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Blind Then, Blind Now

Good intentions are useless in the absence of common sense.

—JAMI, BAHARISTAN

Some men occupy one's imagination for a whole generation, and this is literally true of Jawaharlal Nehru. Young people of my generation remained under his spell for decades. I never met him personally, apart from fleeting glimpses from a distance when I was a child. I regret this, for it seems to me that to meet and to hear at a close distance someone who has meant so much must modify one's impression deeply, and make it more concrete and less unidimensional. Nehru taught us all our good and bad habits. He taught us to be liberal and tolerant (of Muslims, especially). He inculcated in us a respect for democracy and a loathing for feudal behavior. He infected us with his idealism. But he also reinforced our prejudice against businessmen and profit. We never learned about the virtues of entrepreneurship and competition and we paid dearly for this blind spot.

On the day I started school in Simla, Kasturbhai Lalbhai, a Jain businessman 1,600 kilometers to the south, in Gujarat, founded the Indian chemical industry. Kasturbhai was a Marwari like G. D. Birla, but he belonged to the older and more illustrious family of Shantidas Zaveri, who had been jewelers to the Mughal emperors. The family had migrated from the sands of Rajasthan around the time that the Mughal Empire extended its rule over Gujarat.

Gujarat had been a trading hub since ancient times. For a thousand years Gujarati traders sold Indian cottons and silk to the Arabs in return for silver and gold. Until the fifteenth century Chinese junks used to stop here to trade. In the seventeenth century the English East India Company set up warehouses on the coast, and Gujaratis became bankers to the English in their three-way trade between Europe, India, and China. Many Gujarati traders also moved to East and South Africa and the Middle East. Gujaratis were rigorous savers, and their family members worked endless hours and lived abstemiously to ensure their success. But the success of the migrants also created resentment among the locals, as it did in the 1960s in Uganda. They were expelled and hurled westwards to Britain and America, where the Gujarati Diaspora began a new phase of capital accumulation.

In the sixteenth and seventeenth centuries, during the Mughal Age, Gujarat was one of the richest centers of trade and commerce in the world, serviced by the busy ports of Surat and Cambay. This also was the time when Kasturbhai's family prospered in trade and banking in Ahmedabad. An English document of 1627, the year of Emperor Jehangir's death, described the family as "the deceased king's jewellers." Shah Jehan, who had just finished building the Taj, conferred on them a robe of honor in 1656 and a grant of villages and havelis and gardens in Ahmedabad. East India Company documents refer to them as "Chief Banians" to the Mughal court. Because of their power and influence, they acquired the title Nagarsheth, "merchants of the city."

Soon after winning the throne, Aurangzeb, the last of the great Mughals, chose Shantidas Zaveri to bring the message of conciliation to the city population. The new emperor issued a *farman* granting Palitana, its hills and its temples, to the jeweler. Shantidas used his wealth to build the gigantic Chintamani Jain temple in marble, which the German traveler J. Albert de Mandelslo described in 1638 as “without dispute, one of the noblest structures [in the world].” Aurangzeb could not tolerate that the handsomest structure in Ahmedabad should be an infidel temple and he converted it into a Muslim mosque. However, the jeweler had sufficient advantage with the emperor to have the shrine restored. Jain records in the eighteenth century tell us that the Nagarsheth family traded in Delhi, Agra, Kota, and Bengal, and possessed shops as far away as Dacca, and that it sold a variety of textiles which were “light in weight and heavy in price.” For two hundred years they were the leading family in Ahmedabad, much admired by the populace for supporting Jain temples and charities.

The British rule brought the railway to Ahmedabad in 1864. With it came opportunities for the export of cotton from the Gujarat heartland to the mills of Manchester, especially after the American Civil War had cut off their supply of cotton. The British also brought modern education. The Nagarsheth family learned English and shifted from trade to industry. Between 1895 and 1905 they established two textile mills. But soon there was trouble in the family. The brothers fought and their assets were divided. Lalbhai, the head of one branch of the family, died of a heart attack in 1912. Kasturbhai, his second son, had to drop out of school at seventeen to look after their ailing Raipur mill. It was his only asset after the family division, and his family’s status had plunged in Ahmedabad society to its lowest level in two hundred years. For the rest of his life, Kasturbhai was driven to regain the glory of his family.

The teenager learned the textile business quickly. Soon came the First World War. Imports were cut off and domestic demand skyrocketed. Kasturbhai was ready. He used the opportunity to turn the sick mill around and made huge profits during the war. After this, he never looked back. He invested his war profits to set up four new textile mills, and by the mid-1930s he had seven mills and had become the largest producer of textiles in India, and among the largest in the world.

When competition went into a shell during the Great Depression, Kasturbhai upgraded and expanded his mills. “If the price of textiles is low,” he argued, “so is the price of textile machinery.” He acquired new machines at throwaway prices in the gloomy world market and he moved upwards to make finer and higher-value-added varieties of textiles. He also began to make starch. When the Second World War came, he was again ready to take advantage. With seven modernized mills under his control, Kasturbhai began to flood the domestic and export markets with a wide range of high-quality textiles. Again, war brought him huge profits. By now, he had restored his family’s place in Gujarat society. His philanthropy had also become legendary. Like G. D. Birla, he had become a major donor to the freedom movement and a national figure. Yet he continued to suffer from discontent.

With the coming of Independence, Kasturbhai, like many Indian businessmen, began to dream of glory. Having conquered the textile industry, he went in search of new businesses. He got the idea of making synthetic dyes and colors, which the textile industry needed in vast quantities. Until then dyes had been imported, mainly from Germany. Although India had once held the world’s monopoly in

indigo (until synthetic dyes were discovered in the twentieth century), a modern dyestuff industry was nonexistent in India, and it could become the nucleus, he thought, of a broad chemicals business.

Kasturbhai flew to New York, where he signed an agreement with American Cyanamid to design a plant and provide technical expertise for a new chemical plant. He registered the new company on 5 September 1947, the day I joined first grade in Simla. It was the beginning of a brand-new industry in India. He called it Atul, meaning “the incomparable.”

Soon a spanking new town came up around Kasturbhai’s plant in the wilds of Gujarat. Kasturbhai employed local illiterate villagers, whom he trained and built neat little homes for. In March 1952, when the new plant was ready, he invited Jawaharlal Nehru to open it. But Nehru refused. He had recently committed the nation to the socialist goal of central planning, and he was certainly not going to inaugurate a capitalist factory. He had persuaded the Congress Party to reject the narrow path of the capitalist West because capitalism increased inequality and cornered society’s savings. It hired mainly skilled middle-class workers, excluding the vast majority of peasants from the gains of development, and benefited only those who were already affluent. Only over a hopelessly long term might capitalist development trickle down to the masses, Nehru felt, and this was clearly unacceptable.

A few weeks later, however, Nehru relented, justifying to himself that his “third way,” or the Congress planning model, did not totally reject private enterprise—as long as it was under social control. Besides, Kasturbhai had been extremely persistent and had infected him with his enthusiasm. (That his own sister, Krishna, was married to Kasturbhai’s sister’s son, Gunottam Hutheesing, might also have had something to do with it.) One hundred ninety thousand people showed up at the opening and Nehru addressed them in his halting, sonorous voice: “Sheth Kasturbhai has set up a basic industrial unit, which will go a long way towards our industrial progress. The dyestuff and chemical industry has a special significance in our total economy. I view this project in a broader national context, the advantage it will bring to the nation, and not in terms of profits to an individual or a company set up by an individual.” Despite his best efforts, the socialist Nehru’s defensiveness in opening a private businessman’s factory was obvious to everyone that day.

Forty-four years later, in March 1996, I spent three days in Ahmedabad with Kasturbhai’s grandson, Sanjay Lalbhai. He had invited me on a consulting assignment, and I discovered that Kasturbhai never did realize his dream of creating a great chemical industry. Atul had done reasonably well, but not well enough to generate the surpluses needed to expand and build an industry. The government’s antibusiness, socialist policies—extortionate taxes, which rose to 97 percent, the lack of licenses for “monopoly houses” like Kasturbhai’s—were some of the main reasons for the failure. The family’s textile business had also declined along with the rest of the Indian textile industry. Only in the mid-1980s did the energy return, when Sanjay Lalbhai took over Arvind Mills and turned the business around. Sanjay found the answer in denim, and he went on to become the third-largest denim producer in the world. By then, he had the world’s lowest costs, and he had forged an alliance with a leading European textile company to penetrate markets in the West.

My parents read about Kasturbhai Lalbhai in the newspaper that day in 1952 when Nehru opened his chemical factory. The newspaper reports captured the expansive mood of Indian business, as well

as Nehru's defensiveness and discomfort. We were living in the wilds of Bhakra-Nangal at the time. I was ten years old and my father had been transferred there to design the powerhouses at Bhakra dam on the Sutlej River. His job was to harness the energy released from dropping an awesome body of water from a 200-meter-high concrete wall, stretched half a kilometer across a jagged Himalayan gorge. Over three years half a million cubic meters of concrete were raised from the ground to create the greatest "temple of new India." There were others—Hirakud Dam on the Mahanadi River, gleaming steel plants at Bokaro, Bhilai, and Durgapur, and dozens of other big, audacious factories built by Nehru's government to fulfill the nation's image of its future as an industrial giant. Big dams are in disrepute today, but fifty years ago Bhakra-Nangal captured the nation's imagination.

It was clear to me, even at that young age, that the great dam inspired feelings bordering on ecstasy among the men who were working on it. My father was no exception. Normally he did not talk about his work nor express undue emotion. Therefore, I was surprised to find him caught up in the fever of building the dam. He worked untiringly. Sometimes I would not see him for days together. He would leave early in the morning, before I got up, and return late, after I was asleep. Most of his colleagues did the same. They were transformed by the magnitude of the challenge.

"Earlier, we used to measure our achievement in terms of the pleasure we gave to our bosses," said my father one day to my mother. "Now I feel differently. Here at Bhakra, I measure my work in terms of the results that we produce and the pleasure that we get."

It was dusty work. He would come home covered in mud, and even his files were laden with dust. "Before, I used to be a slave to my files," he told my mother. "Here, in this huge project, where no one knows the answers, we take quick and clean decisions on the spot. We have never built a dam like this before, with ninety thousand people working on it. So we have to take chances and the morale is important." It was the idea of achievement—the new spirit of a rising nation—that generated the morale. Bhakra was a great dream, and it became a reality before our eyes.

I recall one especially difficult week. They were blasting tunnels in the rock to divert the water of the Sutlej and nine workers were caught in a landslide. My father and his colleagues tried everything they could but without success. When they had given up all hope of saving the men, a junior engineer came up with a desperate plan on Sunday evening. They worked all night and by the morning they had succeeded in rescuing the men. When my father returned home with his colleagues, he was weeping like a child. The others started crying as well. My father and his colleagues embraced the junior engineer in turn. All of them wept like children from happiness and excitement. I shall never forget that moment.

On a fine morning in 1954 I sat proudly beside my father, along with thousands of workers, and we listened with reverence to Nehru's words: "Probably nowhere else in the world is there a dam as high as this As I walked around the site I thought that these days the biggest temple and mosque and gurdwara is the place where man works for the good of mankind. Which place can be greater than this, this Bhakra-Nangal?" Nehru spoke at length about his vision of India. He talked glowingly about the new state-owned companies, calling them the "temples of modern India," an expression which drew applause from his audience. He wanted to build a just and casteless society with a socialist pattern where the inequalities of wealth would diminish. Since there were few resources in the

private sector, only the government could make these huge investments. At the same time, he explained, he wanted to preserve democratic freedoms; he did not want India to become a communist society like Russia and China. Thus he called his system a “mixed economy,” which would combine the best of socialism and capitalism.

Nehru was a handsome man, and we all fell in love with him. Everyone in my family was proud of him. All our neighbors admired him. My parents’ friends never tired of talking about him. The Indian middle class had bought his dream wholesale. And why not? It was a good dream. It captured the ideals of the modern age, founded on the equality of all human beings. Nehru was especially attractive to women and was also attracted by them. He was sensitive to their needs, and courageously he pushed through Parliament the Hindu Code bill, which liberated women and gave them an equal share in family property. It was not unfashionable in the 1950s for either the old or the young to admit to idealism. Unlike the tired, old, and devious nations of Europe whose “realism” and “balance of power” had brought on two world wars, we in India felt that we could build a nation on moral principles and on nonviolence. Had we not won our freedom based on Gandhi’s nonviolent principles? In contrast, the passage of the other two great nations, China and Russia, into modernity had been based on violent revolutions. We thus had permission to take the moral high ground. (In our minds, the violence that accompanied Partition did not seem to count.)

An odd thing happened that morning as Nehru was nearing the end of his speech. One of the engineers in the front row got up to go to the toilet. Nehru was distracted and he stopped in the middle of his sentence. He became annoyed, went off on a tangent, and began to rant about discipline and courtesy. The poor engineer was mortified. My father later told my mother that it was strange for a man so acutely conscious of his place in history to have been diverted by trivia.

Decades later, when I think back to that morning, I am filled with sadness. Nehru’s “mixed economy” turned out to be a gravely flawed image of our future. It was Nehru’s fault, partly, that we never learned to value the dreams of Kasturbhai Lalbhai and G. D. Birla. But how was an innocent, starry-eyed ten-year-old boy to know that Nehru’s intellectual blueprint of state-directed industrialization, based on publicly owned heavy industry and insulated from international competition, was fundamentally wrong? Nor could he have predicted that the state would so emasculate the textile industry with controls that it would be as good as destroyed. Had a hundred Kasturbhais been encouraged rather than discouraged we might have had a different India. When ordinary human beings err, it is sad, but when leaders do, it haunts us for generations.