Wise Wealth

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juggernaut

JUGGERNAUT BOOKS
C-I-128, First Floor, Sangam Vihar, Near Holi Chowk,
New Delhi 110080, India

First published by Juggernaut Books 2022

10 9 8 7 6 5 4 3 2 1

P-ISBN: 9789391165734
E-ISBN: 9789391165819

Typeset in Adobe Caslon Pro by R. Ajith Kumar, Noida

Printed at Thomson Press India Ltd

My mother Leela and father Krishnan, without whom I wouldn't have reached anywhere.

My aunt Jayamani and uncle Ramachandran, who shaped my life by giving unstinted support at every stage.

Sreepriya, Shraddha, Mythili, Siddharth and Shreyas, who have always been my pillars of strength.

My uncle, the late Mr Krishnan of Shankar Shipping, who inspired me to start my own venture and think big in every aspect of my life.

My siblings, Sowmya and Rajnarayanan, and their families, who make my life complete.

Contents

Section VI: The Path Ahead

Foreword

Rajmohan Krishnan's book *Wise Wealth*, woven with many interviews of rich and thoughtful people, is a good addition to the lean literature we have on the responsibility of wealth in modern times. We live in an era where money begets money, the wealthy get wealthier, and others fall behind while their desires and expectations continue to rise. How long can this go on? We have always believed that nations and societies will not allow runaway accumulation of wealth in a few private hands for too long. Private wealth creation must prove itself to be at least as useful to society at large as taxes collected by the government.

In 2017, when we signed the Giving Pledge, we wrote that our inspiration was the Bhagavad Gita: '*Karmanye va dhikaraste ma phaleshu kadachana, ma karma phalaheturbhurma te sangostvakarmani*.' One translation of this shloka is that we have a right to do our duty, but we have no automatic right to the fruits of our actions.

We say this because it is important for us to remember that while one of us (Nandan) became an accidental entrepreneur, the other (Rohini) became an accidental philanthropist. We found ourselves in a privileged position of being trustees of wealth that could be used to give forward and not kept narrowly for ourselves and our families.

It took us a while to get used to this kind of wealth and to realise that it could be an opportunity to achieve the goals that we had always dreamt of. We always wanted to live in a society that looked out for its weakest members. Used effectively, we realised that wealth could be one vector to make that happen.

While we began by donating to charity because it was the right thing to do, we also wanted to do more to make a difference. As we have learned, the many and urgent crises that engulf us demand that we give more, give faster and give in a transformative manner. The giving must transform the giver as much as it is transforming the recipients. Indeed, givers must be open to this – that your giving can, will and must change you.

As we navigate this uncertain and volatile future, we need to stay curious, connected and committed as citizens. That is how lives become meaningful, not through wealth alone. Our wealth is due to accidents of fate, but our fate remains intertwined with the rest of humanity. When we truly understand how interconnected we all are, our wealth can be seen as creative opportunities to participate in creating a good *samaaj* – a good society which is at work to enhance prosperity and harmony for all.

The last few years have been tough for philanthropy and the social sector. Many organisations have had to cut back their budgets because of the economic impact of the pandemic. This is the time, for those of us who can, to be more ambitious. We must double down on our philanthropy. We must collaborate more and learn from each other to build broad societal missions that address complex social issues. But as we try to become smarter and more strategic, we must also embrace the values of kindness and, most importantly, humility.

Wise Wealth addresses all these issues and more. It attempts to be a lighthouse for those who are fortunate enough to have come into riches and are on a journey to make meaning from their wealth.

Rohini and Nandan Nilekani

VOLUME 1: BEING

Preface

A mild sun bathes my face as I peer into the swirling eddies of the Sabarmati river. Behind me, the Mahatma's ashram stands still in time. If it were not for the concrete structures, selfie-takers and honking, it might still be 1930 out here. I am in Ahmedabad to meet Sanjay Lalbhai, the seventeenth wisely wealthy person I will interview. And I am only midway in this journey of meeting gentle giants like him.

I could get used to this . . . meeting people who seemingly have it all and yet crave more. No, not more money. Not more fame either. These fine humans feel they have more than enough of both. They crave more meaning and impact. Is that a corollary of having climbed so high? They are so high up now that all of us see them. But how many of *us* can *they* see? And how far into the future can they see from up there? As I meet members of this rare tribe of people – people I call wisely wealthy – I am discovering that they are making great efforts to see more of us and farther into the future.

This book is about their collective, ever-evolving vision.

The wisely wealthy can see that many fellow human beings are being left behind and the future promises to be bleaker. However, they remain eternal optimists. It is the most endearing trait of capitalists in general and the wisely wealth in particular – they believe in their ability to make things richer, faster, greater . . . better. They are doing whatever they can to better the lives of others. They are expanding their outreach in gradually larger concentric circles using their wealth, intellect and influence. And no, they are not doing this because they think more of themselves and less of us. They are doing this because they realise that no matter how high they rise or how much meaning and impact they create, they are us and we are them. Like a colony of ants, we are in it together. And the queen of the colony is the soul of the collective.

This might sound rather socialistic. As a person who has made a living helping successful capitalists manage their wealth, I partially agree. Only partially. Because in our keenness to demarcate capitalistic ideas from socialistic ones, we have forgotten that both sets of ideas were designed to help us lead purposeful and harmonious lives. Unfortunately, the politics of these ideologies have forced us into rigid stances against one ideology or the other. But when we embrace the humanness behind these ideologies, the demarcation dissolves.

The people I met to write this book did not define themselves as capitalists, philanthropic capitalists or humane capitalists. They might define themselves as humans who, incidentally, climbed to their summits using capitalism. The majority of them acknowledge the crisis facing capitalism. They clearly understand why many of us down here distrust capitalism and capitalists. Even more so because corporates continue to destroy natural ecosystems in their mindless pursuit of the bottom line. In contrast, the wisely wealthy built their wealth using more egalitarian means and deserve to demonstrate that a binary viewpoint – being for something and against something else – is not productive. And by amalgamating the assertiveness of capitalism with the logical need for compassion, they are asking us to rethink our positions.

Writing this book has been a privilege.

It began with the privilege of serving clients who saw wealth as a tool to solve pressing human problems. I saw that many of my clients shared certain characteristics. During an elaborate branding exercise, my company – Entrust – noticed that my clients had some remarkably similar characteristics:

- **Clean**: My clients had accumulated their wealth using legal and ethical means. And they were willing to make their wealth portfolio transparent to the government, investment advisors and loved ones. There was nothing to hide here. Therefore, we could manage the wealth with ease.
- **Quiet and simple**: Even my billionaire clients dressed like presentable salaried personnel. They lived without pretence and frills. Important milestones of their lives – like the marriages of their children – were marked with a quiet dignity. They did not feel the need to demonstrate the might of their bank accounts to anybody.
- **Patient**: My clients did not look at the next quarter. They had their eye on the next decade and century. Instead of getting perturbed by fickle market cycles, they wanted to know if wealth could grow stably across generations. Fumbling greed gave way to sure-footed, cautious optimism. In other words, my clients demanded *realistic* and *sustainable* growth.
- **A means to an end**: Zeroes in the bank balance meant nothing to my clients if these produced zero human impact in the real world.
- **Leaving behind a better world**: Wealth has the potential to transform everybody it touches. It could spread cheer or do harm. My clients chose the former option.

We called this new paradigm for wealth Wise Wealth.

Historically, wealth lay in the hands of a few people who, usually, did not use it with compassion or to produce impact. We still remember the rulers who actually spread prosperity and joy because there were so few of them. In my time, I have been privileged to witness a new wave of wealthy Indians who have risen to the top because of their professional expertise and acumen. They had consciously chosen not to fall into the gutter of greed to become wealthy. They saw a better way. They could stand tall without having to stand on the skeletons of the underprivileged.

They were, no doubt, helped by the fact that they could build their empires within clean confines. Relatively free from bureaucracy and political assent, they were able to serve and prosper in an evolving society. You could say they were at the right place at the right time. But then, many of their peers created their wealth using the conventional exploitative model.

Just as they were privileged to belong to a new India, I was privileged to serve them.

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I experienced the second privilege when I started conceptualising the book. I began interviewing wisely wealthy people. To avoid biases, I chose not to interview my own clients. And I chose to start with a clean slate. Instead of presuming to know what constitutes Wise Wealth, I wanted to know from the people I interviewed what it was all about. As practitioners, they would educate me and expand my limited understanding of the concept.

I used my network to vet the wealthy and see who could embody the tag of Wise Wealth. I found many in Bengaluru. These people were kind enough to introduce me to others of their tribe. Somehow, as if through a divine plan, I got to meet a total of 35 incredible people. But here I found a great equaliser amongst the wisely wealthy: whether I was meeting a person worth several hundred crore or several billions, they were equally compassionate and inspiring. And they all gave generously the one resource that cannot be multiplied: time. Despite their packed calendars, they spoke to me for hours, allowing me to get to the nub of any matter. Perhaps they too deemed this project important. And for that privilege of time, I will remain eternally grateful to them.

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I met them in the crowded by-lanes of South Mumbai, five-star hotels overlooking Lutyens' Delhi, packed cafes in Bengaluru, surprisingly quiet bungalows in the heart of Chennai, corporate offices of Pune and even the industrial belt of Coimbatore. I met them in their homes, farmhouses, favourite haunts and offices. I collected a stack of boarding passes during this project. Every journey I undertook was an adventurous foray into the soul of a worthy person.

You will notice that these wisely wealthy people do not appear with uniform consistency in all the chapters. Each of them has achieved mastery in different parts of the spectrum of Wise Wealth ideas. And since the chapters are staggered to make the journey of ideas linear, each one is featured heavily in one part of the book and not so much in other parts.

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Perhaps this timeless ashram on the banks of the Sabarmati best exemplifies the ideas put forth in this book. After all, one of the lesser-known books written by Mohandas K. Gandhi is *Trusteeship*. In this book, the Mahatma told us that we cannot own wealth, but we can become custodians of it. His quote, 'We have sufficient for everybody's needs, not for greed,' has been widely misquoted.

As I interviewed the wisely wealthy of India, I found echoes of this idea.

Looking again at the sun and the Sabarmati, I feel a shiver of excitement. Perhaps I am not proposing a radical new way of looking at wealth. Perhaps I am retrieving from the annals of history an idea of wealth that had briefly been dismissed as irrelevant by the unthinking.

Section I

An Introduction To Wise Wealth

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The Problem with Wealth

This is an excellent time to write a scathing indictment of the wealthy. The richest 1 per cent people in the world have never been richer. And their influence over governments, markets and cultures has never been greater. And here I am, writing a book that, at least at first glance, appears to be an homage to the wealthy.

Let me tell you the two reasons I had for writing this book.

One, the problems created by wealth can be solved bloodlessly using wealth itself as an enabling, ennobling tool.

Two, the tribe of ultra-wealthy Indians is growing. According to a Credit Suisse report, the number of dollar millionaires in India grew from 39,000 in 2000 to 3,43,000 in 2018; 1500 of these have a net worth above $100 million. And for the first time in recallable Indian history, a good number of these rich Indians are making substantial efforts to create a just and equitable society. Surely, they hold at least some of the solutions our nation desperately seeks.

We have the whole book to answer that question. For now, let us take a step back. Before anybody can be asked to trust the intentions of the wealthy, it is important to understand why so many Indians perceive the wealthy with negative emotions such as fear, envy, hatred and disgust.

The problem started centuries ago. As I said in the Preface, among the many great empires and emperors that ruled this land, few are remembered for their economic egalitarianism. According to economic historian Angus Maddison, India led the world GDP figures in the first millennium after Christ and briefly reclaimed the spot in the time of the Mughals. In the year 1 CE, India was home to 30.3 per cent of the world's population and contributed 32 per cent of the world's GDP. By 1913, just before World War I, India had 16.64 per cent of the world's population but contributed only 7.47 per cent of the world's GDP. Even the per capita income dropped from inadequate to woeful. And things have not improved much since World War I. In 2019, India was ranked 145th in the world in nominal per capita GDP,[1] although it is the fifth largest economy in the world. Jairam Varadaraj has a theory for why this happens. He says: 'In India, you see symbols of opulence and excellence that belong only to kings. In Rome and Istanbul, you also see the minister's home . . . you see the guild. You see sharing of wealth. But in India, it was all about self-centred wealth accretion. When royalty felt a little liberal, they threw a few pieces of gold at others.'

This parsimony was coupled with insufficient ambition and innovation. As Indians, we often take pride in the fact that we never colonised any nation. Does this mean we have been a peace-loving race? If so, then how do we explain the countless bloody wars we fought amongst ourselves? Did our ambitions never cross our borders? Jairam says: 'We had the wealth and the skills. Why didn't we colonise instead of getting colonised? Well, colonies are created by mavericks and adventurers. Many Indians journeyed to faraway lands. But they did so use their own individual initiative. Nobody went to a king and said, "Will you fund me so that I can

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[1] Source: International Monetary Fund World Economic Outlook (October, 2019)

return with vast riches for you?" The commoner did not have an incentive to journey into the unknown, take risks and fight hard. Because sharing of wealth has not historically existed in India. And that trend continues even now.'

Jairam is not endorsing violence and enslavement. His point is that the wealthy in India did not conceptualise ways to accelerate the growth of wealth and supervise its fair distribution. As a result, the rest did not feel they had an adequate stake in the economy to innovate and grow.

Although this particular problem was first experienced under monarchies, it has not yet been solved by capitalism. Some would say that the situation has regressed. With capitalism becoming the de facto economic model even in communist nations, we can no longer talk about problems surrounding wealth without talking about the problems with capitalism.

Inequitable wealth distribution

As the father of India's microcredit movement, Vijay Mahajan (or VM as he likes to be called) is a strong critic, not of capitalism, but of one of its underlying tenets – an idea he describes as 'the primacy of the loan contract'. He says: 'There are three ways to move capital: grant, equity and loan. Of these, loan financing makes up the vast majority of financing. It is a highly asymmetrical approach because all the uncertainty is shifted to the producer or borrower while the lender enjoys fixed returns for little risk. This is very unlike equity financing where the person deploying the capital shares prosperity or adversity, as the case may be.'

VM is voicing the plight of hundreds of millions of underprivileged Indians, mainly rural, who have little or no access to capital. Wasn't capitalism designed to bridge the gap between innovator/entrepreneur and the investor? And what happens to the innovator/entrepreneur who does not have adequate collateral?

Says VM: 'The problem is that capitalism measures utility only in monetary terms. The moment we make it multidimensional – if we include social utility, psychological utility, environmental utility etc. – then we will think differently. And if everybody had a decent standard of living, I think it would be possible to live with inequality. The problem occurs when the lower half of the curve lives below acceptable human standards. The rise of philanthropic giving and impact investing over the last two decades shows that capitalists are responding to multidimensional utility.'

The woes of capitalism

The biggest problem with laissez-faire capitalism is that the leaders of this model of capitalism want to apportion for themselves an undeserving, unfair and unjustifiable quantum of wealth. – N.R. NARAYANA MURTHY

Society leaves the bottom behind quite badly. And the people at the bottom naturally have high levels of suspicion and apprehension that if they do not fight they will be left behind. – JAIRAM VARADARAJ

The market model has created development, but it has also brought disparity, often leading to a humanitarian crisis. It isn't fair to have a world where millions are still unable to feed themselves. It is not right. – S.K. MUNJAL

Capitalism is healthy for the economy and the growth of the pie. But the distribution of the pie is flawed. – VIKRAM GANDHI

You may be a learned professor doing phenomenal research that may change the world. But if you are not known nor wealthy, you will be treated fairly badly in this world. – SANJAY LALBHAI

People who do not offer stock options and have accumulated phenomenal wealth, I call them unfair. If you have not shared the wealth even with those whom you co-created the wealth with, and then talk about philanthropy, you are two-faced. – VINEET NAYAR

Short-term orientation

At its best, capitalism is designed around ambition. At its worst, it is designed around greed. It is therefore no surprise that it responds best to short-term trends. If you are a pharmaceutical company, it matters less if you can eradicate cancer in the next decade. It matters more whether you turned a profit in the last quarter.

Having and not having

There is no limit to acquisition, expenditure or consumerism. – G.V. PRASAD

If capitalism were not so short-sighted, our forests would not be felled, our rivers would not be polluted, and our urban air would not be so unbreathable. Nature has been temporarily enslaved by capital because it is beneficial to do so. Of course, Nature will exact its vengeance on all of us, but the prevailing trend is that this is fine so long as it does not happen in this market cycle, in this quarter. Eric Savage, who runs the Unitus impact investment firm, points out that a great number of trades are carried out by algorithms that respond to market movements in nanoseconds. Even a photon travelling at the speed of light would consider that a knee-jerk decision. Market-facing firms make a lot of money that way. They do not even have to wait for their broker to finish his paratha before selling a dipping stock. The software does that for him.

Unfettered greed

One can debate whether access to capital is a basic human right for the upright, ambitious, underprivileged, aspiring entrepreneur. But what is not debatable is that while this set of entrepreneurs is denied access to capital, many market players not only have seamless access to capital, but they also act with impunity and recklessness. Hence the junk bond crisis of the late 1980s, the dotcom bust of the early millennium and the 2008 crash caused by speculative real estate investments. These are just three recent examples of how the market did not fulfil its obligation to self-monitor and self-correct.

Few can understand the greed of the stock market as well as Vivek Reddy, the man who conceptualised and managed India's first private mutual fund. He thinks the prime movers of this space are overpaid and underworked while also being stressed and whiny. In other words, they are tremendously successful on the outside while, deep down, they feel they are failing. This is the result of plying a system that has become so hollow that it serves itself more than any other societal entity. Says Reddy: 'Compared to how much we suck out of society and how much we give back . . . even if we did it with integrity, I'd still say we're overcharging.'

Eric Savage endorses this thought: The incentives are all wrong for private bankers, investment bankers and traders – they are looking out for their institution and themselves rather than for their clients. They are often rewarded in the short term while investors are investing for the long term. Everyone is looking to make money and the way large funds are set up is a real racket. You are charging me to manage my money which makes no sense whatsoever.'

Defenders of the market will be quick to point to Adam Smith's treatise on self-interest, as espoused in his 1776 book *The Wealth of*

Nations. Smith famously said: 'It is not from the benevolence of the butcher, the brewer or the baker that we expect our dinner, but from their regard to their own interest.'

Narayana Murthy, however, clarifies this statement: 'Smith did say that markets work, trade works, the exchange of goods works due to self-interest. But he distinguished between self-interest and greed. He spoke of self-interest as the desire to acquire more and more wealth and benefits for oneself while following a certain set of principles and values endorsed by the community.'

In other words, greed needs to be balanced by the need to belong and the ability to empathise. As has become evident by now, markets do not have these counterbalances. The myth of the self-regulating market has been busted many times. And yet it seems to revive itself.

The truth is that Wall Street and Dalal Street answer only to themselves. Says Ashish Dhawan, recalling his days as a kingpin of the market: 'In those days, I was very much into wearing my fancy shoes and tie and suit. While there is nothing wrong with that, what I found was that, around those people, you become a little arrogant yourself. Your personality starts to change. That part, I did not like. It was due to the content of the work but also from the thought that you are bigger than you are. You develop a little bit of brashness and arrogance with the Wall Street culture.'

If the Wall Street culture could so influence Dhawan, who is today a full-time philanthropist, one shudders to think what it would do to lesser men.

The least imperfect economic model

'The journey to wealth creation should not be defined by the words *best* and *maximum*. Instead, it should be defined by the words *disciplined* and *consistent*,' says Sameer Koticha, who is chiefly a philanthropist today, but still holds a day job running a reputable asset and wealth management company.

Like him, most people featured in this book agree that capitalism has flaws. But these people are also certain that capitalism is the only feasible way to create an equitable and prosperous society. Says Narayan Ramachandran: 'Capitalism is the least imperfect economic model . . . We make it less imperfect by setting rules of governance, fair play and fair practice.' In response to the question about overcoming base emotions like greed and fear, he says, 'I don't agree that fear and greed are base emotions. They are integral to great human progress. The nature of markets is based on greed and fear. To quarrel with that nature is not fruitful. But again, what makes them acceptable is fair play.'

Agrees Murthy: 'To me, capitalism, which provides a free market, is the best hope for countries like India *if* there is a speedy, honest, fair, impartial and transparent regulator. The only way capitalism can be made acceptable to a vast majority of the poor in a country like India is if the leaders of capitalism demonstrate self-restraint in allocating to themselves a disproportionate, unfair and unjustifiable portion of the fruits of the enterprise. This is what I call compassionate capitalism.'

Cultivating this mindset takes time and a new paradigm. Of looking at oneself, not as the owner of wealth, but as a custodian of it. Vallabh Bhansali, Vineet Nayar and Anand Mahindra explicitly used the phrase 'custodian of wealth' to describe the role they wanted capitalists to play. It is a phrase that would have satisfied the Mahatma, the premier custodian of the nation's goodwill. The trouble is that this viewpoint is far removed from the Darwinian interpretation of capitalism. A non-Darwinian capitalist is one who will have the stamina to win tough battles, but not the ruthlessness necessary to knock down the weak or the vanquished. He will have the knowledge of a management graduate and the psyche of a saint. This is a rare combination. What might help one achieve this combination is an acknowledgement of the link between the individual and the collective.

Says Nadir Godrej: 'Money doesn't predict happiness at all. Extreme poverty is not a way for happiness, but extreme money is equally dicey unless you have a mission and a purpose. So, nobody is going to be happy if they are all about themselves. There is increasing evidence that people with lots of connections are happy.'

Who should be in charge of capitalism?

Wealth should really flow to those who are the best managers of it. The more efficient the capital markets, the more active are the regulatory and transparency frameworks, the faster it will happen.
– VIJAY MAHAJAN

The self-absorbed capitalist, who does not experience such human connections, surely cannot be wisely wealthy.

Before we move on...

Many people regard their own personal ambitions towards wealth as healthy. But when they look at the already wealthy, they see seediness and dirt. This dichotomous perception of wealth is partly due to hypocrisy and partly due to the failure of capitalism.

How do we scrub the stench of inequity, greed and short-term orientation off wealth? We will discover the answer as we move further down the storyline of wealth and the wisely wealthy.