



CAECO023

Why in the News?

Vice President of India termed economic nationalism as quintessentially fundamental to India's economic growth

ECONOMIC NATIONALISM IN INDIA

What is Economic Nationalism?

Definition

Economic nationalism favors domestic control of the economy, labor, and capital formation

Origin

Friedrich List initiated the concept, advocating for industrial development through tariff barriers to protect infant industries

List's theory of 'national economics' differed from Adam Smith and Jean-Baptiste Say's doctrines

He emphasized the importance of the nation for prosperity, civilization, and power

Development of Idea

Emerged during British colonial rule and capitalist expansion

Early Economic Critiques of Colonial Rule

Raja Rammohan Roy and later intellectuals criticized British economic exploitation

Emerging Economic Nationalist Thought

Proponents like Dadabhai Naoroji, Mahadev Govind Ranade, and others criticized India's subordinate position in global capitalism

Criticized 'drain of wealth' theory, advocating for independent national economic policies

Economic Nationalism in India

Economic Nationalism Creating Atmanirbhar Bharat

Promoting domestic industry

Government schemes like PLI, Make in India, and ODOP promote domestic manufacturing

Participation in Global Supply Chain

Ease-of-doing-business reforms and infrastructure development ensure India's competitiveness in global supply chains

Strategic Autonomy

Building capacity in strategic sectors and strengthening multilateral partnerships

Research and Development (R&D)

Initiatives like National Research Foundation and Uchhatar Avishkar Yojana make India technologically capable and self-reliant

Conclusion

The decision on economic nationalism is situational

India aims to balance promoting domestic industries with remaining open to global trade

Economic Nationalism in India

The **Vice President** of India described economic nationalism as a core element crucial to the country's economic growth, emphasizing its importance in fostering **self-reliance** and **national development**.

Overview:

- **Traditional Understanding:**

Economic nationalism favours **domestic control over the economy, labour, and capital formation**.

- **Origin:**

Friedrich List is considered the initiator of economic nationalism.

List's theory of 'national economics' contrasted with **Adam Smith's 'individual economics'** and Jean-Baptiste Say's 'cosmopolitan economics.'

List emphasized the nation as an intermediary between the individual and humanity.

He believed **industrial development** was key to achieving national prosperity, civilization, and power.

His economic policy advocated for **tariff barriers** to protect infant industries.

- **Changing Nature:**

Modern economic nationalism focuses on the nation rather than specific policies.

It can adopt varying forms, including **economic liberalism** or **protectionism**, depending on the situation.

Evolution of Economic Nationalism in India:

➤ **Development of the Idea:**

Economic nationalism in India emerged in response to its **subordination** under **British colonial rule**. This period coincided with the first wave of globalization, which was marked by unequal exchanges — Europe exporting manufactured goods and importing primary products from colonies like India.

➤ **Early Economic Critiques of Colonial Rule:**

- The recognition of the negative economic impacts of British rule began in the 1830s through the writings of **Raja Rammohan Roy**.

➤ **Emerging Economic Nationalist Thought:**

- Key proponents included **Dadabhai Naoroji, Mahadev Govind Ranade, Romesh Chunder Dutt, Gopal Krishna Gokhale**, G. Subramaniya Iyer, G.V. Joshi, Bal Gangadhar Tilak, and Surendranath Banerjea.
 - They recognized **India's subordinate position** within global capitalism as a “**dependent colonial economy**” and criticized the processes of ruralisation and de-industrialization that India faced under British rule.
- **Drain Theory:**
- **Dadabhai Naoroji** introduced the ‘**drain of wealth**’ theory, which argued that India was subjected to a one-way transfer of resources to Britain, with no reciprocal economic or commercial benefit for India.

Economic Nationalism and Atmanirbhar Bharat:

Since gaining independence, India has implemented several policies that align with the principles of economic nationalism, contributing to the vision of an **Atmanirbhar Bharat** (Self-Reliant India).

1. Promoting Domestic Industry: The government has introduced various reforms to boost domestic manufacturing and services. These include initiatives such as:

- Production-Linked Incentive (PLI) schemes**
- Make in India**
- National Infrastructure Pipeline**
- Insolvency and Bankruptcy Code (IBC)**

Other initiatives like **Vocal for Local**, **One District One Product (ODOP)**, and support for **MSMEs** also play a vital role in strengthening local industries.

2. Participation in Global Supply Chains:

India is undertaking reforms to improve ease of doing business, enforce quality control, and standardize products, which enhance its competitiveness and integration into global supply chains. Key infrastructure development initiatives like **PM Gati Shakti National Master Plan, National Logistics Policy, Bharat Mala**, and **Sagar Mala Pariyojana** will further support this integration.

3. Strategic Autonomy:

India is strengthening its capacity in strategic sectors such as **defence, space, clean energy**, and **digital services**, while fostering multilateral partnerships. These efforts will reduce the impact of geopolitics and contribute to an independent foreign policy.

4. Research and Development (R&D):

The government is promoting R&D through initiatives like the **National Research Foundation**, **Uchhatar Avishkar Yojana (UAY)**, and **IMPRINT** programs, which aim to enhance India's technological capabilities and drive self-reliance.

Criticisms:

- **Trade Wars and Retaliation:** **Protectionist policies** can lead to trade wars, as countries retaliate with their tariffs, potentially harming global trade.
- **Economic Inefficiency:** Protectionism can lead to inefficiencies, as industries shielded from competition may **lack incentives to innovate** or improve productivity.
- **Impact on Global Supply Chains:** Economic nationalism can disrupt global supply chains, **increasing costs for consumers and businesses** and potentially leading to shortages of goods.

Way forward:

- **Foster Innovation and Technology:** Invest in R&D, support start-ups, and **protect intellectual property** to reduce dependency on foreign technology.
- **Develop Infrastructure:** Expand and implement programs like **PM Gati Shakti** and **Bharat Mala** to enhance connectivity and reduce logistics costs.
- **Simplify Business Regulations:** Streamline regulatory frameworks and reduce bureaucratic hurdles to improve **ease of doing business**.

Economic nationalism in India seeks **self-reliance** by promoting domestic industries, innovation, and sustainable growth. By strengthening **infrastructure**, **skill development**, and **trade**, it aims to reduce foreign dependency, enhance global competitiveness, and ensure balanced, inclusive **national economic progress**.

DO YOU KNOW?

- **Economic nationalism** advocates for a country's **right to pursue its economic policies** without external coercion, preserving its sovereignty.
- By sheltering local industries from international competition, economic nationalism can help preserve jobs and promote **industrial development**.
- Ensuring control over **strategic sectors** and reducing dependence on foreign entities for critical supplies can **enhance national security**.