

## Smells of the Bazaar

*The principle of competition is, as Hesiod pointed out long ago, built in the very roots of the world; there is something in the nature of things that calls for a real victory and real defeat.*

—IRVING BABBITT

Like many Indians, our family did not accord a high place to the making of money. Thus, I grew up with a low opinion of commerce and merchants. Partly it was the prejudice of caste. Belonging to the Arora subcaste, we regarded ourselves as Kshatriyas, superior to the trading castes. Aroras and Khatriis were the main Hindu castes of urban Punjab. Because of our administrative ability, we had been functionaries at princely courts. Despite our low opinion of commerce, we were not above moneylending. When the British came in the mid-nineteenth century to the Punjab, we were among the first to embrace the Western learning and the modern professions. Although Brahmins were superior to us in the caste hierarchy, they lost their social position because they were slow to learn English and confined themselves to Sanskrit learning and religious duties in the temple.

As a child, I remember that my grandmother used to admonish our grocer for manipulating his weighing scale. It was the same with our family jeweler, but with him she did it with more finesse. Later, my mother used to scold me for wasting my pocket money on “adulterated” ice cream. Each commercial transaction, it seems, was a challenge in our lives. It was always a case of *us*—educated, honest, taxpaying citizens—versus *them*—tax-dodging, street-smart traders.

The treachery of the English East India Company and Omichand, the banker of Calcutta, reinforced our ancient prejudice against merchants. The East India Company came to India at the end of the sixteenth century to plunder, but soon discovered that there was more money to be made in trade. With the decline of the Mughal Empire in the early eighteenth century, autonomous kingdoms had begun to replace the dying Mughal authority. One of these was Bengal, whose young nawab, Siraj-ud-Dowlah, came into conflict in 1757 with the ambitions of Robert Clive and the East India Company. By now the English had set up the trading post of Calcutta, and it attracted the most enterprising Indian merchants, especially Marwaris from Rajasthan (about whom more later). The most powerful among these was the banking house of Jagat Seth, who had played a part in installing the previous nawab.

Clive smelled an opportunity in this uncertain political climate where merchants could be kingmakers. The nawab had attacked Calcutta the previous year and Clive wanted to dethrone him and replace him with his pliable uncle by marriage, Mir Jafar, who was commander of the nawab’s forces and who had promised a fortune to the British in return for his elevation. The third member of the conspiracy was Omichand, a banker close to Jagat Seth and intermediary between the nawab and the company. While Clive plotted a surprise attack, Omichand was to gull and lull the nawab, and

Mir Jafar to ensure that the nawab's troops remained immobile. The battle took place on 23 June 1757 in Plassey, a village 145 kilometers north of Calcutta. Only twelve thousand of the nawab's fifty thousand troops engaged in the battle and those under Mir Jafar stood still on the field and offered no resistance. In the end, the nawab lost five thousand men, the British eighteen, and the nawab fled the field. The British had won their most decisive battle in India and changed its history. They had learned how to conquer India. Their share of the loot was £2.3 million (\$1 billion in today's dollars) and Clive's share £230,000 (\$140 million in today's dollars). More valuable to the British was the tide they acquired to a large chunk of land around Calcutta, which later expanded to the whole of Bengal and then the entire country.

Just before the battle, Omichand hinted to Clive that he wanted a bigger share of the loot. Otherwise, he would squeal. He wanted £300,000 (\$150 million in today's dollars) and he wanted it written into the secret treaty with Mir Jafar. Clive was livid and called him "the greatest villain upon the earth," but he agreed because he had no choice—the conspiracy would otherwise have collapsed. The historian Thomas Babington Macaulay says that Omichand "possessed great influence with his own race, and had in large measure the Hindoo talents, quick observation, tact, dexterity, perseverance, and the Hindoo vices, servility, greediness, and treachery." In the end, Clive was even more deceitful—he double-crossed the blackmailer. He drew up two treaties—the real one on white paper and a false one on red paper that he showed to Omichand. When the merchant came to the winner's get-together at Jagat Seth's house, he discovered the duplicity. The shrewd merchant never recovered and died after a few months. Clive went on to become Lord Clive and returned to England laden with jewels to a hero's welcome. "No Englishman who started with nothing has ever, in any line of life, created such a fortune at the early age of thirty-four," wrote Macaulay, but he also condemned Clive's deceit, for he had committed "not merely a crime but a blunder," because "nations must not be perceived to engage in duplicity."

Every Indian schoolchild knows the perfidious story of how Bengal was lost at Plassey. Is it surprising that we are suspicious of merchants and foreign companies? In contrast to these greedy and deceitful villains, we believed that saints—Gandhi and Nehru—had created our new nation in 1947. It seemed possible to believe then that India would be great because she was good.

The Indian defeat at Plassey in 1757 is similar in some respects to the Chinese defeat in the Opium War a hundred years later. They were both low-key English victories over ancient and proud civilizations. Both were mild, localized affairs, unimportant to contemporary observers. Yet both started a chain reaction of unpredictable events and opened the ancient lands to a long period of foreign subjugation, bloody conflict, and the entry of Western ideas and technology.

A small band of greedy English trader-adventurers showed to the world the impotence of two enfeebled civilizations, and how their immense wealth could be looted with ease. They proved that the natives were passive and divided, resigned to quick defeat. This humiliation of two great peoples, Indian and Chinese, left a suspiciousness of traders and foreigners and a scar of xenophobia. This explains, in part, India's antibusiness attitudes, the fear of a "foreign hand," and its absurd attachment to swadeshi, or "made in India." In China, it paved the way for a communist revolution and the persistence of an antiliberal, distrustful Chinese establishment.

We may have looked down on our banias, or merchants, but we loved money and the bazaar. The most famous bazaar in Punjab was Lahore's Anarkali, and to shop in it was the fondest wish of every Punjabi. People came from all over the northwest to taste its gaiety. All of Anarkali's women, people used to say, were beautiful, and all its men handsome. And if something could not be had in Anarkali, it was probably not worth having. For this and other reasons, they called it "a paradise on earth."

For my grandfather, a visit to Lahore was not complete without a few hours in Anarkali. One day in 1929, he remembered, there was even more excitement than usual. He was returning after briefing a barrister at the High Court, and he entered the bazaar from the Lahori Gate end. Passing by the splendid row of flower vendors on the left and the mountain of fruit overflowing in an amphitheater on the right, he stopped at the Kesari Aerated Water Company. He ordered, as he always did, a tall, refreshing glass of fresh lime juice. In his younger days he used to stop at Bhagwan Singh's for lassi, but now he found it too heavy for his liking.

Suddenly there was a buzz in the bazaar and a cry went out as a procession entered Lahori Gate. Windows sprang open, balconies filled up, and people began to shower flowers on the fine-looking Jawaharlal Nehru, who was leading the procession on a white horse. Nehru had become the new president of the Congress in the historic Lahore session of 1929. The procession stopped at Dhani Ram Bhalla's shoe store, where Nehru was greeted with a garland of currency notes—the Anarkali merchants' donation to the freedom movement. From above people yelled, "Jawaharlal Nehru zindabad, Hindustan ke be-taj badshah, zindabad!" ("Long Live Jawaharlal Nehru, India's uncrowned king!"). Even my grandfather, who had a distaste for street politics, was touched by the spontaneous affection that Anarkali showered upon its future ruler.

In the confusion, however, someone in the jostling crowd collided with my grandfather and he fell down. It was one of the processionists, who turned around and immediately gave my grandfather a helping hand. The stranger apologized profusely. With great courtesy, he offered to take him to a hospital. But my grandfather was not hurt. The stranger had an impressive face, recalled my grandfather. He was slim, dressed in a fresh dhoti and a well-pressed silk kurta and a black sleeveless Jawahar jacket. "He didn't know me, but I knew that it was Ghanshyamdas Birla, the Marwari magnate and Gandhi's confidant. Even though he was one of the richest men in India, he was courteous and he spoke very softly." Birla and Tata were the two largest business houses of India, and I recall that throughout my childhood, they conjured the same images that Rockefeller and Carnegie might have evoked to a young American of their day. It was commonplace to hear, "What do you think I am—a Birla or Tata?"

G. D. Birla invited my grandfather to join him for tea after the procession. My grandfather readily agreed, and the two drove to the comfortable home of another merchant. Amidst talk about Gandhi, Congress politics, and business, he listened with particular fascination to GD's account of his family. The Birlas, he learned, came from a little village called Pilani, buried deep in the sands of Rajasthan, 650 kilometers due south from where we lived. They belonged to the commercial Maheshwari subcaste. GD's grandfather, Shiv Narain, had spurned financial security and declined a comfortable position as accountant to the wealthy Marwari bankers, the Ghaneriwalas, in Hyderabad.

"Marwaris are uncomfortable working for others," said GD. But Pilani had only three thousand

people and there was little challenge for an ambitious person. Shiv Narain decided to go to Bombay. He rode a camel for 700 kilometers, taking twenty days to reach Ahmedabad. From there he caught a train to Bombay, where he stayed until he had amassed a fortune trading in opium, silver, and cotton.

Shiv Narain's arrival in Bombay in the early 1860s coincided with an event 12,000 kilometers away, on the other side of the globe, and it transformed his destiny. The American South was infamous for slavery, but it was famous for growing fine, long-staple cotton, which it supplied to the textile mills of Britain. The mills converted it to cloth and sold it around the world. Overnight, the American Civil War came and cut this supply chain. As the supply of raw cotton dried up, prices began to skyrocket. Traders in Bombay smelled an opportunity. The enterprising ones took off for the villages and convinced the farmers of western India to switch over to the particular long variety, suitable for the English mills. Soon the Indian farmers had converted, and with prices booming, a number of traders made huge fortunes in the 1860s supplying the cotton to Lancashire. Shiv Narain Birla was one of them. Some of these fortunes were reinvested in the first textile mills in Bombay and Ahmedabad in the 1870s and 1880s.

But Shiv Narain, after seven years in Bombay, returned to Pilani a rich man. There, surrounded by the sand dunes and shrub of the Aravalli hills, he built a grand haveli for his family, beside a magnificent banyan tree. He had the exterior walls painted in ocher, with riotous frescoes of parading elephants and camels and charging horses, similar in style to the Bengal Company paintings. In the inner and outer whitewashed courtyards, under elaborately decorated balconies and brackets, he had artists paint scenes of merchant activity, as well as of military action and local flora and fauna. Befitting their new stature, the Birlas also acquired a luxurious bullock-chariot.

GD was born in this house and left in the care of female relatives. The men in the family were continuously away in Bombay and Calcutta, making their separate fortunes and expanding the family's wealth. GD went to a local school where there were no books and classes were held in the open air. One day the teacher disappeared without warning, taking off, it was rumored, with a local widow, and the school closed down. At nine, he was sent off to school in Calcutta, and soon after that to Bombay to learn bookkeeping and business skills, and a private tutor was engaged to improve his English. At fourteen, he returned to Pilani to get married, and a year later he had a son.

Because of the plague in Bombay, the family shifted to Calcutta at the turn of the century. They began trading in jute and opium, initially under the aegis of the enormously influential Marwari "great firm" of Tarachand Ghanshyamdas. A few years later they set up their own firm, specializing in opium futures. Opium futures fluctuated widely because of the changing value of silver—the commodity with which China paid for its opium—as well as the Chinese government's futile attempts to ban the import of the narcotic. The instability of the opium market offered great potential for speculative coups and the Birlas made many successful ones.

At the age of sixteen, GD set himself up in Calcutta as an independent trader in jute, with his own company. Thus began his first contacts with Englishmen, who were his customers. During his association with them he began to see their superiority in business methods and their organizing capacity. But their racial arrogance bothered him. He was not allowed to use the lift to go up to their offices, nor their benches while waiting to see them. He smarted under these insults and it created

within him a political interest.

With the coming of the First World War, the demand for jute sacks soared and GD made a handsome fortune. So did the others in his family, and the Birla fortune quadrupled in the war years to \$4 million. After the war GD wanted to invest his wartime profits in a jute factory in Calcutta, making him the first Birla to enter industry. But it was not easy to break into the stronghold of a Scottish monopoly that had governed the jute industry since its beginning. Every time GD bought some land to start the mill, the Scots (Andrew Yule, in particular) would buy land all around it and deny him access to the road.

But GD was not deterred. He knew that his future lay in manufacturing. One night he quietly bought land further south, towards Budge-Budge, along a curve on the Hooghly River. Having got the land, he needed credit. The Imperial Bank, under the influence of the monopoly, refused him a loan for the machinery. Eventually it relented, but it charged him an extremely high rate of interest compared to what it charged British firms. Transport charges too, especially for river traffic, were raised steeply, in a further attempt to stop Indian intrusion into what had been a British preserve.

Next, the jute monopolists got to the machine makers in Britain and persuaded them to quote prohibitively high prices for the machines. As a result, GD's costs ballooned and his project became unviable. In despair, he almost gave up. He agreed to sell the factory to Andrew Yule, his largest competitor. When he walked into the Andrew Yule offices to conclude the deal, the Scottish manager chided him for having had the audacity to start a jute mill. Stung, GD instantly withdrew his offer. He resolved that come what may, he would break the jute monopoly.

And he succeeded beyond everyone's expectations. After that, he was not to be stopped. Two years later GD set up a spanking new textile mill in Gwalior (in partnership with the maharaja of Gwalior) which eventually became one of the largest composite textile mills in the country. The following year he turned the tables on Andrew Yule. The Scottish company had suffered in the postwar depression and it needed desperately to raise cash to pay its debts. GD stepped forward and he proudly bought Andrew Yule's cotton mill. In 1928 he took over a confectionery company. As soon as tariff protection was extended to sugar, the Birlas set up four sugar plants between 1931 and 1933. He also went into publishing, and in a modest way into soaps and chemicals. All his investments prospered, despite the depression, and in the mid-thirties, he started an insurance company and also a large papermaking company called Orient Paper.

The Second World War provided another major stimulus to growth and Birla assets grew sixfold during the war. When my grandfather announced to my mother that the British had decided to leave India, Birla assets had grown to more than \$100 million, and they were one of the top two industrial houses in India.

More significantly, GD became the largest supporter of the Congress freedom movement and a close friend of Mahatma Gandhi. They wrote to each other almost daily—their correspondence, running into four volumes, each of nearly five hundred pages, was published under the title *Bapu: A Unique Association*. GD's support to Gandhi's movement was so generous that it threatened to create a rift between his brothers. It also got him into trouble with the British. The viceroy, Lord Linlithgow, sent a "most secret and personal" letter to all provincial governors at the height of the Quit India

movement in November 1942 stating that “every possible step should be taken to trace and bring home to those concerned the part played by ‘Big Business’ in the recent disturbance ... [especially] by the Birla Brothers.”

It was as a Congress financier that G. D. Birla had come to Lahore when my grandfather chanced upon him. Their meeting left a deep impression on my grandfather. Until that day he had not given much thought to merchants. He had certainly never believed that merchants and commerce were the lifeblood of an economy. Nor was his caste prejudice against commerce as strong as that of Jawaharlal Nehru, who expressed his bias succinctly in his autobiography: “Right through history the old Indian ideal did not glorify political and military triumph, and it looked down upon money and the professional money-making class. Today [the older culture] is fighting against a new and all-powerful opposition from the bania [Vaishya] civilization of the capitalist West.”

In Nehru’s case this prejudice was reinforced by his education at Harrow and Cambridge, where he acquired the English upper-class bias against trade and learned socialism from the Fabians. When he came to power in 1947, Nehru institutionalized the prejudice. Lord Wavell, viceroy in the forties, shared the bias against Marwaris. Nevertheless, he recognized G. D. Birla’s uniqueness and he paid him a huge compliment by preferring him to J. R. D. Tata as Queen Mary’s companion for lunch in Bombay, even though Tata was the young head of the largest and most respected business family in India. Wavell wrote:

*I think Queen Mary would find G. D. Birla better company than J.R.D. Tata if she wishes to invite one of them to lunch. Tata is a pleasant enough fellow to meet, but I have not found him communicative, and as a casual acquaintance he is much the same as any other wealthy young man who has had a conventional type of education. Birla has plenty to say, and whatever one may think of Marwari businessmen and their ways, he is well worth talking to. I think Queen Mary would have a very dull lunch with Tata and quite an interesting one with Birla.*

Mahatma Gandhi, a bania himself, had no qualms about accepting money from Birla or other businessmen. Nor was he contemptuous of commerce like Nehru. He came from Gujarat, which had many ports and vigorous commerce, and where the merchant was held in esteem. Gandhi believed that a businessman’s wealth was not his own but held in trust for the rest of society. Although he did not persuade anyone of his naïve faith in trusteeship, he did succeed in transforming the freedom movement from an upper-caste debating society into a genuine, broad-based people’s movement, challenging our middle-class conception of independence as “English rule without Englishmen.” His discovery of the masses had far-reaching influence on the orientation of the intelligentsia.

But Gandhi could not change our suspicion of traders and commerce. The Japanese, on the other hand, who suspect foreigners even more than we do, did succeed in getting over their mistrust of businessmen.

The Japanese responded to the Western challenge in a vastly different way. After their humiliation by Commodore Matthew Perry in 1854, they recognized that their ancient civilization was like a paper-thin shoji door, too flimsy to defend them against the superior technology of the West. Instead of tiresomely proclaiming their own superior past, they humbly went to school during the Meiji period, in the second half of the nineteenth century. They vigorously began to acquire Western learning, skills, and ways. They were not ashamed to throw out what did not work and adopt what

did. They took to Western dress, laws, methods, and technology. Unlike the ambivalent Indians and Chinese, they became so good at copying that they eventually beat the West at its own game.

The Europeans had brought to India, China, and Japan a virile new culture based on science, modern organization, and the ideas of the Enlightenment. The Japanese responded quickly and with purpose. The Meiji state sponsored a full-scale reform of the economy and society, and the people responded with discipline and teamwork. They were so successful that by 1905 they had defeated the Russians. The Chinese embarked on a more fitful and tragic path, first under the Kuomintang and then the communists, and tens of millions lost their lives in three huge convulsions between 1949 and 1974. But after Deng's economic reforms in 1979 China has blazed ahead at a blistering pace and now aspires to world-power status. In India, it took three generations of freedom fighters, liberals, reformers, and anticolonialists to create national consciousness and pride.

After Independence, democracy took root in India and gradually the masses acquired a stake in the system, periodically electing representatives even from the lowest castes. But the rulers shackled the energies of the people by adopting a socialist economic path that led us to a dead end. Indians won their economic independence only after 1991. Thus, India embraced democracy before capitalism. This makes its journey to modernity unique, and this singular reversal explains a great deal about Indian society. Among the big three in Asia, Japan won first prize in the economic race, China seems to have taken second place, and India came in last. The Japanese are probably three to four generations ahead of India. The Chinese, who were at a comparable level of development in the mid-1970s, are now a generation ahead. Why did India fail? It has little to do with our colonial past. Neither is it a problem of national character. Nor is it the fault of our "soft democracy." The chief reason for nonperformance is our wrong "mixed economy" model, which allowed our obstructive bureaucracy to kill our industrial revolution at birth.