
UNIT 6 ECONOMIC NATIONALISM*

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6.1 INTRODUCTION

Economic nationalism was a crucial part of Indian nationalism, particularly in the late nineteenth and early decades of the twentieth century. It was rooted in the comprehensive economic critique of the colonial rule which the early nationalist leaders undertook in their publications, speeches and public campaigns. Their writings and speeches created the framework in which both the unity of India and the foreignness of the British rule could be situated. It was a domain in which both the 'Moderate' and 'Extremist' leadership took part in creating and shaping an adversarial discourse which proved to be enduring.

6.2 WHAT IS ECONOMIC NATIONALISM?

Economic Nationalism, along with economic liberalism and Marxism, is considered among the three most significant ideologies of modern political economy. Economic nationalism has been conventionally understood as the economic ideology which favours domestic control of economy, labour and capital formation. It has been viewed as favouring some sort of autarchy in opposition to globalisation which visualises interdependence among all nations. To attain its goal, the economic nationalists are supposed to impose tariff to restrict free trade, to promote indigenous industries and to seek import substitution.

While such a characterisation is not untrue, recent writings have emphasised that economic nationalism has more to do with nation than with a certain fixed variety of economic policies such as tariff barriers and protectionism. Thus, the ideology of economic nationalism, in this view, should be defined in terms of its nationalist content rather than its endorsement of specific economic policies.

* Resource Person: Prof. S.B. Upadhyay

Moreover, by bringing the nation and nationalism into the idea of economic nationalism, it is possible to see more clearly that the economic nationalists can pursue a variety of economic policies some of which may be associated with other streams of economic thought.

6.2.1 Origin of the Idea of Economic Nationalism

Friedrich List (1789-1846) is considered as the most important economic nationalist of the nineteenth century and also the initiator of the concept of economic nationalism. List's theory of 'national economics' differed from the doctrines of 'individual economics' and 'cosmopolitan economics' by Adam Smith (1723-1790) and Jean-Baptiste Say (1767-1832). In his book, *The National System of Political Economy* (1844), List criticised the economic liberals for assessing the economic policies basically for the benefit of the individuals or the entire humanity. He criticised the 'dead materialism' of liberal thought and argued that the liberals considered 'individuals as mere producers and consumers, not as citizens of states or members of nations'. According to List, such 'boundless cosmopolitanism' did not take into account the crucial significance of the nation for the purpose of economic policy. He asserted: 'Between each individual and entire humanity, however, stands THE NATION'. He formulated his perspective based on this intermediate agency: 'I would indicate, as the distinguishing characteristics of my system, NATIONALITY. On the nature of *nationality*, as the intermediate interest between those of *individualism* and of *entire humanity*, my whole structure is based'. Since individuals are members of the nation, the economic policy should not aim exclusively for the wealth-maximisation of the individual, but should be oriented to develop nation's culture and power. Such a development would finally enrich the entire humanity because 'the civilisation of the human race [is] only conceivable and possible by means of the civilisation and development of the individual nations'. Thus, List's aim was to direct the enquiry to 'how a *given nation* can obtain ...prosperity, civilisation and power'. The mechanism through which this was to be achieved was by developing the country industrially. Thus, erecting tariff barrier for providing protection to the infant industries became the basic aim of List's economic policy.

Besides this important trend of economic nationalism enunciated by List, there were three other noticeable trends in nineteenth-century Europe:

- 1) This strand of economic nationalism developed a critique of economic liberals' policy of convertible currency. The economic liberals believed that such a monetary programme would facilitate free trade. Thus, for this purpose they supported the gold standard for all currencies for a common monetary standard. The economic nationalists opposed this and one of their strongest ideologues was Thomas Attwood (1783-1859), a British banker and politician. Attwood proposed that Britain should have a paper currency which was not tied to gold. He also argued that the government should increase money supply at the time of economic depression. He felt that these policies would reduce unemployment. His views on currency was echoed by American economist Henry Charles Carey (1793-1879) who argued for an inconvertible currency which would promote domestic economic growth by allowing the money supply to expand freely. Similarly, Isaac Buchanan (1810-83), a Canadian businessman and politician, also preferred inconvertible national currency because it provide full employment to the

people and develop the productive resources of the country [Helleiner 2002: 316].

- 2) Yet another strand in nineteenth-century economic nationalism favoured autarchy and a strong interventionist state. Johann Gottlieb Fichte (1762-1814), a German philosopher and publicist, strongly favoured national economic self-sufficiency. For this, he advocated an interventionist state which would directly provide the economic needs of the people. In an economic treatise published in 1800, *The Closed Commercial State*, argued in favour of autarchic economic nationalism, and a strong interventionist state which would ensure employment and would regulate wages and prices. He insisted on an inconvertible currency to control the domestic prices and on prohibition of foreign trade as fluctuations in trade might destabilise national economic plans. Another German publicist, literary figure and political economist was Adam Heinrich Muller (1779-1829) who strongly criticised the liberal political economy and the system of free trade. Whereas Fichte's economic ideas were inspired by the Jacobinist policies in revolutionary France, Muller's thoughts were conservative and anti-liberal. Muller's opinion was that free trade was antithetical to national unity. He, therefore, advocated protectionism, inconvertible national paper currency, and an autarchic economy.
- 3) There was a belief among many economic nationalists that liberal economic policies such as free trade and gold standard for currency were not in conformity with national cohesion. However, such liberal economic policies in case of certain countries, particularly Britain, were quite helpful in attainment of nationalist goals. A lot of British policy-makers were in favour of free trade not because of their internationalism and advocacy of world peace, but because this would have promoted their monopoly of trade in machine-made goods. This would enhance the power and wealth of their own country. The ideology of free trade also provided the British a sense of nationalist superiority with which to denigrate the culture and traditions of other, particularly colonial, countries. But the liberal content in economic policies was not to be found only among the dominant industrial and colonial power like Britain. It was present even in the policies of those countries which developed somewhat late along industrial lines, such as France, Germany, Belgium and Netherlands. Thus, it may be said that economic nationalism was not uniformly against liberal economic policies. Certain, though limited, trends of economic nationalism endorsed some of the liberal policies, depending upon the actual requirements of the respective countries.

Thus, economic nationalism may be understood as concerned not with particular economic policies, but with the nation. The economic nationalists may advocate certain policies which would help the national economic growth at a particular point of time. There are no fixed economic policies advocated by economic nationalism. It may adopt a variety of forms and contents depending on the situation. It is a form of nationalism rather than of economic theory. It is not against economic liberalism as such. In certain situations, it may advocate similar policies as economic liberalism. The conventional view of the political economists identifying economic nationalism with mercantilism, statism and protectionism is no longer valid. It is not the state but the nation, and it is not specific economic policies but

economic interests of the nation at any given time, that economic nationalism is concerned with.

6.2.2 Economic Nationalism in Colonial Context

Although he believed that a peaceful world order could only be established on the basis of equality among nations, Friedrich List's notion of equality was limited to the Western nations. For other countries, which he called the 'torrid zone' of the world such as the Asian and African countries, he believed that the idea of infant-industry protection was irrelevant because such countries were destined to be colonised (Helleiner 2002: 314). Such a view was quite in keeping with the policies of economic liberals in Britain and other countries that there should be an international division of labour which would allow the Western nations to produce manufactured goods while the rest of the world would trade in its primary products.

Economic nationalism in the colonies can be situated within the broader framework of an unequal relationship between the imperialist country and the colonial country, between the centre and the periphery. This relationship was based on unilateral transfer of funds from the colony to the colonising country. This transfer of resources can be direct and indirect. The direct forms consist of repatriation of income through plunder (particularly in the early phase), salaries and interests on investment. The indirect forms can be several, the most important being the unfavourable terms of trade for the colony under which the colony is encouraged to produce primary and low-priced goods which it exports either to the colonising country or to some other country in order to earn foreign exchange for the benefit of repatriation of money. The colony is also forced to import manufactured goods from the colonising country. It was in this context of unequal economic relationship that the ideas of economic nationalism developed in the colonial countries. Here we are going to discuss these ideas in case of India, which was a colonial country from 1757 to 1857.

6.3 ECONOMIC NATIONALISM IN INDIA

Economic nationalism in India developed within the context of its subordination to Britain. This was associated with two other developments – capitalist expansion on a world scale leading to what has also been called as 'the first globalization', and colonial construction of India in terms of a territorially defined space. Britain had industrialised by the middle of the nineteenth century, pushing out in all directions in search for raw materials for its industries, food grains for its working population and relatively secure markets for its manufactured goods. Some other European countries had also started industrialising in the nineteenth century blocking Britain's penetration in their territories as well as posing as competitors in non-industrialised countries of Europe and the rest of the world. Thus, the European industrialisation was opening up the globe in unprecedented and unforeseen ways, leading to tremendous rise in international trade which was basically unequal in nature consisting of flow of manufactured commodities out of Europe and primary products into Europe, particularly its Northern and Western parts. The drive to secure this unequal trade led to intense rivalry among the European powers in the late nineteenth century resulting in what has been called as the 'partition of the world' into respective areas of influences either as directly-controlled territories or areas of indirect influence.

On the other hand, there were ever increasing attempts on the part of the imperialist European powers to remove the internal barriers of trade within particular colonial territories and administrative unification of a defined territorial space. In India, after 1858, the colonial state was consolidated and its institutional structure was expanded on an unprecedented scale. It was also simultaneously engaged in effecting a 'distinctively modern forms of social, economic, and territorial closure'. This comprised of eliminating the internal custom barriers, introduction of a uniform system of laws, a centralised monetary system, building of a network of transport and communication such as railways, roads, post and telegraph, telephones, institution of decennial censuses for enumeration of people, various survey agencies for the measurement of land and people, and a modern bureaucracy and police for administering the land revenue, maintaining law and order and generally making the presence of the state visible all over the country.

The territorialisation of space was intimately linked with the deterritorialised character of the global-imperial economy. Thus, 'the colonial production of space entailed practices that both bound indigenous society within a territorialised particularity and universalised social relations'. In this way, 'the bounded economic and territorial whole of colonial India was inserted within the deterritorialising dynamic of the world market' (Goswami 1998: 612-13). It was within this context of restricted colonial space, wider global market and international division of labour that the nationalist response was formulated and popularised.

6.3.1 Early Thoughts

The main stream of nationalist economic thoughts was formulated in the period between 1870s and 1905. However, there was a small group of people in Maharashtra who even earlier discussed and wrote on some of issues concerned with the economic exploitation of India by the British. In fact, cognition of the negative economic consequences of British colonial rule in India can be traced back to the early years of 1830s in the writings of Raja Rammohan Roy. He complained against the 'tribute' paid to Britain and showed his concern for the plight of the self-cultivating peasants. But in the 1840s, certain Maharashtrian intellectuals such as Bhaskar Pandurang Tarkhadkar, Govind Vitthal Kunte (popularly known as Bhau Mahajan) and Ramkrishna Vishwanath criticised the British rule for economically exploiting India, particularly by draining its resources. They were convinced that instead of being good for India, the British colonial rule was 'the most bitter curse India has ever been visited with'. Although they also critiqued British rule on political and social grounds, their severest critique was on the economic front. Bhaskar Tarkhadkar declared that he wanted 'to show how rigorous the present policy of the British has been in operation in regards to draining India of its wealth and reducing it to poverty'. He argued that the destruction of the indigenous industry in Maharashtra, as in India as a whole, resulted in poverty and misery of the artisans. Moreover, the siphoning of India's wealth between the battle of Plassey in 1757 and 1815 amounted to 'about 1,000 million pounds'. He also criticised the no-tariff policy of the colonial government whereby 'British goods were forced upon [India] without paying any duty'. This resulted in limiting the possibility of the growth of modern industry in India, besides destroying the indigenous handicrafts industry. Similarly, Bhau Mahajan criticised the imperialist policies of waging wars and charging them on Indian treasury: 'Having emptied the Indian treasury on ill-conceived wars, the

government issued bonds....’ Ramkrishna Viswanath attributed India’s poverty mainly to drain of wealth and the adverse balance of trade. He further advocated Indians to work hard and invest in national modern industry (Naik 2001). Thus, since the 1840s, the Indian intelligentsia was agitated on the issue of the unfair and exploitative treatment of the Indians by the colonial rulers. Their criticism, though sketchy, covered several aspects of this economic discrimination which was later taken up much more comprehensively.

6.3.2 Economic Critique of Colonial Rule

During the 1870s and the 1880s, a wide-ranging and comprehensive nationalist critique of British rule emerged in India. The most important proponents of the emerging ‘political economy of nationhood’ were Dadabhai Naoroji (1825-1917), Mahadev Govind Ranade (1842-1901), Romesh Chunder Dutt (1848-1909), Gopal Krishna Gokhale (1866-1915), G. Subramaniya Iyer (1855-1916), G.V. Joshi (1851-1911), Bal Gangadhar Tilak (1856-1920) and Surendranath Banerjea (1848-1925). They realised that India was being integrated within global capitalism in a subordinate position. Ranade defined this position as ‘dependent colonial economy’. According to him, the country was being transformed into a ‘plantation, 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 the Dependency by British merchants to their corresponding British firms’ [cited in Goswami, 615]. These nationalist writers also criticised the processes of ‘ruralization’ and ‘de-industrialization’ to which India was subjected. Moreover, the theory of ‘drain of wealth’ as formulated by Naoroji remained the most popular nationalist economic plank to denounce the British rule.

In his pioneering and magisterial survey of the economic thoughts of the early Indian nationalists, Bipan Chandra discusses in detail the scathing critique of colonial economic policies by the early nationalist leaders. He covers various points of nationalist critique on economic drain, decline of indigenous industry, excessive taxation, discriminatory international trade, etc. In this section, we will briefly discuss some important issues related to this far-ranging critique.

6.3.2.1 The Drain of Wealth

The critique of the drain of wealth from India became probably the most popular sentiment in the anti-colonial nationalist narrative. That the colonial rulers were taking out India’s money leading to country’s impoverishment was conceived as the biggest economic evil of the colonial regime. Drain was conceived as unilateral transfer of resources from India to Britain without any corresponding economic and commercial gain. The venerated nationalist, Dadabhai Naoroji, was the originator of the ‘drain theory’. In 1867, in a speech, he argued that Britain was siphoning off India’s wealth which amounted to about 25 per cent of country’s revenue which was ‘added to the resources of England’. In 1873, he further criticised Britain for ‘ignoring India’s interests, and making it the drudge for the benefit of England’. This, he stated, was unnatural and a monstrous evil. He declared that ‘to stop the bleeding drain from India’ was ‘the most important question of the day’ and exhorted his countrymen to summon all their energies to solve this problem. For about fifty years he carried on his struggle against drain. His book *Poverty and Un-British Rule in India* (1901) remains a significant milestone in the formulation of the nationalist political economy. The book by

William Digby (1849-1904), *Prosperous British India* (1901), G.S. Iyer's *Some Economic Aspects of British Rule in India* (1903) and R.C. Dutt's *Economic History of India* (1901-03) were other detailed works bitterly critical of the imperialist drain of India's resources. Several other leaders and newspapers joined this campaign which soon became the central tenet of mass nationalist ideology.

6.3.2.2 Poverty of Indian People

The grinding poverty of the great mass of Indian people, after more than a century of colonial rule, was visible to all. The earlier hope harboured by Indian intelligentsia that the British rule in India would follow benevolent economic policies leading to prosperity had vanished by the late nineteenth century. Since the 1870s, there had been constant concern about extreme poverty of Indians among the nationalists. The subject of poverty dominated most public discussions on India by the nationalists. The relentless criticism of British rule for impoverishing India was quite evident in the writings and speeches of even the 'Moderate' nationalists. In 1870, Naoroji read his famous paper on this issue and in 1876 came out his book, *The Poverty of India*. M.G. Ranade, G.V. Joshi, R.C. Dutt, and others regularly discussed this topic on every available forum. The Indian National Congress took up the issue in 1886 and discussed it regularly since then. In 1891, it passed a resolution stating that 'full fifty millions of the population, a number yearly increasing, are dragging out a miserable existence on the verge of starvation, and that, in every decade, several millions actually perish by starvation' [Chandra 1966: 9]. Discussions and resolutions on this issue became a regular feature in subsequent sessions. The Indian nationalist intellectuals argued that India was one of poorest countries in the world despite more than a century of British rule. What was even worse, they asserted, was that this poverty was growing. They tried to rally all classes and groups in India on this platform. Thus, the problem of poverty was made a common national issue and a plank for unity of all classes in Indian society.

Debate on the 'poverty problem' was raised to such a pitch by the nationalists and their sympathisers that the British officials were forced to respond to them. They initially denied the existence of poverty and instead tried to paint a rosy picture of colonial rule. But the figures given by the nationalists, quoting mostly from the official sources, required something more than flat denial. Several government officials took it upon themselves to provide official apologia by arguing that this was not the case, and India was actually progressing. However, their arguments did not appear convincing to the people.

Directly and indirectly, the Indian leaders pointed out that the real cause of poverty was alien and exploitative character of the colonial regime, and the functioning of the colonial government was oriented towards serving the interests of Britain rather than that of India.

6.3.2.3 Underdevelopment of Industry

The nationalists were of the firm opinion that India was going through a process of industrial underdevelopment under the colonial rule. It was caused by two phenomena, both closely related to colonial policies – decline of India's indigenous industries and the failure to quickly develop the modern industry. This, according to the nationalists, played a big role in the poverty of the Indian people as the jobs in one sector was lost but not compensated by the rapid growth

of the modern sector. They constantly pointed out the fact that India was once a great manufacturing country which exported its goods to all parts of Asia and Europe. Now the situation has reversed and the Indians themselves were forced to import clothes from Britain. This was 'one of the saddest chapters in the history of British India', as R.C. Dutt declared. Due to this India's wealth was declining, employment opportunities were drastically diminishing, and poverty was steadily increasing. The shrinking of industrial employment had led to growing ruralisation and intense pressure on agriculture which itself was in a precarious situation. This meant, in Ranade's words, 'that we are standing on the edge of a precipice, and the slightest push down will drive us into the abyss below of unmixed and absolute helplessness' [Chandra 1966: 57].

This was done because the British used their political power to sell their cheaper machine-made goods in India leading to destruction of the famous Indian handicrafts industry. The abolition of tariffs thereby imposing free trade on India and the construction of railways for cheap and rapid access to the remote Indian markets created conditions for easy spread of British industrial dominance over Indian markets. Various other policies of the colonial government thereafter resulted in very slow development of the modern industries. For example, the nationalists argued, the abolition of tariff doubly hindered the growth – by allowing cheap foreign goods to invade the country's markets and by decreasing the revenue collection of the government which would then be compensated either by more internal extraction or low public expenditure. One of the nationalist leaders, Surendranath Banerjea stated: 'It had been the settled policy of England in India ever since her rise in political power, to convert India into a land of raw produce for the benefit of the manufacturers and operatives of England' [Chandra 1966: 55]. The nationalists, therefore, demanded that such policies which obstructed the growth of Indian industries should be removed and emphasis should be laid on speedy industrialisation of the country. In this respect, the most important issue on their agenda was the creation of a suitable tariff regime which would help the growth of Indian industries by restricting the entry of cheaper machine-made goods from more industrialised countries.

6.3.2.4 Public Finance

Nationalist criticism of the colonial public finance related to both its aspects – how much revenue was collected, and how it was spent. The financial policies of the colonial government received great attention from the nationalists because of its deleterious effect on the resources of the country. They were very critical of the taxation policies of the colonial government which claimed that the taxes in India were quite light. It was argued by the government officials that the revenues from land, toddy and opium were not taxes thus making the tax regime appear light. The nationalists, on the other hand, argued that all collections by the government from the total annual income of the country should be considered as forms of tax. They rejected the government claims that India was lightly taxed, and contended that the tax burden was huge and was reaching its limits. Ranade stated in 1880 that any 'further increase of taxation must be adjudged as political insanity'. Similarly Naoroji bitterly remarked that the colonial rulers were 'screwing out more and more taxes, like squeezing a squeezed orange – inflicting suffering and distress'. The *Kesari*, a Marathi journal edited by Tilak, wrote:

'No article in India has escaped taxation. Even the foliage of trees has been taxed. There are, however, some things which are yet to be taxed, so that the triumph of the English may be complete. Among such things may be mentioned the skin of the Indian people and their atmosphere'. [Quoted in Chandra 1966: 503-4].

The nationalist argument was that it was not the amount of taxation per head which should be considered, but its proportion to the per capita income. Calculated by taking the amount of collection as a proportion of the income of each individual, Naoroji argued, the taxes in India were 16 per cent while in England it was only 8 per cent. Thus, the nationalists contended, the burden of taxation should be seen in relation to the wealth of the country and the earnings of the people.

Even more important than the amount of taxes, from the nationalist point of view, was the manner of its expenditure. A large part of this tax collection was taken out of the country and not spent inside. As Naoroji argued, 'It is not the incidence of taxation that is India's evil... The evil is the drain of a portion of the revenue out of the country'. Moreover, its use on military, on wars with India's neighbours, on railways and on various unproductive and wasteful activities was severely criticised by them. G. K. Gokhale argued in 1897 that utility of taxation in any country was decided by 'the purposes for which the increase has been incurred and the results produced by such outlay of public money'. In the European countries and independent nations, the high level of taxation had resulted in 'increased strength and security to the nations, and increased enlightenment and prosperity to the people'. But in India, Gokhale asserted, constantly increasing taxation and its irrational expenditure 'under autocratic management, defective constitutional control, and the inherent defects of alien domination, only helped to bring about a constantly increasing exploitation of our resources, has retarded our material progress, weakened our natural defences, and burdened us with undefined and indefinite financial liabilities'. [Bipan Chandra 1966: 575].

The fundamental point which the nationalists wanted to make was that it was alien rule which was basically responsible for this miserable state of affairs. If the government of an independent country levies more taxes, it was for the benefit of the people; but higher collection by an alien government results in depleting the national resources.

6.3.2.5 Agriculture

Almost 80 per cent population of colonial India was dependent on agriculture, and revenue from land formed the largest part of government collection in the nineteenth century. The land revenue demand was high and it was strictly collected resulting in growing impoverishment of the peasantry. The nationalists picked up this issue early and insisted that it was one of main causes of recurrent famines, India's poverty and decline of its agriculture. Almost all nationalists took up this issue, but it was R.C. Dutt who developed it into a consistent campaign. The Indian National Congress passed resolutions on this issue almost every year from 1888 to 1903. Critique of colonial land revenue policy emanated from almost the entire nationalist leadership. The nationalist agitators objected to: i) the high pitch of land revenue which took a large portion of agricultural savings, draining capital away from India, hindering investment in agriculture, pauperising the

countryside and creating regular famines; ii) constant revisions in assessment of revenue creating uncertainty and dissuading the cultivators to invest in land, leading to stagnation and decay in agriculture; iii) periodic raise in revenue demands by the government encouraged the landlords also to raise it even more in their areas; iv) strict collection of rents and revenues from the peasants accompanied by evictions and punishment. The combined effect of these policies was to drain capital out of agriculture, to prevent investment in land, decline in the quality of land, pauperisation of agricultural population and the recurrence of famines resulting in large-scale deaths.

To improve the matters, the nationalists suggested that the government should decrease its land revenue demand so that the peasants be left with some surplus to tide over the adverse weather conditions, the mode of collection be made more flexible and a permanent tenure should be fixed in all regions.

The demand of a 'permanent settlement' did not necessarily mean that the nationalists were asking for a Bengal-type Zamindari Settlement all over. In many cases, what they were demanding was a long-term fixation of tenure under which the peasants would be assured that they had to pay a certain revenue for a long time and that their lands would not be confiscated. The fact that most of the nationalists distinguished between the Bengal-type settlement and a fixed government demand under all types of settlement was attested in their numerous writings. [For details, see Chandra 1966: 420-36]. Their appeal to the government was to fix the revenue for a long time so that the peasants might benefit and the surplus would be re-invested for the improvement of land.

6.3.2.6 Foreign Trade

Although India had always been participating in international trade, the colonial takeover resulted in an enormous increase. Both import and export expanded exponentially and the nature of trade underwent a significant transformation. Until 1813, India had been primarily an exporter of manufactured goods, particularly cotton and silk textiles, and an importer of precious metals such as gold and silver. However, in the nineteenth century, it became an exporter of primary products such as raw cotton, jute, other industrial raw materials, tea, coffee, and foodgrains, and an importer of manufactured goods. Another feature of India's trade became an excess in the value of exports over the value of imports.

Here also the nationalists contested the optimistic view of the colonial administration that the growth of trade was good for India. They argued that the volume of trade in itself could not be taken as an indicator of the prosperity of a country without taking into account its context and its nature. They also did not agree that the trade volume was large if compared to the European countries. So far as the nature of the trade was concerned, they averred, it was a reversal of the earlier trend and reflected the de-industrialised status of Indian economy. They also recognised that the so-called favourable balance of trade consisting of excess of export over imports was not in India's benefit. It was rather a tailor-made condition for earning foreign exchange so that India could pay growing interest on its forced foreign debts, the so-called 'Home Charges' be paid, and the salaries and other earnings of the British in India be remitted in British currency. Thus, the trade earnings of India benefited Britain and drained India. Dadabhai Naoroji in 1895 declared that the export earning was 'mostly only the form in which the

increasing crushing tribute and the trade-profits and wants of foreigners are provided by the poor people of British India'. R.C. Dutt also pointed out that 'the Economic Drain from India for Home Charges compelled that country to export more than she could import'. This excess was forced and maintained even during the years of famine when the country itself needed foodgrains.

6.3.3 Emergence of Economic Nationalism in Colonial India

Economic Nationalism emerged in India out of the ideological contestation between the colonial government officials and the early nationalists. The late nineteenth century was the period when this ideological struggle was the most intense. The earlier optimism that world's leading industrial power would develop India in its own image gave way to despairing realisation that India was in fact regressing. After comprehensive and repeated analysis of each aspect of Indian economy, the early nationalists seemed to be reaching the conclusion that stagnation and decline of Indian economy was not due to oversight by the colonial masters but was integrally connected with the structure of colonial rule, that the 'British rule was economically injurious to India and perhaps it was designedly so' [Chandra 1966: 737].

The critique of the classical political economy and of the narrow economic policies of colonial regime provided the ground to develop the concept of a 'dependent colonial economy' along with the universalistic principles of nationalism. Ranade, in his writings of economics during the 1890s, criticised classical economics for being too individualistic and particularistic. He argued that it was developed in the specific context of Britain and was not universally applicable. He criticised the English economists for proposing laissez faire purely from an economic point of view without looking at the broader issue. The broader context consisted in taking into account 'the political and social elements'. And 'if political economy is to be anything more than schoolmen's metaphysics', it has to consider 'the higher interests and aspirations' of the people. The individualism and economism of the classical economics can be tamed only by subordinating it to the higher principle of the national and general interest:

'Individual interests are not the center round which the Theory should revolve ... the true center is the Body Politic of which that Individual is a member, and that Collective Defense and Well-Being, Social Education and Discipline ... must be the center, if the Theory is not to be merely Utopian'. [Quoted in Goswami 1998: 619].

What the nationalists desired was the development of a proper national economic policy which would serve Indian interests. They wished to propel India on to the path of modern industrial development. Overall, their economic outlook was bourgeois in character. But they did also speak for the masses of the peasants and workers. Their greatest achievement was to make 'the people of India conscious of the bond of common economic interests and of the existence of a common enemy and thus helped to weld them in a common nationalism' [Chandra 1966: 758].

6.4 SUMMARY

Economic Nationalism developed in India during the last three decades of the late nineteenth and the first two decades of the early twentieth centuries. Even

though we witness stirrings of such sentiments in the earlier period also, particularly in the 1840s, it was only in the late nineteenth century that it fully evolved. It was based on the realisation that the British rule was inimical to the economic interests of India because the economic policies of the colonial government were geared towards the benefits of the metropolitan country, that is, Britain. The early nationalists argued that India needed its independent national economic policies which would herald it on the path of modern industrial development. Through all means available at their disposal – newspapers, journals, speeches, books, lectures and political agitations – they constantly campaigned on this issue for almost five decades. Such concerted criticism of the colonial regime gave rise to an almost unified body of opinions on economic issues among the nationalist intelligentsia. The result was an unprecedented realisation among Indian people, particularly the middle classes, that India was a territorial unity and that its interests were common. As this realisation grew over the years, the foundations of Indian nationalism were firmly laid.

6.5 EXERCISES

- 1) What is economic nationalism? Discuss the views of its earliest proponents.
- 2) Who were the important economic nationalist thinkers in India? What did they think about colonialism?
- 3) Discuss the views of early nationalists in India on drain of wealth and lack of industries in India.