful that capitalism would have survived.

315 Democracy and capitalism are thus both positively ...: I have benefited from Gabriel Almond’s “Capitalism and Democracy,” in the American Political Science Association’s *PS: Political Science and Politics*, September 1991, pp. 467–74.

316 Over the centuries ...: Robert L. Heilbroner, *The Worldly Philosophers: The Lives, Times, and Ideas of the Great Economic Thinkers* (Simon & Schuster, New York, 1953), pp. 19–27. The subsequent quote from Adam Smith is in the same chapter.

317 No wonder Samuel Johnson said ...: This quote of Dr. Johnson can also be located in the same chapter in Heilbroner cited above.

317 Today 120 of the world’s 200 or so states ...: *Economist*, 24 June 2000, p. 21.

318 Worldwide experience ...: See Justin Lin and Jeffrey Nugent, “Institutions and Economic Development,” in J. Behrman and T. N. Srinivasan, eds., *Handbook of Economic Development* (North-Holland, Amsterdam, 1995), vol. 3A. It provides an excellent review of the huge literature on institutions and economic development. Robert Hall and Charles Jones offer insights into “social infrastructure” in “Why Do Some Countries Produce So Much More Output per Worker Than Others?,” *Quarterly Journal of Economics*, February 1999, pp. 83–116. On bureaucratic quality and social capital, see Stephen Knack and Philip Keefer, “Institutions and Economic Performance,” *Economics and Politics*, November 1995, pp. 207–28.

319 It was a “gift from the elite ...”: Atul Kohli, *Democracy and Discontent: India’s Growing Crisis of Governability* (Cambridge University Press, Cambridge, 1991), p. 390.

319 He thinks that Rajiv Gandhi ...: James Manor, “The Political Sustainability of Economic Liberalization in India,” in Robert Cassen and Vijay Joshi, eds., *India: The Future of Economic Reform* (Oxford University Press, New Delhi, 1995), p. 354.

320 Second, he was able to reform by stealth ...: Ashutosh Varshney, “Mass Politics or Elite Politics? India’s Economic Reforms in Comparative Perspective,” in Jeffrey D. Sachs and others, *India in the Era of Economic Reforms* (Oxford University Press, New Delhi, 1999), p. 225.

320 the five main interest groups ...: To Pranab Bardhan’s three “dominant proprietary classes” I have added James Manor’s latter two groups. Pranab K. Bardhan, *The Political Economy of Development in India* (Oxford University Press, New Delhi, 1984). For James Manor, see above.

322 Basrabhai is one such woman ...: Basrabhai’s story provides the backdrop to the World Development Report, 2001–2, entitled *Attacking Poverty* (Oxford University Press, New York, 2001), p. 2.

323 *India Today*, the widely read national magazine ...: *India Today*, 11 September 2000, p. 58. *India Today* has provided interesting coverage of volunteer activities in India over the past decade with many inspiring stories.

TWENTY-TWO
KNOWLEDGE IS WEALTH

- 325 “The raft of knowledge ...”: Bhagavad Gita, translation P. Lal, chap. 4.
- 326 India’s emerging success ...: The data quoted in this paragraph is courtesy of Mr. Dewang Mehta, head of the trade body, the National Association of Software and Service Companies (NASSCOM), New Delhi, March 2000.
- 326 campaign to boost Internet bandwidth ...: This news appeared extensively in Indian newspapers in April–May 2000. The *Economist* also wrote about it on 27 May 2000 in an article called “The Wiring of India,” pp. 63 and 64.
- 327 The head of its \$100 million program ...: Quoted in a talk by Jonathan Everett, a principal of the VIEW (Venture Investors in the Emerging World) group at the Harvard Asia Business Conference on 29 January 2000.
- 327 “The land of the license raj ...”: *Economist*, 27 May 2000, p. 63.
- 333 Edelweiss Capital ...: References to information in this and the next paragraph are from two *Business World* articles: “Dot-com Survival: The Checklist” by Radhika Dhawan, 1 May 2000 (cover story); and “Dot-coms Adding Muscle Power” by D. N. Mukerjee, 3 July 2000, pp. 18–24.
- 333 The inspiration for our new economy ...: I am grateful to Vidya Vishwanathan’s seminal cover story in the 24 May 1999 issue of *Business World* for much of the data on Indians who have made good in Silicon Valley and the Nasdaq.
- 335 Every age has its Left Bank ...: Dennis Cass, “Let’s Go, Silicon Valley!” *Harper’s Magazine*, July 2000, p. 59.
- 340 “No one asks you how you learned ...”: Quoted in Sugata Mitra’s interview by Thane Peterson in *Business Week*, 2 March 2000.
- 343 Examples abound from around the world ...: *Economist*, 24 June 2000, special survey, “Government and the Internet.”

TWENTY-THREE
A NEW COUNTRY

- 345 “When old words die ...”: Rabindranath Tagore, *Gitanjali* (1912), p. 37.
- 345 It wrote in August 1997...: *Economist*, 16 August 1997, p. 9.
- 348 We have seen that India ...: We have already referred to Angus Maddison’s data on India’s share of world wealth in [chapter 5](#). Angus Maddison, *Chinese Economic Performance in the Long Run* (OECD, Paris, 1998). The trade data is from Paul Bairoch (also referred to in [chapter 5](#)), “Ecart des niveaux de vie avant la Révolution industrielle,” *Annales; Economies, sociétés, civilisations*, vol. 34, no. 1 (January–February 1979).
- 348 It took Britain fifty-eight years ...: World Bank, *The East Asian Miracle: Economic Growth and Public Policy* (Oxford University Press, New York, 1993). All the data in this paragraph, both on growth and on poverty, is from this source.
- 348 Poor countries should grow faster ...: There is a fair amount of data to support this old hypothesis of classical economics on convergence. In my introduction, I referred to the empirical research of Jeffrey Sachs and Andrew Warner, “Economic Reform and the Process of Global Integration,” *Brookings Papers on Economic Activity*, no. 1 (1995): pp. 1–118. Sachs and Warner studied eighty-four countries between 1970 and 1990 and concluded that the open economies converged and the closed ones did not. Hence, the crucial factor is that the poor countries must stay linked to the world economy. In addition, see, for example, Dan Ben David, “Equalizing Exchange: Trade Liberalization and Income Convergence,” *Quarterly Journal of Economics*, vol. 108, August 1993, pp. 653–79.
- 349 In Indonesia the percentage of people below the poverty line ...: The data on poverty for these countries is from World Bank, *East Asian Miracle*.
- 350 We are also low-cost producers of at least twelve agricultural commodities: Ashok Gulati and others, *Export Competitiveness of Selected Agricultural Commodities* (National Council of Applied Economic Research, New Delhi, 1994), pp. 286–300.
- 351 India’s middle class was less than 10 percent ...: All the data in this paragraph is from various studies of the National Council of Applied Economic Research. It is in turn based on the large and periodic National Sample Surveys conducted by the government. As mentioned before, the NCAER uses the term “consuming class” rather than “middle class” and the price of entry is the ownership of “middle-class goods,” including education.
- 352 Thus, gender equity and women’s empowerment ...: Amartya Sen has been arguing in this vein over the past two decades. See especially his “Fertility Rates Drop When Women Gain Opportunities and a Voice in Society,” *The Nation*, 24 July 2000, p. 16. The article provides details on the studies by Jean Dreze, Mamta Murthi, and others.
- 352 “Given their social structures ...”: Paul Kennedy, *Preparing for the Twenty-first Century* (Random House, New York, 1993), pp. 182–83.
- 353 The latest evidence ...: David Dollar and Aart Kraay, “Growth Is Good for the Poor,” World Bank Development Research Group, World Bank, Washington, D.C., 2000.
- 354 Lionel Trilling, the American ...: Lionel Trilling, *The Liberal Imagination: Essays on Literature and Society* (Doubleday, New York, 1953).

Acknowledgments

This book is born out of experience. Hence, hundreds of people have contributed to it, and they are too many to thank individually. Some have been quoted in the text, but others will recognize their contributions in subtler ways. Although this is not an academic work, I did read and have quoted from a number of books. They are acknowledged under “Notes.”

Soon after I ended my corporate career in 1995 and before I settled down to anything else, T. N. Ninan and P. G. Mathai suggested that I travel around India to find out if and how the country had changed after the economic reforms. I did and I found a change in the nation’s mind-set. My findings appeared in a cover story entitled “A Million Reformers” in *Business World* (27 December 1995–7 January 1996). This is how this book was born and I want to thank Ninan and Mathai for having got me started.

I wish to thank a number of people for having taken the trouble to read either chapters or the entire book at various stages in its making. They are Montek and Isher Ahluwalia, André Béteille, S. Bhattacharya, Bipan Chandra, P. Chidambaram, Sumanjit Chowdhary, Puru Das, Bibek Debroy, John Elliot, Nat Glazer, David Housego, Prem Jha, Janaki Kathpalia, Edward Kern, Shiv Kumar, Rakesh Mohan, Deepak Nayyar, T. N. Ninan, Lloyd and Suzanne Rudolph, Jeff Sachs, Amartya Sen, Shunu Sen, Hardayal Singh, Jasbir Singh, Kanishka Singh, Manmohan Singh, Tom Teal, Romain Wacziarg, and Bevan Waide. I also thank Bobby Mathew and Shobha Venugopal for their patient help with word-processing the text in its different versions. My editors Krishan Chopra, at Penguin, and Robin Desser, at Knopf, lent wonderful support throughout. Finally, thanks to my publishers Knopf/Anchor Books in the US and Profile Books in the UK for permission to use the revised and updated text for this edition.

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Penguin Books Ltd, Registered Offices: 80 Strand, London WC2R 0RL, England

www.penguin.co.in

First published in Viking by Penguin Books India 2000

Revised and updated edition published in Penguin Books 2002, 2007

This edition published 2012

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Cover Photograph by Dinesh Khanna

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ISBN: 978-01-4306-301-8

This digital edition published in 2012.

e-ISBN: 978-81-8475-850-4

INTRODUCTION: THE WISE ELEPHANT

*Where appropriate, I have converted the local Indian rupees to U.S. dollars at the exchange rate prevailing at a given time.