

Chapter 7

MR. NEHRU'S TRAGEDY, DEMOCRACY'S FIRST BETRAYAL

In May 1936, Rabindranath Tagore congratulated Jawaharlal Nehru on his recently published autobiography. In a beautifully handwritten letter to Nehru, Tagore said that “a deep current of humanity” runs through the book and it “leads us to the person who is greater than his deeds and truer than his surroundings.”¹

Herein lay Nehru's tragedy. Nehru was a humane nationalist who believed in the norms of equality, tolerance, and shared progress. For him, the practice of those norms meant more democracy, secularism, and socialism, properly understood as equality of opportunity. But Nehru was a man who was greater than his deeds, as Tagore so gently put it. Gandhi was more direct: Jawahar is a thinker, Sardar (Patel) a doer. Nehru's practice set India on to a path that kept drifting away from his ideals.

As an uncontested leader after Patel's death, Nehru followed a misguided top-down economic strategy that reflected his distaste for the difficult ground-level work of economic development. The Nehruvian strategy, although wrapped in an unrelenting rhetoric of socialism, served neither the material interests of the nation nor the cause of social justice. Worse, even after the strategy patently failed in 1956, Nehru stuck to it—because he could. And as corruption took root in public and private life, he loftily dismissed concerns about its spread and ill

effects as overblown. The real problem, he said, was the tendency to complain too much about corruption, which, he argued, merely “creates an atmosphere of corruption. People feel they live in a climate of corruption and they get corrupted themselves.” Under Nehru, social norms and public accountability eroded, weakening the institutions of democracy he so cherished. His legacy was anemic material progress, denial of social justice, and a widening arc of moral degeneration.²

Democracy's Betrayal of India's People

On his way to Delhi in October 1955, Milton Friedman stopped in Tokyo. He was impressed by Tokyo's cleanliness and the beauty of objects in the stores. Nevertheless, the city's postwar poverty “depressed” him. “We really have no idea,” he wrote to his wife Rose, how people can be so poor and “still live.”³

In 1963, Friedman visited Japan on his way back from India. He wrote in his memoirs that “the change after eight years was dramatic. . . . No doubt, there was still much poverty, but the pervasive image of Japan was of growth and relative prosperity.” In contrast, Friedman was “impressed with how little improvement there had been” in India since his 1955 visit.⁴

In fairness, Japan—having made huge strides since the Meiji Restoration of 1868—was in the exclusive club of “industrialized” nations as early as the 1920s. After World War II, the Japanese picked up the war's debris and embarked on a reconstruction boom, as in Western Europe, well equipped with human and physical capital. India also made progress after independence. The misguided heavy industry thrust broadened the country's industrial base. Per capita income increased over the Nehru era at about 1.5 percent a year, a big improvement over the near-stagnation of the colonial years.⁵

But India's stepped-up progress was disappointingly slow. The poor saw little or no benefit from the increase in the “average” income. The gulf between India's rich and poor was always much wider than in Western countries, and progress in the Nehru years barely touched large parts of the country, particularly those in the rural areas. Good urban jobs remained scarce. Through the seventeen-year Nehru era, 60 percent or

more of the Indian population remained in severe poverty.⁶ For this large fraction of Indians, the country made virtually no progress.

In November 1963, six months before he died, Nehru belatedly acknowledged that India had “drifted away from the goal of socialism.” The culprit for the drift, he said, was the growth of monopoly power, which he described as “the enemy of socialism.” Gunnar Myrdal elaborated on this theme, noting that the gains since independence had benefited mainly the “industrialists, big merchants, and other privileged classes,” while price inflation had eroded the incomes of the poor. The limited available data indicated that India’s “great inequality” had grown wider. Also, unlike in developed nations where most children could expect a better standard of living than their parents, “immobility and stagnation” characterized life in India. Rising inequality, high rates of poverty, and few opportunities for upward mobility were inherent in the “big-push” heavy industrialization strategy, as was concurrently true for Brazil. Under the top-heavy big-push industrialization, there was very little, if any, “trickle-down” development.⁷

India’s poverty remained so intense because large numbers of Indians continued to work in low-productivity agriculture. The share of workers employed by agriculture remained at 70 percent between independence and 1965 because the new industries created limited job opportunities. The scarcity of good jobs reinforced caste divisions because caste groups clung on to hereditary occupations. In post-Meiji Japan between 1880 and 1920, the share of workers in agriculture fell from 80 to 50 percent. As people moved to industrial and service jobs in Japanese cities, the overlap between castes and occupations diminished.

Distracted by heavy industrialization, India missed the first (and possibly the most important) window for exporting labor-intensive products. Postwar reconstruction and pent-up consumption demand had pushed world trade growth to unprecedentedly high rates. Japan grabbed that trade opportunity and, in 1957, Taiwan began following in Japan’s footsteps. South Korea also made “spectacular” progress, starting in the early 1960s. South Korean authorities devalued their currency, the won, in 1961 and again in 1964 under pressure from the Americans who threatened to deny financial assistance. Devaluation was only one part of the story, however.

As the World Bank pointedly said in a mid-1960s report, Korea could be “justly proud of its manpower, well-trained and well-educated.” Korea’s exports of cotton textiles, clothes, and footwear were increasing quickly. Exports of electrical products, such as small motors, transformers, and radios were poised to rise “rapidly.” Korean exporters, already outcompeting Japanese producers in labor-intensive exports, were on track to diversify sales from their primary market in the United States to other industrialized economies.⁸

Because of the emphasis on heavy industrialization, India’s major exports in 1964, as in 1949, were predominantly jute textiles, tea, and cotton yarn and textiles. Exports of some light engineering products had increased, but they were very small in quantity and value.⁹

The result: underemployment of the rural population barely changed and urban unemployment “probably increased,” according to the World Bank. Official Indian documents reported the rise in underemployment and unemployment in blunt words. The draft outline of the Fourth Plan, intended to span the years 1966 to 1971, impatiently said of the previous three plans (1951–1965), “Successive plans on development are unable to find gainful employment for the net addition to the labor force and continue to add to the backlog of unemployed persons.”¹⁰ Employment surveys show that the employment backlog increased from between 20 and 25 million in 1955 to between 30 and 35 million in 1965.

The employment backlog was set to increase. By the early 1960s, India’s population growth rate had quickened to 2.2 percent a year because improvements in sanitation and treatment of infectious diseases had lowered mortality rates. More children were surviving into adulthood, and the number of young adults looking for jobs was increasing faster than the total population. Because fertility rates were still high, the flood of young adults into the job market was certain to continue.¹¹

The stress on livelihoods was relentless. In a poll conducted by the Indian Institute of Public Opinion in 1956, over 20 percent of respondents said that unemployment was their most acute worry. Even those who were employed expressed deep concern about making ends meet. Indeed, over half the respondents said that rising food prices were their chief source of anxiety.¹²

Food shortages and food price inflation triggered violent protests, euphemistically called “food movements.” In August 1959, when crop failure and insufficient supplies from the public distribution system caused food prices to rise sharply in Bengal, between 100,000 and 300,000 demonstrators, including students, teachers, industrial workers, peasants, and impoverished refugees from Pakistani East Bengal, descended onto the streets of Calcutta. The city turned into “a scene of destruction.” Police brutally fired into the throng, triggering a cycle of “violence and counter-violence” that lasted nearly a month.¹³

As journalist and civil rights activist Sumanta Banerjee described it, “Riotous destruction sprang from impotent rage and despair in the face of grinding poverty and humiliation.” The overpowering sense of scarcity caused tempers to flare, and not just when food prices spiked. In 1953, Calcutta commuters had rioted when tram authorities raised fares. They attacked symbols of political authority, including police stations. In 1956, railroad strikers beat a locomotive driver unconscious and sent the locomotive on full throttle speeding into the railway station at Kharagpur, near Calcutta. In 1961, Myron Weiner, the MIT political scientist, wrote of the violent outbreaks, “Rational efforts to persuade government officials rarely succeed.”¹⁴

In Bombay, the same sense of scarcity was hatching a new political force. In August 1960, cartoonist Bal Thackeray, then thirty-four years old, launched a weekly magazine called *Marmik* (the title denotes that which grapples with the essence). Thackeray’s cartoons and satirical political commentary stoked rage against daily indignities. He used “the power of the caricature” to ignite the “anger arising out of distress and disappointment.”¹⁵

At the macroeconomic level, in 1964 as in 1949, India was on the brink of international bankruptcy. The balance of payments deficit had increased since 1956. Imports, particularly of food and machinery, had grown sharply. Exports had barely risen. For years, there had been a crying need for rupee devaluation, but the government relied on official lenders (IMF, the World Bank, and industrialized countries) to finance its external deficits. The time to repay some of that debt was looming, and the prospects did not look good. In June 1963, lacking the \$100 million

owed to the IMF, Indian authorities needed a new loan to help repay the old one.¹⁶

Then, in November 1963, a sniper's bullet killed U.S. President John F. Kennedy as he waved to crowds from an open convertible in Dallas. Kennedy had reliably delivered aid to India without asking for anything in return. With his death, "free" foreign money (financial assistance without conditions) could not possibly continue.

Democracy's Betrayal: The Hold of Entrenched Power Structures

Despite regular elections, voters' voices didn't count for much. The traditional "power structures" maintained their hold on key policy decisions. Large landlords fought land reform legislation and implementation. In the industrial sector, the import controls and industrial licensing system—intended to curtail the bleeding of foreign exchange—became tools in the hands of big businesses to prevent the entry of competitors. Senior civil servants, working with influential politicians, allotted themselves coveted housing and gave themselves plum perks such as official cars and ultra-scarce telephones. The underprivileged protested but could not unify in demanding a better future.¹⁷

Corruption in public life, a quintessential privilege of the powerful, became a tool for the intimidation and harassment of those outside the power structures. In August 1962, Lal Bahadur Shastri, home minister under Jawaharlal Nehru, informed Parliament that between early 1957 and June 1962 the government had punished over twenty thousand officials on charges of corruption. The penalties were evidently not proving a sufficient deterrent. Shastri announced a committee under K. Santhanam, a Member of Parliament, to inquire into the nature and extent of corruption and to suggest more effective ways to fight the scourge.

The Santhanam Committee highlighted the well-known corruption stemming from the allocation of import and industrial licenses. But, as the committee emphasized, public corruption was pervasive. For "contracts of construction, purchases and sales," the Santhanam Committee Report noted, a "custom of percentages is prevalent and this is shared in agreed proportions amongst the concerned officials." This custom was most entrenched in the award of contracts by the Public Works Department,

where the executive engineer charged between 7 and 11 percent of the cost of the contract, a sum he typically shared with junior engineers and, increasingly, with his bosses. In railway operations, bribes were common in the allocation of wagons and the booking of parcels, especially of perishables. Alarming, the report said it had reliably learned of corruption in the lower ranks of the judiciary and had heard similar accusations about the higher judiciary. Ministers, especially those who had long held office, had “enriched themselves illegitimately.”¹⁸

In April 1963, the committee submitted its preliminary report. The news media greeted the report—and especially its recommendations—with a mix of outrage and despair. The *Economic Weekly* commented on the absurdity of the proposal for a “vigilance commission,” a body of bureaucrats to discipline other bureaucrats. The *Times of India* wondered if it was too late to root out the “evil” of corruption, which had infiltrated “almost every level of the administration” and, indeed, “almost every sphere of the nation’s life.”¹⁹

Others were less pessimistic. To them, corruption was a largely benign cost of doing business. Bribes were “speed money” that induced bureaucrats to fast-track projects for those willing and able to pay for the service. Myrdal vehemently—and rightly—rejected this whitewash of corruption as “palpably wrong.” The lure of corrupt money caused bureaucrats to invent new roadblocks to maximize their own earnings. Possible new roadblocks made the regulatory environment more arbitrary, causing firms to shy away from long-term investments that might require repeated permissions and certifications. A culture of immorality and unethical behavior dug deeper roots in public and private conduct.²⁰

Democracy’s Betrayal: The Dangers of a Charismatic Leader

Democracy also betrayed Indians citizens because Nehru’s policies had little connection with the rights and aspirations of the majority of Indians. Nehru could pursue his policies because he faced no opposition, either from within the Congress Party and the government or from any other party. He won elections because people idolized him, often believing in his socialist rhetoric.

In June 1959, the newly formed Swatantra Party, led by C. Rajagopalachari, appeared as a prospective electoral challenger to Nehru. "Rajaji," as he was popularly known, was an unusually short man who wore thick dark glasses. Because he enjoyed wide respect for his contributions to India's independence, Nehru had selected Rajaji as governor general in June 1948, following Lord Mountbatten. Rajaji continued as governor general until January 1950, when India became a republic. He was then home minister in Nehru's cabinet from Sardar Patel's death in December 1950 until October 1951.

A scholar of ancient Hindu scriptures (generations of Indians have read his short translations of the *Bhagavad Gita* and the timeless myths *Ramayana* and *Mahabharata*), Rajaji was as secular in his public and policy outlook as Nehru, the self-professed agnostic. Rajaji's secularism came from the Hindu scriptures, which emphasize a common divinity in every human being. The imperative "we are all created equal" lies at the heart of Hinduism. Hence, although a practicing Hindu, he rejected the Hindu nationalism of the Jana Sangh as much as Nehru did.

Rajaji and Nehru differed fiercely on economic policy. For Rajaji, sensible socialism was based on "as much competition as possible, and as much planning as necessary." He favored German social democracy. Postwar German governments, led by conservative politicians, achieved great material progress while advancing social justice through the generous provision of education and health.²¹

Rajaji and his colleagues were resolutely critical of Nehru's infeasible five-year plans, which led to persistent foreign exchange shortages and, hence, to controls on the private sector. In March 1961, in the run-up to the 1962 election, Rajaji coined the memorable phrase "permit and license raj" for the multiple permits and licenses required by India's corrupt system of bureaucratic controls. He insisted that removing these cancerous regulations—put in place since 1957 to conserve foreign exchange—required abandoning unrealistic planning goals and devaluing the rupee to eliminate the foreign exchange shortage.²²

While Rajaji was sympathetic to Nehru's non-alignment foreign policy, he believed that Nehru was naïve in trying to build a special relationship

with China, especially after Chinese leaders responded belligerently to the Dalai Lama's asylum in India in March 1959.²³

Faced with a challenger who had name recognition and intellectual heft, Nehru reacted badly. In an interview with *Blitz* editor R. K. Karanjia, Nehru described the Swatantra Party as "a complete throwback to the past." Using uncharacteristically harsh words, he said that the Swatantra Party could give rise to "a fascist state."²⁴ He needn't have worried. Rajaji's challenge proved too feeble. Connections with big-money interests tainted his Swatantra Party. Nehru's charisma held and he won big in the February 1962 election just as he had in 1952 and 1957.

That was Nehru's last hurrah. On October 20, 1962, Chinese troops crossed their western border with India into Ladakh (now designated administratively as a union territory, but then a part of the Indian state of Jammu and Kashmir). Chinese troops also entered India across the eastern border, the British-drawn McMahon Line separating Tibetan territory from the northeastern region of India. Overwhelmed by Chinese force, Nehru pleaded for American help in two "midnight" letters to President Kennedy on November 19. "The situation is really desperate," Nehru wrote. He asked for twelve squadrons of supersonic fighters manned by U.S. Air Force personnel. In Nehru's proposal, American pilots would assist the Indian Air Force in countering Chinese attacks on Indian cities and communication lines. The astonished American authorities read Nehru's letter knowing they could not make the commitment he sought. The matter, however, quickly became moot. Just before midnight on November 20, the Chinese declared a ceasefire. On the western front, they kept their territorial gains in the inhospitable terrain of Aksai Chin, which they claimed as theirs, and they withdrew to a border they defined as the "Line of Actual Control." In the east, they pulled back to the McMahon Line, although areas of dispute persisted along that fuzzily defined border.²⁵

The Chinese military debacle caused a setback to Nehru's health—one from which he never recovered. In reflecting on his economic legacy, it is clear that the heavy industrialization strategy cost Indians gainful employment. But Nehru's most enduring lapse was pushing education down the list of priorities. He remained satisfied that Indian school enrollment

rates were increasing. But with other countries moving ahead rapidly to educate their children, especially their girls, India was simultaneously failing the aspirations of its people and, in the international arena, was failing the Red Queen competitiveness test.

While India's mass education lagged appallingly, poorly functioning colleges grew to serve those desperately seeking certificates for elusive jobs. Such colleges became magnets for politicians and their friends, who used them as personal fiefdoms. In its report on Indian corruption, the Santhanam Committee felt compelled to report with "great regret" the many "malpractices" in the "admission of students, recruitment of lecturers and professors and the general management of university funds."²⁶

Nehru's mind and heart were in the scientific and technical institutes, the temples that relied on learned priests and required the prime minister to mainly inaugurate the institutes and deliver visionary lectures at scientific conferences. Nehru remained "in the clouds," as the *Times of India* unsparingly noted. Science became Nehru's excuse for distancing himself from political and social activism; it freed him of politically difficult redistribution conflicts and the administratively cumbersome apparatus of a modern welfare state.²⁷

Urban development fell into the same trap as education. Like education, urban development requires multiple government and community initiatives. Initial goals and standards set by the central government create the necessary momentum for change. Yet, urban development played virtually no role in the national planning process. Without a solid base of education and cities to foster good urban jobs and humane living, India began giving up on the possibility of equitable growth.

Yet Nehru's "socialist" rhetoric became embedded in the popular imagination. In the 1961 film *Jis desh mein ganga behti hai* (The land through which the Ganga flows), Raj Kapoor reappears as Raju, a child-like villager who has strayed into a company of dacoits. The daughter of the sardar, the head dacoit, has her eye on Raju. She explains that her father took from the rich and gave the loot to the poor. "Are you folks socialists?" a wide-eyed Raju asks. "I too will work with you to make the world more equal," he offers. The film's director, Radhu Karmakar—Kapoor was the producer—later said that he did not intend any irony or

sarcasm and claimed that he was just representing how Indians conceived of socialism.²⁸

Nehru was a charismatic leader who, with his personal charm and socialist rhetoric, captured the popular imagination. He was the type of leader who, as political scientist Robert Dahl warned in 1961, could disregard contrary evidence and voices even when his policies ill served the people.²⁹

Fractured Politics and Governance

Some observers remained optimistic that Indian democracy had taken root under Nehru and would eventually deliver material fruits. The Harvard political scientist Samuel Huntington believed that India's democracy had two crucial strengths: a dominant, highly organized Congress Party and a world-class bureaucracy imbued with the traditions of the legendary Indian Civil Service that served the country under British rule.³⁰

The Indian political scientist Rajni Kothari made the further argument that the Congress Party served as a giant coalition, accommodating within it (and ensuring compromises among) multiple factions representing the country's diversity. The party's structure and processes, he said, tamed the factions by channeling their energy to orderly "built-in opposition within the party." This "Congress system," as Kothari called it, imparted political stability and resilience to Indian democracy.³¹ For both Huntington and Kothari, India's stable and resilient democracy, anchored by the Congress Party, would eventually spur egalitarian growth.

Nehru spun the same story in his typically soaring language. "The Congress," he said, "has been a mighty cementing force in India, building up the real unity of India, which is something more than mere political unity. It is a unity of the heart and the mind."³² However, far from forging unity of "heart and mind," Congress Party factions were groups of opportunistic politicians who remained within the party because joining a weak opposition meant political wilderness. Within the Congress Party, they could grab the spoils of office, which were becoming ever more plentiful as India expanded its anti-poverty and development spending. The party's leaders and members amassed fortunes by bestowing jobs

(in relief works, education, and other services), lucrative contracts (for village wells, roads, and other infrastructure), and discounted loans.³³

This fragmentation and corruption of the Congress Party was inevitable. As early as 1951, *Time* magazine bluntly described Congress Party leaders as “timeserving officeholders,” many of whom were “black-marketeers.” Nehru did little to counter the grabbing tendencies within the party; he merely held the system together as the country’s main power broker who selected the Congress Party’s electoral candidates and leaders.³⁴

Eventually, even Nehru lost his grip. In the spring of 1963, the Congress Party suffered embarrassing losses in three high-profile by-elections to the Lok Sabha. All three victors—Acharya Kripalani, Minoo Masani, and Ram Manohar Lohia—were bitter political foes of Nehru and had lost to Congress Party candidates in the general elections a year earlier. Now, as the Congress Party’s garb of invincibility became tattered, rebellion brewed within the party. Members called for an assessment of the shortcomings of the party’s organization. In August, the *Times of India* wrote a scathing indictment, saying that the Congress Party leadership had “reduced itself to a laughing stock.” Party leaders were “a group of frightened politicians” who shrank back from addressing the country’s daunting problems.³⁵

The risk of a fragmented political landscape loomed. Even though the Congress Party had won an overwhelming number of seats repeatedly, these victories had depended on the Westminster “winner-take-all” (first-past-the-post) electoral system where a candidate wins a constituency if he or she receives the most votes rather than more than half the votes. Since independence, the Congress Party at the national and state levels had received just over 40 percent of the vote but nearly three-quarters of the seats in the Lok Sabha and two-thirds of the seats in state legislatures. If the non-Congress parties gained slightly greater electoral strength, they would win a lot more seats. In that case, either by themselves or in coalitions, they would begin to form governments. The Congress Party ticket would become less valuable and the factions could choose to go their own way. India was on the threshold of divisive and combative politics.³⁶

The thesis of excellence in Indian bureaucracy—and its ability to maintain stability and resilience—was even easier to dismiss. The Indian

Civil Service and its successor, the Indian Administrative Service, were indeed elite bureaucracies. But after independence, the vastly expanded bureaucracy included large numbers with limited education, working under weak mechanisms of accountability. As the World Bank wrote, “The competence of higher civil servants stands comparison with that of any country in the world” but “there is too much lethargy, indifference and a lack of urgency among the lower ranks of officials who come into daily contact with the public.” Corruption was the most devastating testimony to the bureaucracy’s degeneration.³⁷

The Ideals Crumble

In January 1964, Congress Party leaders and members assembled in Bhubaneswar, capital of the eastern state of Orissa, to “give unequivocal allegiance to the creed of socialism.” Nehru suffered a stroke, which partially paralyzed him on the left side. His ailing body lingered on, but his ideals kept crumbling. Just days after Nehru’s stroke, Hindu-Muslim riots broke out in Calcutta, killing 150 people and injuring hundreds. In March, Hindus and Muslims rioted in Rourkela, a town that was home to a steel mill and its workers. The town and the mill were symbols of Nehru’s “temples of new India,” where he hoped people would worship at the altar of knowledge. But, as if emboldened by a weakened Nehru, Hindu nationalists chose instead to worship at the altar of division and hate. Nearly contemporaneously with Rourkela, riots also broke out in Jamshedpur, another steel town. The riots were the work of the Rashtriya Swayamsevak Sangh, the militant arm of the Hindu nationalist movement, which fueled Hindu anger and violence against Muslims in retaliation against alleged mistreatment of Bengali Hindus fleeing from Pakistani East Bengal.³⁸

On the morning of May 27, Nehru’s aorta burst. His doctor hurriedly gave him a blood transfusion. But he never regained consciousness. Nehru died later that afternoon. He was seventy-four years old. Veteran leader Rajaji, a comrade from his freedom-fighting days and head of the Swatantra Party that Nehru had once described as possibly fascist, paid the departed prime minister a generous tribute: “A beloved friend has gone, the most civilized among us all.”³⁹

The civil and idealistic Nehru had left behind the unfulfilled aspirations of a nation fearful of its future. The economic failures had grave implications for Indian democracy. Brazil's heavy industrialization and vast inequalities had just pushed it back into dictatorial rule. How long could India be different? Upon Nehru's death, obituaries in the *Financial Times* and the *Economist* foresaw quick disintegration of the Congress Party. The *New York Times* went a step further. It predicted, as the U.S. State Department had earlier done, that "India will surely be tempted by experiments in authoritarianism."⁴⁰