

Evolution of Indian Business

India is attempting economic development via a mixed economy, that is, much public enterprise, but with a private sector as well. The Indian "mix" envisages the subordination of private enterprise to the requirements of an over-all plan and the eventual nationalization of key industrial sectors.

Two important realities condition this choice of a mixed economy as the instrument for development. The reservation of certain sectors to private enterprise reflects the existence of a small group of important Indian industrialists and businessmen who have made a start toward industrializing India. The socialist flavor of Congress is derived not only from the general twentieth century skepticism concerning the power of the "invisible hand" to synchronize individual self-interest with the public good but from certain specific circumstances as well. Intellectual leadership in the civil services, the professions, the universities, the All India National Congress and in the trade union movement has come largely from the intelligentsia who have had little contact with Indian business and who naturally conceive their role in India's economic development as government functionaries and well-paid experts, rather than as business enterprisers. Their property ties tend to be with land ownership.¹

1. A recent writer for The Hindu Weekly Review asks why there is such a storm of protest over proposals affecting property rights in land

The mixed economy is thus a compromise. As T. V. Krishnamachari, Minister of Commerce and Industry, pointed out:

. . . .In any attempt to become self-reliant, an underdeveloped country contemplates a type of industrial picture as if it has to write on a clean slate as presumably they did in Soviet Russia and to some extent they now do in China.

But that position does not now obtain in India. A great deal of development has taken place in the private sphere though there are very large gaps to be filled.¹

Transition to Modern Industry

The existence of Indian business is usually taken for granted and attention focused on its shortcomings. Actually, the fact that some Indian businessmen have been able to make the transition from traditional business activities of trade, banking, and moneylending to large-scale industrial operations is an amazing phenomenon since in India alone, of all Southeast Asia, have the local inhabitants dominated local trade and commerce, taken an increasing part in foreign trade, and controlled much of modern business enterprise--factories, plantations, mines, and banks organized in the joint stock limited liability companies. This transition is a big step in any culture, but particularly in one like India's, where, superimposed on the traditional hierarchy and social rigidity of Indian society, was the added hierarchy of the British ruling "caste."

but scarcely a murmur over proposals vitally affecting business property and answers his question as follows:

The bulk of the Congressmen are drawn from the agricultural classes and they are not bothered about what was happening to the rich industrial and business community. But attempts to fix a ceiling on land holdings and the distribution of excess land with little compensation are bound to produce a controversy not only amongst the agricultural population but also as between the rural and urban populations. . . .

New Delhi Correspondent, "Amendments to the Constitution" Jan. 3, 1955, p.2
1. Hindu Weekly, Dec. 13, 1954, p.10.

Most of India's modern industrialists have been recruited from trading and banking communities which go far back into Indian history. There is no caste injunction against other groups engaging in trade, and indeed some have, but these are exceptions to the general rule. The chief trading communities amongst the Hindus or Jains (Jainism being an offshoot of Hinduism and not really very distinct) have been the Gujaratis and Marwaris, Sindhis, Multanis, and Chettiars, and the many subdivisions thereof. The Hindu trading communities belong to the vaishya caste, definitely one of the higher castes but ranking below Brahmans and Kshatriyas. (i.e., princes who controlled the land) in the original hierarchy of Vedic times. The leading non-Hindu business communities have been the British, the Parsis (followers of the Zoroastrian faith who migrated from Persia some 1200 years ago), the Jews, and certain Moslem groups--former Hindu trading castes converted to Mohammedanism. The Parsis, Gujaratis, and Marwaris have so far been the most important groups in the development of modern industry, that is among the Indians. (For more detailed information on Indian business communities see

D. R. Gadgil, "Notes on the Rise of Business Communities in India"

Preliminary Memorandum, I.P.R., New York, 1951 and H. B. Lamb, "Development of Modern Business Communities in India," in Labor, Management and Economic Growth in Proceedings of a Conference on Human Resources and Labor Relations in Underdeveloped Countries, Ithaca, New York, 1954.)

It may sound like a tautology to say that in India it is the traders who engage in trade, banking and industry, but given the caste orientation of society, which interposes between the total society and the individual,

or rather family, an intermediary group with strong loyalties, the gulf between traders and nontraders is socially and economically wider and more formalized than it is in the West, where all functional groups tend to worship the same gods and aspire to similar goals. And though the trading communities among themselves tend to have the same economic value scales, as compared, say, with other elements in Indian society, even they do not form a homogeneous functional or economic class, but are themselves divided into quite distinct separate communities based on religion, geographic origin, a common ancestor, and other beliefs and customs. Indians have a strong sense of loyalty to their fellow castemen. Through the community frequently come job opportunities, education and special training. Though the actual structure of business is family oriented to a large degree--even where so-called public¹ companies are launched, control of these companies resides in the family managing agency firm through a management contract--community affiliation appears to be very important in providing banking and social links, a cultural milieu and educational level which may explain why several families of a given community emerge simultaneously into the stream of modern industry, into which other families belonging to other communities have long since been launched.

Bombay 1850

Due to a favorable combination of circumstances--political, social, and economic--Bombay became the home of indigenous modern enterprise in

1. A public company is one which sells shares to the public in contradistinction to a private limited liability company which cannot sell shares to the public.

India. Besides a good, moist climate suitable to the cotton textile industry (and textiles tend to be the first modern industry in countries that borrow their technology from abroad), Bombay had a magnificent natural harbor, early developed extensive port facilities, and became an important entrepot. Under the protection of British law and order traders from far and near flocked there from the early seventeenth century on, the earliest groups being the Gujaratis and the Parsis from nearby Gujarat who became the leading local trading communities. British traders also came, but Bombay was blessed by the fact that the British were not so interested in Bombay as in Calcutta. There were few British houses there in the early nineteenth century and these were not as large as their Calcutta counterparts. The possibilities of extracting wealth from the Bombay hinterland were not so abundant as they were in the rich Gangetic plain and Assam hill country which channeled goods for export into Calcutta.

Cotton and opium exports to the Orient which did originate in Western India were handled by local traders right up to and including the export trade. The fact that much of the hinterland of Bombay, where these products originated, remained princely territory may have helped Indian traders to play the predominant role in this trade and later to enter modern industry. Many Gujarati and Parsi business families in Bombay had family and business ties with the Gujarati states, in some of which important Gujarati business families held the position of hereditary prime minister, as was the case with the family of Sir Lalubhai Samaldas, father of the present Indian ambassador to the United States and a leading

promoter and sponsor of industrial ventures in cement and shipping in Western India. Gujaratis had for centuries been bankers, navigators, shipbuilders, and export traders; the Frasis appear to have entered these fields chiefly after the British arrival. After the British conquest it was apparently easier for Indians to engage in the export trade with Africa and the Orient than to break through the British monopoly of trade (at first de jure, vested in the East India Company, and later de facto) between India and Great Britain. It was the leading Parsi export firms dealing in cotton and cotton yarn which went into cotton textile manufacturing in Bombay in the 1850's, just as, at about the same time, British and Scotch jute dealers went into jute manufacture in Calcutta. With the American Civil War the price of cotton soared, cotton exports were deflected temporarily to Europe, huge fortunes were made in Bombay, and cotton dealers like the Parsi Petit family converted their speculative profits into building more and more cotton textile mills.

Even before Indians built textile mills (and, indeed, this may explain why they were able to do so) Indian business in Bombay had acquired considerable liquid wealth and some status vis a vis the British. During the early nineteenth century British trading firms in Bombay solicited the support and cooperation of leading Indian merchants in their efforts to bring pressure on the authorities to help promote Bombay, British traders being convinced that the British Government of India, located in Calcutta, furthered Calcutta's economic development at the expense of Bombay in such matters as roads, tariffs, port development, and later railroads.¹

1. Years later, an observer writing for a British financial journal in Calcutta on the development of Indian business leadership in Bombay

The Parsis have played a key role in Indian economic development, their spectacular social and economic rise being associated with British rule. The British used them as both economic and political brokers with the Hindu population; the Parsis were quick to seize their new opportunities and profit by them. They began as little businessmen, dealers in everything from bottles to gunpowder, camp followers of the British military establishments. By the early nineteenth century the more successful Parsis had become big dealers, financing plantation crops for export, owning fleets of ships used in their export trade and enjoying important concessions from the British commissary. When the British set up the Bombay Chamber of Commerce in 1836 they made it a joint venture with Parsis comprising over a third of the charter members. It was customary for British firms to have Parsi guarantee brokers and commission agents. The Parsis were quick to learn English, to pick up Western education, and even many Western manners and customs--intoxicating liquor, cricket, and even dress. Wealthy Parsi women were the first to come out of the seclusion of women in Bombay society. On occasion the Parsis dined with the British. Besides the strong incentive in a tiny minority group of only one hundred thousand people to attach themselves to the ruling power was the added fact that it was easier for the Parsis to detach themselves from the cultural tradition of India since they were not really an organic part of that culture. This relationship of more or less

considered that part of the secret of Bombay's success was the greater harmony there between British and Indian business, who "looked upon business as a business, not as a racial controversy." "Evesdropper," "Bombay Businessmen," Indian Finance, May 26, 1934, p. 1300.

equality between the British and the Parsis must have helped the Parsis pioneer the cotton textile industry since, for Indian traders to set up Western textile mills, they had originally to hire British engineers and managers to run the plants. For subject peoples to hire their masters, the subject peoples needed both prestige and economic power.

In the years following 1860 many business communities set up textile plants in Bombay--the Gujarati, the British, Moslem and Jewish groups, and later South Indians and Marwaris. Textile production spread to other parts of India, some of it under the direction and control of Bombay textile magnates and British interests, but most of it organized and run by local people as was the case in India's second largest textile city, Ahmedabad in Gujarat.

Once the textile industry was firmly established, the next great hurdle for Indian business was to move on, out of textiles into other lines of business activity, a transition which it has been hard for most Gujarati and Parsi textile men to make. Two important families, the Tatas, a Parsi family, and the Walchand Hirachands, a Gujarati family, have made outstanding industrial contributions in the nontextile field. J. N. Tata born in 1839 and Walchand Hirachand born in 1882 had many advantages. Both families had been city bankers and wholesale traders, the Tatas in Bombay engaged in export trade with China in the 1850's, the Walchand family in Shalapur, southeast of Bombay, where they had long had an extensive network of trade relations with small traders in cloth in the interior of India. In addition to wealth both families wanted their sons to learn English and to receive a liberal arts education.

Both attended Elphinstone College in Bombay. Both men were extremely enterprising and nontraditional in their outlook.

The amazing range of interest and endeavor of J. N. Tata became a legend. He experimented with many schemes, some successful, some unsuccessful; his interests in development ranged from agriculture (he tried to promote the production of a long staple cotton in India) to scientific institutes and heavy industry. The Tata family pioneered the steel industry in India, built important hydroelectric installations which brought much needed power to Bombay, and in addition to textiles, run locomotive and engineering companies, chemical companies, own oil mills, and so on. It is significant that the Tata firm which has had interests far wider than mere money making has ended up controlling the largest single aggregation of Rupee capital in India.¹ It must have been of great assistance to the development of the Tata enterprises to have the Bombay Stock Exchange developing at the same time and under the leadership of another famous Parsi, Sir S. B. Bharucha, enthusiastically dubbed "prince of brokers and broker of princes" since he was trustee to the large estate of the Maharaja of Gwalior and channeled much of this wealth into Tata firms. A famous Parsi barrister, Sir P. S. M. Mehta, renowned for his leadership in winning for Bombay the most liberal charter in local self-government possessed by any city in India, was also helpful since he sponsored and became chairman of the Central Bank of India, the great Tata Bank.

1. Appendix III, "Interlocking of Interests and Concentration of Control Through Common Managing Agents and Managing Directors" in Business Organisation, Administration, and Management in India Today, by S. P. Acharya, D. B. Taraporepala Sons and Co., Bombay, 1948(?).

Walchand Hirachand, after some difficulty, persuaded his family to allow him to depart from the safe and respectable business of financing wholesale trade in piece goods and to enter the uncertain and less honorific business of financing construction projects. He developed a successful construction business, but saw an opportunity for even wider activities through joining the Tata Construction Company in 1920, which had larger financial resources. This firm eventually became a Walchand company. The Walchand family has concentrated on construction, engineering, light metals, machine tools, sugar mills and plantations, and shipping. In launching the ambitious Scindia Steam Navigation Company in 1920, old Bombay Gujarati textile families like the Morarjees and the Khataus also took part, as well as Sir Lalubhai Samaldas and a distinguished Parsi textile man, Sir Dinshaw Wacha,

Rise of the Marwaris and Indian Business Today

The most dynamic business community in India today is the Marwari community. Their story brings us to Calcutta. A striking feature of Indian business in the Bengal and Calcutta area is the fact that, due to a wide variety of circumstances, there was a break in continuity with whatever old trading and banking groups there were in the area disappearing early in the British occupation and new elements emerging only recently. The Marwaris, the moneylending and trading caste originating in remote Rajesthan, were the new group destined to play the leading role in Indian enterprise in Calcutta. They converged on Calcutta during the nineteenth century, having built themselves solidly into the economic life

of many up-country towns and villages supplying grain, tea, jute and rice and oil seeds to the Calcutta markets. Gradually they supplanted whatever Bengali traders were in the field and became a key element in the jute picture as jute brokers, who collected jute from rural areas and brought it to Calcutta, but they remained until after World War I very layered in the Calcutta economic hierarchy. They had to face a formidable combination of the greatest single concentration of British political and economic power in India with all the joint stock banking and all the industry, that is large-scale modern industry, in British hands and with British economic interests well organized into powerful trade associations. And, in addition, they had the handicap of being regarded as foreigners by the Bengalis; spoke a different language, had little education and came from an area that had had slight contacts with the West. In contrast, the Bengali intelligentsia castes had been among the first to learn English, acquire a Western education and join the civil service. Furthermore, many of these Marwari businessmen came quite rapidly up from the ranks of petty trade and moneylending, and like many self-made men, tended to concentrate exclusively on the affairs of business. The Calcutta Marwaris were unaffected by the wave of political agitation that swept over Bengal at the time of the threatened partition in 1905, this agitation being led by Bengali intellectuals. Hence, in the eyes of these Bengalis, Marwari businessmen were not patriotic.

After World War I there was a sudden breakthrough. Leading Marwari families began building jute mills. By this time they had come to own

a dominant share in the stocks of the British managed jute industry and were appointed to directorships in these firms. The Birla family, of whom G. D. (born 1894) is perhaps the most influential Marwari businessman in India today, launched the Birla jute mill in 1919. This trading and banking family came from a village in feudal Rajasthan where there were no roads, no schools, no newspapers, and only a handful could read and write. After acquiring some arithmetic and a smattering of English, Birla commenced working in the family business at the age of twelve.

He speaks with bitterness in his book, "In the Shadow of the Mahatma," of the time when as a broker in Calcutta he could not use the lift to go up to British business offices, but had to walk, and when he arrived in the office could not sit down. Today Birla Brothers controls concerns in many lines of trade, banking, industry and agriculture located in many places. The Birlas have pioneered textile machinery production, bicycles, and the auto industry. Now they can sit down with Muffields and work out mutually satisfactory arrangements for producing cars in India. Other Marwari families in Bombay, Delhi, Kanpur, and especially Calcutta, have also extended their business interests into modern industry in the years since 1920. Perhaps the most colorful figure is S. R. Dalmia, "a man who believes that work is worship,"¹ who started from nothing, has made and lost several fortunes, and now controls a wide variety of financial, industrial and commercial enterprises, including many newspapers. Very active in the speculation accompanying World War II, the Marwaris have bought up companies previously run by other groups and whole managing agencies, as well as built their own plants. Today a good many textile mills, mines and plantations,

1. Found in advertisements of the Dalmia-Jain enterprises.

sugar and paper mills, and engineering works, as well as jute mills, are in Marwari hands. These new economic empires, small by Western standards, but looming large on the Indian scene, are built around a handful of families and are frequently interlocked by marriages within these families. Today eight Marwari business families hold five hundred and sixty-five directorships in Indian industry, banking and insurance.¹

At the other extreme is the once overwhelmingly dominant British business community which has not been expanding its interests perceptibly in the last thirty years, and, furthermore, has been increasingly inter-penetrated by Indian capital and Indian capitalists. Several leading British managing agencies have become public companies, thus enabling Indians to buy up control of the real entrepreneurial unit which runs industrial companies.²

This amazing breakthrough of the Marwaris from traditional business activities to a dominant position in modern industry demonstrates that

1. "Combination Movement in Indian Industry", M. M. Mahta, Friends Book Depot, Allahabad, India (1952), page 29.

2. According to one estimate, made for public rupee companies registered in Bombay and listed on the exchanges, the proportion of assets of companies controlled by British managing agencies fell from 30.8 per cent paid up capital (43 per cent of gross assets) in 1912 to 8.9 per cent of paid up capital (3.6 per cent of gross assets) in 1948. (The British along with Gujarati and Parsi businessmen jointly control the managing agency, (or the big cement combine.) Andrew Brimmer, "Some Aspects of the Rise and Behavior of Business Communities in Bombay," unpublished paper, Center for International Studies, M.I.T., Cambridge, Mass., 1953, Table I.

it can be done however difficult it may be to undertake such new roles as dealing with a labor force, hiring a professional staff, delegating authority, and acquiring capital from the public. Those who do make the transition frequently retain much of the psychology of traditional Indian business men - great secrecy in business, sole reliance on relatives or fellow castemen in positions of trust, emphasis on a quick return, rather than larger profits over the long pull. The problem is further aggravated by the fact that while control of Indian industry resides largely in the family managing agency form which possesses wealth made in trade and speculation, the ownership of Indian industry has been more and more diffused, with the increase in the number of "public" corporations. The managing agency contract spells out the company's obligations to the managing agency firm with scant reference to the managing agency's obligations to the company. While in theory the managing agency nurtures the company as a parent its child, there have been cases where the company treasury is used to nurture the managing agency - to repair the agency's losses in trade and speculation or to bail out another company run by the same agency. There is today considerable agitation for terminating managing agency contracts.

Indian business today operates at vastly different levels and eludes any simple stereotype. There is a handful of top flight industrialists who think of themselves and, and act as, leaders in relation to business and even the nation. India's most efficient business men have rationalized their management practices and industrial processes, publish adequate records, and keep plant up to date by the plowing back of profits.

Describing India's top business leaders, a prominent socialist writes in somewhat grudging praise:

The oligarchy is a closed-preserve. The son succeeds the sire. It is generally so in every country but in India it is particularly so. Sons and relations--community men at the farthest--reach 'the height of Simla'. Fresh blood finds it as difficult to enter the Oligarchy as the proverbial camel the eye of a needle.

These oligarchs, able, honest, hardworking and public-spirited though they be, primarily act, after the laws and logic of capitalism--in their own interests. Of course they will argue à la Adam Smith, that in serving their private interests, through some divine alchemy, they also further public weal. Shall we accept the furtherance of the public weal merely as a bye-product?¹

Below them are the second string industrialists, many of whom are just beginning to plow some of their profits from stock and bullion market speculation into industrial ventures. These usually lack the prestige and background of wealth necessary to enable them to escape from the Indian business stereotype, though they may in the course of time, since they have after all taken the first step. Way below them in psychological, social, cultural and economic distance are the innumerable traders and money lenders who furnish Indian agriculture and handicraft production, sectors of the Indian economy which comprised over 57.5 per cent of the national income in 1948-49.

This pyramid like structure of business enterprise confronts an objective situation in which the tasks are great. The industrial sector of the Indian economy is small relative to the total; it produced 6.6 per cent of the national income in 1948-49. It is overweighted toward

1. Asoka Mehta, "Who Owns India?", Chetana Prakashan Ltd., Hyderabad, 1950, page 24. It is interesting that in the days before independence, Mehta, the socialist, opposed Government ownership of industry, while Sir Lalubhai, the industrial leader, advocated it.

textiles, cotton and jute--and is weak in heavy industry and producers' goods. It is geographically concentrated since most of it is located in Bombay and Bengal provinces, leaving other large areas with little or no modern industrial enterprise. The control of this industry is concentrated in the hands of certain important families in a small number of business communities.

There are, however, signs of new trading groups buying or building industrial companies. With the exception of the Karamchand Thapar family, the business men who belong to communities other than the big three control a smaller number of companies. It is quite frequent for a managing agency to run just one "public" company. Perhaps this is but the nucleus of a new commercial and industrial empire in the making, but it may also be a new pattern of more diffused control. The evolution of commercial capitalism into industrial capitalism is a painfully slow process, but it is definitely going on in India today, whether or not at a sufficiently rapid pace to satisfy the demand of India's intellectuals for jobs and to win the race against population increases.

Altered Status

The fact that some members of the money lending and trading communities have gone into modern industry has tended both to increase their economic power and alter their status. If an Indian intellectual wants to derogate a given Indian business man, he describes him as more of a trader and speculator than industrialist.

The economic role of India's leading industrial pioneers has been closely related to national aims. Though there is still some opposition

to industrialization, witness Vinobi Bhave's land gift movement which is dedicated to the building of a decentralized agrarian utopia. The current toward industrialization is a strong one which goes way back into the 19th century, when a leading criticism of India's British rulers was that they, to quote the late Justice M. G. Ranade,

regarded India as a plantation of England, growing raw produce to be shipped by British agents in British ships, to be worked into fabrics by British skill and capital, and to be re-exported to India by British merchants to British firms here. 1

Government Commissions, from the Famine Commission of 1880 on, have echoed the danger of an ever greater percentage of the population backing up in agriculture. The Congress persistently criticized British hostility, indifference, and ineffectiveness with respect to measures needed to stimulate industrial development. Efforts to perform this function of encouragement were attempted by private organizations in which other groups participated, along with certain business men. There was the Swadeshi movement for the production and consumption of home manufactured articles in the early 20th century, the series of industrial conferences at that time, and more recently the All India Manufacturers' Association, formed by the distinguished South Indian Brahman engineer, Sir M. Visvesvaraya. In 1944 on the eve of India's independence, prominent business leaders proposed the so-called Bombay plan containing ambitious targets for the rapid industrialization of India through the combined efforts of business

1. Quoted by Walchand Hirachand in "Shri Walchand Hirachand, a Short Biographical Sketch," published by the Walchand Diamond Jubilee Celebration Committee, Bombay, 1942, page 254.

and government.

The hard lines between business and non-business communities have become somewhat less hard. Other groups, especially in South India, have entered business; members of the Naidu Community of Coimbatore, with an agricultural background, i.e. land owners of good cotton growing land, entered the cotton trade, then cotton ginning, and thence pioneered the textile industry in the Coimbatore area. To some extent the business communities have had to hire managers and experts who belong to other communities, at least at a certain stage. Thus, at one time most cotton textile engineers and plant managers were Parsis; and in Madras Brahmans, with their greater education and knowledge of English have held important posts in the banking and business world.

With their emergence from trading and traditional banking into modern industry they have taken up advanced education and entered the professions. Modern business needs lawyers, engineers, accountants, and technologists. And members of the leading business communities have entered all these professions, first the Parsis, then Gujaratis and, more recently Marwaris and others. As members of business communities enter the professions, the business community becomes less functionally distinct and pure--in the stereotype sense. In fact, a cultural and economic gulf tends to emerge within the community between those who have entered modern industry in India's leading cities and those who have stayed behind in Rajasthan, as well as between the different generations, the older generation possessing little, if any, education beyond a training in quickly calculating interest rates and profit margins,

confronting a younger generation which has attended college and professional schools, and in some instances even gone abroad for advanced education.¹

In the case of India's largest corporations there is increased association of people from different backgrounds on the board of directors. Either to attract funds from all groups or to register the importance of the stock ownership of different groups or individuals, public companies have directors who come from different business communities and from non-business groups, with a liberal sprinkling of Sirs and Rajahs, either for prestige purposes or because of their sizable investments in the firm. So the necessity of mobilizing capital beyond the family or community has led to increased contacts between different groups. Echoing this same tendency for industry to be less community oriented than trade is the fact that industrial associations are usually organized on the basis of function, irrespective of community, while chambers of commerce are frequently limited to traders of a given business community.

Charity, the most honorific use of wealth, has also become less community focussed. As an Indian business leader enters the national stage, i.e. becomes a "big" business man, some of his charity is made available to the nation: hospitals for all, schools of commerce and

1. Millman, Harry Abram, The Marwari: A Study of a Group of the Trading Castes of India, M.A. in Anthropology, University of California, 1954.

and scholarships open to all, and research institutions to serve the nation. Here also the Tatas have been pre-eminent.

Some business communities or their members have played a role in the independence movement. Dadabhai Naoroji, a distinguished Parsi, is called "the father of his country" because he dramatized India's plight¹ before the British Parliament (he being the first Indian elected to that body) and helped to organize and direct the All India National Congress (1885). Later, when Congress came out unequivocally for outright independence, the role of business became that of financial support and pressure group (the Gujarati business community, as a community, has been closest to Gandhi, a fellow casteman). From the 1920's on Indian business pushed many specific economic reforms--calculated both to help Indian business, and to help achieve Indian independence. For, as Sir Lalubhai Samaldas pointed out at a public meeting in Bombay in 1929:

The political domination and the economic domination of a country went hand in hand and unless India was economically free we could not dream of being politically free. If India were to remain permanently under the domination of British capitalists as a price for the development of her industries, it were better that she did not develop her industries at all. 'Let us first of all nationalize our industries,' concluded Sir Lalubhai, 'and let us earn more and spend less. Then and then only we can be economically free. And with the dawn of the economic freedom, political freedom was bound to follow.' 2

1. Dadabhai Naoroji, Poverty and Un-British Rule in India

2. The account of this meeting was given in The Modern Review, Oct., 1929, page 465. Sir Lalubhai was at that time director of several Indian and British corporations.

These reforms included tariffs to stimulate Indian industry, a reserve bank to give the Indian banking system greater stability and coordination--Indian business wanted this to be run by the government and not by British private enterprise--currency adjustments to stimulate Indian industrial development (Indian business felt the Rupee over valued vis à vis the Pound), the setting up of an Indian merchant marine and shipping policies to break the monopoly power of the European shipping pool, railroad administration by the state, rather than by private British companies and so on. On some of these issues they won and on the rest they at least gave expression to Indian interests vis à vis the British, as witness the famous dissents of Sir Pursho Tandas Thakurdas, chief spokesman of the Gujarati business community and Indian representative on many Government commissions. (Sir P. belonged to an old banking and trading firm engaged in the cotton business, organized the Indian Merchants' Chamber in Bombay in 1907, and today directs some 50 corporations, British and Indian.) To give added weight and power to their position, Indian business organized the Federation of Indian Chambers of Commerce and Industry in Delhi in 1926 so that Indian business might speak with a stronger voice in the face of the far better organized British business elements in India. The Federation has been lead by the leaders of India's leading business communities, with a sprinkling of business men from other groups, and has attempted to unite Indian business.

Indian business, while it did not actually go to jail for the independence cause, did non-cooperate on occasion following Gandhi's

lead as in the Round Table Conferences in the thirties, and actually resigned from high posts in the Government as a protest against the British sending Congress leaders to jail in the early 40's. G.D. Birla, who was very close to Gandhi, went on repeated missions to England to work for a peaceful resolution of the Indian-British conflict. One gets the impression from Mr. Birla's book¹ that in the political spectrum of pre-independence days, Indian business leaders, who constituted along with Gandhi "progressive Indian opinions," provided a bridge between a radical Congress and a reactionary British Parliament. Indian business thus became a kind of balance wheel and fulcrum as well as a source of funds and a pressure group with sufficient economic power to wring immediate concessions from the British.

But with independence Indian business is no longer part of a United Front against British rule. And with the growth in economic power of Indian business it is increasingly viewed by many intellectuals as the new "vested interest." Today G. D. Birla in his public speeches to Indian business men is trying to educate them to a realization and acceptance of the new economic and political realities so different from the days of British rule.

Let us analyse our position before independence. We were the main spokesmen on economics on this country. In the first place, we understood the question better than the politicians and economists.

1. G.D. Birla, In the Shadow of the Mahatma, a Personal Memoir, Orient Tongman's, Bombay, Calcutta, Madras, 1953, pages 52-75.

Secondly, there were only two interests in those days, the British interests and the Indian interests. We always talked of the Indian interests and the people rallied round the slogans that we uttered.¹

He goes on to describe the present situation:

I fear we have not yet realized fully that there are some other people also who are talking of economics. They also talk in terms of Indian interests without knowing that we are speaking the same language with a different approach and different intention.²

Telling Indian business that high income taxes are here to stay, he said:

After all, a man does not become virtuous, a man's name and fame is not built up only through wealth. There are so many other methods, and one of the methods is to create something, to do something which will serve the country.³

Actually, the new situation, with a Government now responsible to Indian needs and pressures, has great potentialities for the development of Indian business. To be sure, the mixed economy raises problems as to the division of functions and spheres of operation between the Government and business, problems which have not yet been ironed out, as a process of vacillation and accommodation has been going on during these first momentous years following the transfer of power.

1. Hindustan Times, March 8, 1954.

2. Ibid.

3. Ibid., March 7, 1954

These years provide no real test either of the industrialist's ability to expand industrial capacity, or of the Government's ability to stimulate rapid industrial development. Due to the combined impact of inflation, resulting from war, and shortages of both food and raw materials, such as cotton and jute, caused by partition, the chief emphasis of India's first Five Year Plan was naturally to stop the inflationary spiral and to expand food and raw material production. These goals meant a modest Government expenditure program, with chief emphasis on agriculture and allied fields. Since these goals have now been achieved, there is a good prospect that the second Five year Plan will explore the possibilities for Government speed-up of the industrialization process, via a many sided program which will include Government run plants in some instances, Government encouragement, fiscal and otherwise, of private and cooperative enterprise in other cases, and Government use of a dynamic fiscal policy to sustain and build over-all demand. If recent speeches reiterating the socialist goal of Congress in the ultimate future are any indication, this new phase of experimentation and evolution will be worked out in a somewhat bewildering atmosphere of socialist slogans, if not socialist acts and the outcome is not clear, either as to how rapidly industrial development will take place or what modification of social, economic and political relationships will obtain.

Perhaps more disturbing for Indian business than the talk of eventual socialism are the immediate restrictions placed on business which aim to freeze the employment status quo and the emphasis on

creating jobs in unproductive lines of employment, which cannot compete with the machine unless hedged in by special safeguards. According to Nehru, India should introduce higher techniques "only when they will add to employment and not displace people."¹ It is obvious that only in the context of a really expanding economy can this question of rationalization of industry--which Indian industry needs--be in any way satisfactorily resolved.

1. Hindustan Times Weekly, March 7, 1954.