

A Brief Economic History of Swadeshi

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Abstract

This paper traces the history of the swadeshi idea from its origins to the present day, identifies its political trajectory, assesses its impact on the Indian economy and outlines how it could be interpreted in the context of an independent, liberal democratic republic. It shows that swadeshi has always been a political project cast in economic terms and its empirical track record is far less impressive than its exalted place in the popular narrative. It concludes by arguing that India's national interest is better served by acquiring capability than self-reliance and most importantly, by embracing an open economy.

Keywords: Swadeshi, Economic Nationalism, Economic History, Import Substitution, Free Trade, Open Economy

Publication Date: 02 July 2021

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Part I – The story of a narrative

Prelude

“By June 1991, the balance of payments crisis had become overwhelmingly a crisis of confidence...A default on our payments, for the first time in our history had become a serious possibility. It became necessary to take emergency action...The Government loaded 20 tonnes of gold out of its stock to the State Bank of India to enable it to sell the gold abroad with an option to repurchase it at the end of six months. Reserve Bank of India (was allowed) to ship 47 tonnes of gold to the Bank of England in July.” – Economic Survey 1991-92. (T. Roy 2011)

It is hard to find a more damning official indictment of the economic policies of independent India, which came to a head in the spring and summer of 1991. There are many reasons why the proud Indian Republic was literally brought to its knees that year: policies of recent governments, the first Gulf War, the fall of the Soviet Union, and the resulting inability of the government to juggle macro-economic levers are the proximate causes. Yet it was recognised (Rodrik and Subramanian 2005) that the real causes lay deeper — in the economic models that India adopted since 1947, and even deeper, in the ideas that led to their adoption. Chief among these were socialism as a way to redistribute wealth, the centrality of government in controlling economic activity, and the achievement of “self-reliance”.

Despite being partly responsible for the crisis, the pursuit of “self-reliance” is almost always left out of the chargesheet. In fact, eminent economists of the time argued crisis came about because we did not “strive harder for self-reliance” (Y. Sinha 2007). Three decades later, “self-reliance” was back on the centre-stage of India’s economic policy agenda: in the form of the “Make in India” initiative in the Narendra Modi government’s first term and “Atma Nirbhar Bharat” in the second.

The ideas of self-reliance, self-sufficiency and indigenisation form part of the overall narrative of “Swadeshi”, a word that literally means “of one’s own country”, but is much more than that. Underlying the economics is a challenge to social norms and values. More than being concerned with the purchase and production of Indian-made goods, it is an expression of economic nationalism within an idiom of resistance to outside powers.

This paper traces the history of the swadeshi idea from its origins to the present day, identifies its political trajectory, assesses its impact on the Indian economy, and outlines how it could be interpreted in the context of an independent, liberal democratic republic. It is divided into two sections. After a discussion on the definition of swadeshi, the first section gives an annotated historical timeline of the idea, its expression, and its influence on economic policy. The second section curates the intellectual debate over swadeshi and self-reliance among the Indian nationalist elite in the 19th century and the policy establishment of independent India. The paper then concludes by situating the idea in the context of the character of the Indian republic and the policy imperatives of the 21st century.

Section 1 – A historical timeline of Swadeshi

Definition

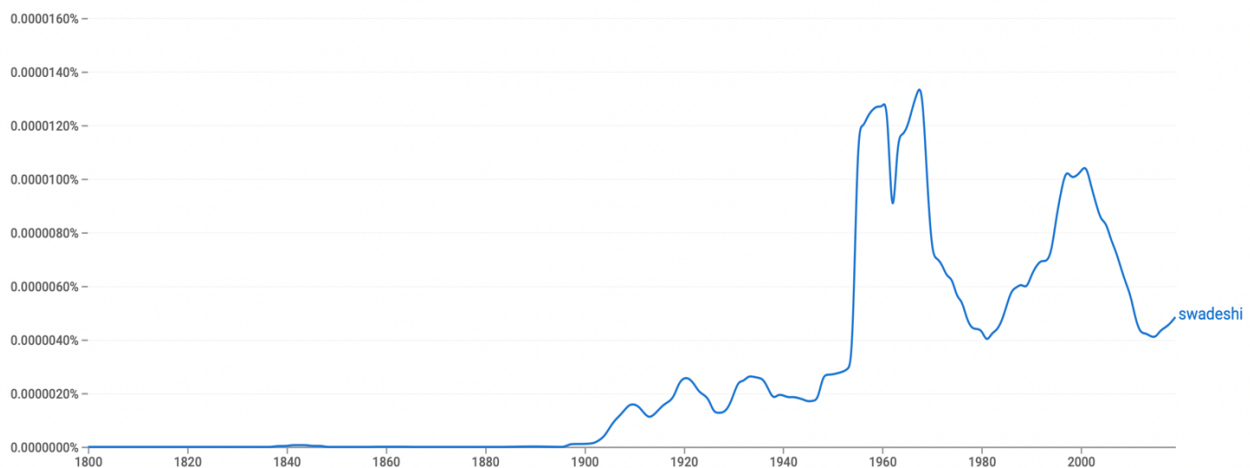
“Swadeshi” is a term that most people instinctively understand, yet it has meant different things to different people at different times.

According to Tirthankar Roy, it is “nationalistic self-reliance” (2020). Sumit Sarkar offers a more comprehensive and most accurate definition: “The sentiment — closely associated with many phases of Indian nationalism — that indigenous goods should be preferred by consumers even if they were more expensive than and inferior in quality to their imported substitutes, and that it was the patriotic duty of men with capital to pioneer such industries even though profits initially might be minimal or non-existent.” (2011). To Dattopant Baburao Thengadi, founder of the RSS-linked Swadeshi Jagran Manch, swadeshi is “the practical manifestation of patriotism...a broad-based ideology embracing all departments of national life.” (Mahajan 2020)

Gandhi offers perhaps the most extreme — and intellectually the most honest — definition. In his 1916 address to the Missionary Conference at Madras, he described swadeshi as “that spirit in us which restricts us to the use and service of our immediate surroundings to the exclusion of the more remote...I must restrict myself to my ancestral religion. In the domain of politics, I should make use of the indigenous institutions...In that of economics, I should use only those things that are produced by my immediate neighbours and those industries by making them efficient and complete where they might be found wanting.” (Appadorai 1974). Almost a century later, another Indian leader compressed this into a very succinct “Vocal for Local” (2020)

History

Figure 1: Occurrence of the term “Swadeshi” in books over the last 200 years.



Source: Google Books Ngram Viewer

Although Gandhi is recognised as among the most prominent advocates of swadeshi in the past century, it was the Swadeshi Movement of Bengal (1903-1908) — over a decade before his arrival on the scene — that connected the idea to India’s struggle for freedom from British colonial rule. That

movement, in turn, politically picked up the threads of swadeshi from even earlier intellectual and social reactions in several parts of the subcontinent to the establishment of the British colonial state in the middle of the 19th century. The earliest mention of the word “swadeshi” in the English language dates back to 1825, to the time when the East India Company’s rulers attempted social reforms in partnership with early Indian liberals like Raja Rammohun Roy (Google Books Ngram Viewer)

As Bipan Chandra notes “The idea of, and the agitation for, swadeshi are, in reality nearly as old as the rising national consciousness itself” (2016). In the family of ideas therefore, swadeshi like liberalism and nationalism is a grandchild of the Enlightenment (and perhaps a distant, estranged cousin of Communism).

Seven Phases of Swadeshi

Seven distinct (if sometimes overlapping) phases emerge while tracing the evolution of the swadeshi idea over the past two centuries: the proto-Swadeshi phase (1820-1857); the early phase (1857-1890) when it entered social consciousness in several parts of the country; the emergent phase (1890-1903) during which it was embraced by organised political associations across the subcontinent; the phase of mass political struggle for independence from British rule (1903-1947); the policy phase (1947-1992) when it became a goal of the Indian republic; the recession phase (1992-2016) when it was eclipsed by globalisation; and the current populist reprise (2016 onwards), where it has again been declared a national priority.

1. Proto-Swadeshi (1820-1857)

The earliest consciousness of the need to protect indigenous goods and industries is likely to have emerged as part of the orthodox Hindu reaction to the social reforms (like the abolition of Sati) promoted by Christian missionaries and liberal reformers like Rammohun Roy in the early 19th century, after the East India Company government began to enshrine them as the law of the land. Christopher Bayly sees an “early intimation” of swadeshi in an 1822 article in *Chandrika Samachar*, a conservative magazine, that complains that the foreign government had neither provided for training ayurvedic medical practitioners nor proper indigenous medical facilities (C. Bayly 2011).

In subsequent years, the advent of English education in 1835 and the proliferation of newspapers in Indian languages enabled individuals to acquire and spread political ideas and the developing national consciousness. Writing in a Pune Marathi publication, the English-educated Gopal Hari Deshmukh in 1849 was among the first intellectuals to advocate the use of Indian products instead of imported ones (Chandra 2016). It was mostly in this manner that the development of economic grievances continued alongside political and cultural ones in the years leading up to the uprising of 1857. Rebel manifestos of the period included accusations of how foreign imports had hurt native artisans. (C. A. Bayly 1986)

2. Early Swadeshi (1857-1890)

Following the brutal upheavals of 1857 and the transfer of power to the British Crown, swadeshi moved from idea to action. In Bengal, it found a champion in the form of “National” Nabagopal Mitra who, inspired by Rajnarain Bose, set up the National Paper, National Store, National Gymnasium, National School, National Theatre, and even a National Circus in quick succession in the latest 1860s. Significantly, he founded the “Hindu Mela” in 1867 “to promote national feeling and to inculcate a spirit of self-help among Hindus by promoting Indian products” (Sen 2010). Financed by the wealthy Tagore family, the annual festival ran up to 1880 and counted among its visitors, the young Rabindranath Tagore and Narendranath Dutta (later Swami Vivekananda), both of who made important contributions to the swadeshi discourse.

In the 1870s in Pune, inspired by Mahadev Govind Ranade’s lectures, Ganesh Vasudeo Joshi started shops selling swadeshi goods in addition to spinning yarn every day for his own clothing, a practice that Gandhi made famous four decades later (Chandra 2016). The decade saw the sprouting of swadeshi stores in many cities across the country, with railways, the telegraph and newspapers accelerating the spread of the idea. The government’s decision to abolish import duties on British cotton goods in 1882 added more fuel to the growing swadeshi fire, bringing Indian millowners into its fold.

One political mobilisation that featured swadeshi, boycotts and non-cooperation during this period was in Punjab in the 1860s, when Ram Singh, the Guru of the Namdharis, enjoined his followers to abjure everything British as he envisioned “driving the English out of Hindustan” (J. Singh n.d.). For the most part though, during this period, the swadeshi cause did not have an overt political instrumentality.

3. Emergent Political Phase 1890-1903

By the late 1880s, political associations began to take an interest in the swadeshi agenda. It first entered the deliberations of the Indian National Congress in 1891, but it was only in 1896 that it became a national cause, after the Government imposed excise duties on manufactured Indian cloth (Chandra 2016). In Bombay Presidency, Bal Gangadhar Tilak organised boycotts and public burnings of foreign cloth, attracting widespread public support across the country. In the event, the protests were insufficient to persuade the Government to lift the excise duties, which remained in place till 1925 (Encyclopedia of India 2020). It did, however, become a regular part of the Congress’s agenda in the 1890s, with exhortations, appeals and actions – albeit without a formal endorsement.

By this time swadeshi had already become a social proxy against what many saw as political “mendicancy”. As the temperature of nationalist sentiment outstripped the Congress’s appetite for confrontation with the Government, ‘atmasakti’ or “self-reliance and constructive work” became the new slogans. This involved starting swadeshi enterprises and stores, trying to organise education on autonomous and indigenous lines, and emphasising the need for concrete work at the village level. Such efforts at self-help, together with the use of the vernacular and utilisation of traditional popular customs and institutions (like the mela or fair), were felt to be the best methods for drawing the masses into the national movement.” (Sarkar 2011).

Most of the Indian capital in the mid-19th century was invested in land, agriculture, trade and arbitrage. The global economic changes of the time — the industrial revolution, abolition of slavery, the American Civil War, and the indigo and opium trade — did have an influence in changing the pattern of the deployment of Indian capital. The earliest Indian investments in industry were made in the mid-1860s. By the 1890s, nudged by swadeshi, the more entrepreneurial Indian capitalists started investing in cotton mills and consumer goods like soaps, locks and pharmaceuticals, as also in ventures in shipping and transportation.

4. The Mass Politics Phase 1903-1947

While swadeshi had been used as an instrument of protest against the colonial government and its policies at least since the Namdhari agitation in the 1860s Punjab, it was the partition of Bengal province that catapulted it into the pre-dominant method of mass protest. While historians contest both how much of a mass movement it really was and whether it was as effective as has been claimed, it is befitting that the anti-partition agitation in Bengal between 1903-1908 is described as the Swadeshi Movement. As Sarkar concludes, the movement leaves us with two contradictory impressions: “a sense of richness of promise, of national energies bursting out in diverse streams of political activity, intellectual debate and cultural efflorescence; and a feeling of disappointment, even anticlimax, at the blighting of so many hopes” (2011).

Indian goods, culture, art and education were energetically promoted in parallel with a boycott of imported goods in general, and British goods in particular. Implicit and explicit social coercion – and occasional violence – entered the scene, as people were exhorted to boycott foreign goods or face social ostracization. Although the movement – perhaps for the first time – extended across caste and religious lines in Bengal, it emanated from a Bengali urban upper caste core. By 1908, the movement subsided in the face of the colonial government’s political repression on the one hand, and riots and revolutionary terror on the other. Rabindranath Tagore, hitherto an enthusiastic supporter of swadeshi and nationalism, turned away from them due to what he saw as their perhaps unavoidable excesses.

But the agitation defined the main political themes, sides and personalities that dominated national life for the next four decades. Differences between the moderate constitutionalists and the extremists came to a head, with a formal split in the 1907 Surat session of the Congress. Albeit at the margin, revolutionary terrorism gained traction. The Muslim League was formed in 1906 and the Punjab Hindu Sabha in 1909. The Minto-Morley reforms of 1909 introduced limited elections and gave Indians a share of political power, setting the stage for representative government and democracy.

Gandhi arrived in India in 1915 and made swadeshi an essential part of all his politics. In typical fashion, he argued that swadeshi was a moral end in itself, even as it was clearly an instrument of political mobilisation and economic coercion. As described above, his conceptualisation of swadeshi was expansive, covering religion, politics and economics; celebrating a romantic self-sufficient village life, rejecting modern industry. Ahead of launching himself in national politics at the head of his first major political campaign – the agitation against the Rowlatt Act of 1919 – he set up the Swadeshi Sabha, where he experimented with ways to best promote the practice. The organisation fizzled out, but Gandhi, Satyagraha, Swadeshi, Charka, and Khadi became icons of the freedom struggle and influenced the thinking of generations of Indians.

In Bayly's view "It was Gandhi's genius that notwithstanding the incoherence of his formal economic and political thought, he was able to enlist around a single issue a huge range of beliefs, aspirations and popular symbols." (C. A. Bayly 1986). Despite such genius, Gandhi didn't persuade everyone: as we shall discuss in detail later, intellectuals such as Tagore, political leaders like Nehru and Ambedkar, and ordinary citizens like Kantilal Amratlal disagreed with various aspects of Gandhi's swadeshi philosophy (Guha 2018). Nonetheless, it was the latter that prevailed.

5. Policy Phase 1947-1992

As India headed towards independence, swadeshi began to move from being an instrument of protest to a principle of economic policy of the new republic. Aashish Velkar points out that "as swadeshi's role to promote Gandhian self-sufficiency among the masses faded by the 1930s, the swadeshi principle of protectionism and capital controls filtered into the various national plans that were drawn up between 1938 and 1944" (Velkar 2020).

Visveswaraya's plan, one of the earliest such initiatives, called for centralised decision-making and investment in large-scale heavy industries as a path to economic self-sufficiency. The Gandhian plan called for the exactly the opposite: decentralised decision-making and small-scale cottage industry. All plans led to swadeshi, including the Bombay Plan proposed by the country's prominent business leaders. In the Constituent Assembly, Mahavir Tyagi introduced a motion to enshrine swadeshi as a Directive Principle of State Policy. Consequently, and as a result of the astute balancing acts that characterised its making, the Constitution of India enjoined governments to promote cottage industries.

Perhaps the most influential of all blueprints was the one drafted by the Congress under Jawaharlal Nehru's leadership. It was drafted in the context of "the Great Depression of the 1930s and the decline in foreign trade resulted in disillusionment with capitalism and the urge towards self-sufficiency. There was also a fear of 'economic imperialism' replacing political imperialism if India encouraged foreign investment and undue trade dependency" (Rosen 2013). Thus socialism and swadeshi were to animate the economic policies of independent India for the next four decades.

According to Vijay Kelkar, if the objective of self-reliance did not explicitly appear as a policy until the Third Five Year Plan (1961-66) it was because drafters of earlier plans "took that to be axiomatic" (Kelkar 1980). By the Fifth Five Year Plan (1974-78) self-reliance had formally joined growth and redistribution as a basic social objective (Tendulkar 1974).

In addition to the "socialistic pattern of society", a mixed economy with a large role of the public sector, the 1947-92 phase saw import substitution as a policy tool that eventually became an end in itself. Foreign investment and trade were controlled. Undue consumerism was discouraged. Small-scale and handicraft industries were protected from competition from large domestic firms; in turn, these were protected from foreign competition. Administratively, these policies were implemented through regimes of industrial licensing, quotas, administered prices and foreign exchange controls. There was some easing of controls beginning in the early 1980s, but the overall framework remained in place until it was shaken apart by the economic crisis of 1991.

6. Recession Phase 1992-2016

As Figure 1 shows, the frequency of the word swadeshi in English language publications, which had peaked around 1965, hit a trough in 1980 – perhaps an indication of popular disenchantment with the idea. In response to the economic crisis of 1991, the government of PV Narasimha Rao and Manmohan Singh opened up the Indian economy, abolishing industrial licensing, reducing the scope of the public sector, devaluing the rupee, removing import restrictions, reducing tariffs and excise duties. Although the reformers continued to profess commitment to swadeshi, government policy through the decade of the 1990s cautiously embraced an open economy. What followed is well known: over the next 25 years India experience unprecedented economic growth, massively reduced poverty and saw the emergence of globally competitive indigenous firms in several sectors.

Both the Left and the Hindu Right opposed the opening up of the Indian economy, albeit for different reasons. Gail Omvedt noted that the “leftists are defending a state-dominated economy, the BJP with its hatred of ‘Nehruism’...are claiming to stand for some form of liberalisation. The official position is that there should be ‘internal liberalisation’ (freedom from government controls for industry within the country’) but not ‘external liberalisation’ (removing trade barriers and exposing ‘swadeshi’ industry to foreign competition)” (Omvedt 1993). When the BJP came to power in the late 1990s – on a pro-swadeshi platform (Wolf and Houseman 1997) – the Atal Bihari Vajpayee government trod a tenuous balance between ministers who preferred greater openness and influential members of the Sangh Parivar who adhered to their interpretation of swadeshi. The title of Yashwant Sinha’s book “Confessions of a Swadeshi Reformer” and the official embrace of the euphemism “disinvestment” to refer to privatisation indicates how the Vajpayee government executed the art of the possible (Y. Sinha 2007).

During the decade of the two UPA governments (2004-2014) the dominant policy narratives were of social justice and inclusive growth. Redistribution and sound macroeconomic management took priority over further liberalisation and structural reform of land, labour, administration and capital. Paeans were paid to swadeshi and self-reliance as usual, but neither the government nor the opposition took up its cause with any seriousness. As a prime ministerial candidate in 2014, Narendra Modi gave a non-committal response to a query on where he stood in the debate between pro-market reform and the Sangh Parivar’s swadeshi ideas (2014).

7. Populist Reprise 2016-present

“India First”, a feature of Modi’s 2014 manifesto, was more than a slogan. The economic policies of the Narendra Modi governments follow Omvedt’s description of the stance the BJP evolved in the early 1990s – encouraging of domestic business and entrepreneurship while being sceptical of international trade. The much publicised “Make in India” initiative exemplified this approach in the first term (Mehrotra 2020). The government liberalised foreign direct investment restrictions in many sectors, including defence, even as it hardened India’s position in the World Trade Organisation’s logjammed negotiations, and decided to stay out of the Regional Comprehensive Economic Partnership (RCEP) – at the risk of being marginalised in East Asian trade (Narlikar 2021). This was in the context of declining support for globalisation in the West, essentially due to the relative gains made by China, and to a lesser extent by India.

But it is in Modi's second term that the economic policy narrative dramatically shifted towards self-reliance and a resurgence in the popularity of swadeshi. The trigger was a combination of the impact of the Covid-19 pandemic and Chinese belligerence along the Himalayan frontiers. By disrupting global and national supply chains, the former made "vocal for local" a necessity through the year 2020. The government simultaneously turned it into a virtue. China's ill-considered aggression in Ladakh during the same year deepened public outrage to levels where calls for boycott of Chinese companies and imports became widespread. Many Chinese apps were banned. Imports faced greater official scrutiny and suffered delays. Chinese telecommunications equipment has been excluded from India's fifth generation networks on national security grounds.

In response to China's weaponising of the global supply chains it dominates, India joined the United States, Australia, Japan and other economies in a strategic initiative to shift them in ways that reduce vulnerability to Beijing. In the middle of 2021, after two centuries of ups and downs, swadeshi and "national self-reliance" rose to the top of India's economic agenda yet again, in the form of the "Atma Nirbhar Bharat" initiative.

Swadeshi had never really gone away. It just took a short break for a couple of decades, one on either side of the beginning of the new millennium.

Part II – Swadeshi and the National Interest

Situating Swadeshi

The timeline shows that the roots of swadeshi lie in the triple whammy encountered by 19th century India.

First, European colonialism resulted in the loss of political power to a foreign race and a sense of being dominated by the British overlords. Even if the Raj delivered better governance, integrated disparate provinces into a common market, invested in infrastructure, promoted social reform, and benefited Indian traders, it was resolute in keeping Indians as subjects and away from power. The contention that unrequited transfers of wealth to Britain impoverished India might not withstand the scrutiny of strict accounting (T. Roy 2019), but the drain theory nevertheless shows the British government's deliberate reluctance to admit qualified Indians into the corridors of political, bureaucratic and military power.

Part of the reason is that the rebellions of 1857 underlined the need to keep power concentrated in the hands of trusted British expatriates. It is difficult, however, to attribute a policy sustained over several decades to this reason alone. Britain saw itself as lord and the Indian colonies as subject – and the people of India were clearly aware of it. This perhaps explains the prevalence of an anti-British sentiment in many parts of India, including in those where the colonial administration was an improvement over native despotism. The seeds of Indian economic nationalism lay in the resistance to being ruled by foreign overlords and in the rejection of their norms.

Second, the era of globalisation and free trade of the mid-19th century affected economic players in different ways. Traders from communities that were capable and did not impose social restrictions on travel could benefit from national and international trade. The majority of the population, however, was unable to adapt to the changes in the international economic pattern and faced intense

competition from foreign imports. The colonial government was unconcerned about helping this population make the transition and improve its productivity and competitiveness. Contemporary experience suggests that there is some merit in the argument that it just did not have the wherewithal to attempt economic and social reform of the type necessary to equip Indian farmers, artisans, traders and industrialists to compete with their international counterparts (T. Roy 2019). In any case, there is little evidence to show that the colonial government ever had an intention to do so.

Third, the Industrial Revolution transformed the relative competitiveness of goods produced in Britain and India. Where the colonial consumer had to be coerced into purchasing British-manufactured goods through tariffs on domestic goods before the 1850s, the picture changed dramatically by third quarter of the century. Not only were imported goods – fabrics, machinery and consumer goods, for instance – better than domestic products, they were cheaper.

Why did India not industrialise in the 19th century? The straightforward answer is that the colonial government either actively discouraged it, or failed to create the environment for it. Again, this is likely to be due to both intention and lack of capacity. Another answer is that Indian society was unable to create effective mechanisms to convert savings into capital and allocate it effectively. Traditional investments in gold and land locked capital up in unproductive assets. Local moneylenders and trade financiers, usually belonging to specific communities, did not have the scale, incentives and instruments to aggregate and allocate capital into entrepreneurial industrial ventures. Rothermund points out that Meiji Japan's industrialisation was underpinned by the creation of effective financial institutions, a factor missing in colonial India (1993).

Why didn't financial institutions emerge in 19th century India? Consider this hypothesis: Indian society of the time lacked adequate social capital to enable the emergence of broad-based financial institutions. Contract enforcement outside the major cities was accomplished by traditional means, favouring in-group transactions over out-group ones. The competitive behaviour of business communities would not be fundamentally different from that of corporations. The objective would be to keep a business within the community networks and away from rivals. Thus the lack of bridging social capital limited financial transactions to certain communities and cities, with few capitalists having the scale and appetite for investments in unfamiliar businesses and entrepreneurs. Surplus capital would be invested in land, gold, and government securities.

It was in this broad context that the disempowered elites of a subordinate polity sought to change consumer preferences – the only area they had influence over. We see this in the early phase of swadeshi, which was mostly pursued through increasingly organised social mobilisation.

The paradoxical political power of the swadeshi narrative

Swadeshi was – and remains – a political argument. Economic nationalism is nationalism applied to the economy. Its proponents accepted that it would result in costlier products of lower quality. They argued that the price is worth paying in order to achieve nationalist goals.

This came out starkly during the Swadeshi Movement of Bengal when the boycott of British goods was designed to hurt British economic interests and coerce the Curzon administration to reverse the partition of Bengal. Disputing the dominant view that the movement led to substantial decline in imported goods in Bengal, A K Biswas shows that on the contrary, there was consistent increase in imports of cotton piece goods, sugar, spices, woollen goods, apparel and salt during the period 1903-

04 to 1911-12, registering a dip only in the 1906-07 (A. K. Biswas 1995). Liquor imports rose nearly 30% during that period, with consumers switching to German beer instead of British ones. He criticises the movement for coercive tactics and argues that farmers, lower castes, and Muslims suffered disproportionate losses on its account. After observing its descent into political extremism and communalism, a disenchanted Tagore wrote that “peasants were expected to buy inferior and costly goods and face Gurkha lathis in the bargain for the sake of a cause that must have seemed rather distant and abstract to them, and they were being asked to do all this by ‘babus’ who had treated them so long with contemptuous indifference or at best with condescension’ (Lahiri 2011).

As Sumit Sarkar concludes “A sense of anticlimax is in fact bound to haunt any historian of swadeshi Bengal. Partition was revoked, it is true, after six years; but by then Curzon’s original folly had become a minor issue for most patriots. The reforms of 1909, too belated and paltry to really satisfy even the moderates, were vitiated by the simultaneous encouragement they gave to Muslim separatism. Boycott had come and gone, leaving hardly a dent in the rising curve of foreign imports; swadeshi industries and national schools petered out...” (2011).

Even so, in the subsequent years, swadeshi became an even more important instrument of anti-colonial political mobilisation and an essential part of Gandhi’s toolkit. Apart from doubting its economic rationale, Tagore also criticised the technique as being “spiritually empty” and the charka – which became a metaphor for swadeshi ideology – as a symbol of unreflecting cultishness. “The charka does not require anyone to think; one simply turns the wheel of the antiquated invention endlessly, using the minimum of judgment and stamina” (Bhattacharya 2011). The political power of charka, however, lay not in its ability to generate adequate amounts of clothing for its spinners, but in giving them a sense of participation in the political struggle without having to leave their homes and risking arrest and incarceration.

Ambedkar, who took an independent line in politics and remained a fierce critic of Gandhi’s politics to the end of his life, made his position clear when he made it a point to appear in Western attire and famously used foreign fountain pens (Debroy 2020). His refusal to don homespun was as much a political statement as was Gandhi’s espousal of khadi. The swadeshi narrative encountered political resistance in Bengal and Bombay Presidency from social groups that bore its disproportionate burden and did not identify with many of its purported benefits.

Swadeshi also faced resistance from sections of indigenous traders and capitalists at least until the mid-1930s. Velkar points out that Bal Gangadhar Tilak’s initiatives to promote swadeshi goods and reject foreign imports “were generally ignored by local textile millowners”, and that Tilak and the mercantile elite shared a mutual antipathy. The attitude towards swadeshi was split along caste, religious and class lines, with non-Hindu communities and elite Hindu merchants staying away, and Marathi and Gujarati lower middle classes embracing it with great enthusiasm (Velkar 2020). Attitudes changed in the 1930s after swadeshi began to enter the policy phase, its meaning changing from demand-side rejection of foreign goods to supply-side industrial policy protecting indigenous firms from foreign competition.

If swadeshi and self-reliance has enjoyed enduring popularity over the past century, it is because it appeals both to popular sentiment and the commercial interests of Indian firms. The constituency for free trade and competitive markets remains weak and is easily disarmed by pointing to the East India Company, invoking colonial exploitation and evoking the imagery of sinister foreign

conspiracies against India's sovereignty and autonomy. In response to Ranade's argument in favour of importing foreign skill and machinery until India acquires indigenous capacity, the pages of Tilak's journal *Kesari* branded him "a traitor to his country" for singing praises of foreign capital (Dasgupta 1993). Polemic easily defeats well-considered economic arguments, especially those that are counter-intuitive (A. Biswas 1995). Despite ideological opposition to economic nationalism, the anti-globalisation narrative favoured by the Left has the same effect of delegitimising calls for free trade and market competition as being inimical to societal welfare.

By 2020, swadeshi found a new wind in contemporary politics as a form of popular resistance to China's geopolitical power. While there is no evidence that Beijing's foreign policy is vulnerable to these actions, raising barriers to Chinese imports not only eats into India's consumer surplus, but disproportionately affects those lower down the income pyramid.

The paradox of political swadeshi lies in its continued popularity despite there being little evidence of its political effectiveness, and full knowledge of the burden that it imposes on the weakest segments of society.

Nationalist economic criticism of economic nationalism

Dominant as it has been for nearly two centuries, both the economic and political case for swadeshi has been contested in elite discourse within the broader public sphere. Rammohun Roy's espousal of free trade – which in his context meant the abolition of the East India Company's monopoly – foreshadowed the swadeshi idea and contributed to its emergence in the form of native Bengali reaction to early Company rule. It is understandable that there should be little native opposition to swadeshi in its early phase for it was itself in opposition to the dominant policy narrative of empire and free trade.

It was in the years leading up to its political emergence that there began a serious debate on the merits of the idea. Bankim Chandra Chatterjee, Gopal Ganesh Agarkar, and Ranade were the most prominent Indian critics of the nationalist economic narrative and were unpersuaded by the "drain theory" that underpinned the swadeshi idea. Chatterjee pointed out that the evidence shows that wealth was actually increasing in Bengal due to better rule of law and increase in the volume of trade. Foreign competition had changed the pattern of trade creating both winners and losers, and those who were not competitive ought to take up different trades (Dasgupta 2002). Agarkar ridiculed the fervour for Indian products merely on account of their native origin as a 'misplaced sense of patriotism' and that it was 'illusory economics' to argue that people benefit from buying a more expensive product just because it is swadeshi (Pande 2021).

Ranade saw the drain theory as a political red herring best left to politicians. What needed attention were the more serious impediments to India's industrial progress – organisation, leadership, banking systems, and a trained workforce (Dasgupta 2002). He identified overdependence on agriculture as the primary cause of poverty, and industrialisation and trade the solution. While the "permanent salvation of the country depends upon the growth of Indian manufactures and commerce and that all other remedies can only be temporary palliatives", this was to be achieved in an open economy (*ibid*). India needed foreign knowledge, capital and markets, and could not afford to cocoon itself into an autarky.

Chatterjee was a staunch nationalist, one of the earliest to speak out against British rule and the author of the poem *Vande Mataram* that became identified with 20th century freedom struggle. Despite right-wing allegations, Ranade and Agarkar are best described as liberal nationalists. It is therefore clear that there was a sophisticated economic debate on swadeshi among nationalists – before it was elevated into an unquestionable nationalist dogma at the turn of the century.

A few decades later, another nationalist was unimpressed by the autarchic logic of extant swadeshi: Jawaharlal Nehru. Writing in 1935 he argued that “...many of Gandhiji’s activities might lead one to think that he wants to go back to the narrowest autarchy, not only as a self-sufficient nation, but almost a self-sufficient village. In primitive communities the village was more or less self-sufficient and fed and clothed itself and otherwise provided for its needs. Of necessity that means an extremely low standard of living.” And while it might be possible that village industries might lead to slight improvement in the living standards of the masses, “we are tied up, as every country is tied up, with the rest of the world, and it...is impossible to cut adrift. We must think, therefore, in terms of the world, and in these terms a narrow autarchy is out of the question” (A. Appadorai 1973). He held it “undesirable from every point of view.”

Nehru expressed his opposition to Gandhi’s economic ideas within the bounds of political allegiance. It was also nuanced. His disagreement with Gandhi’s extreme swadeshi apart, he was as much a votary of “self-reliance” as other political and business leaders of the time. He might have been responsible for changing the effective definition of swadeshi changed from boycott and Gandhian self-sufficiency to the ownership of capital by Indians. It was a smooth transition from there to the adoption of self-reliance as a key economic goal of independent India. Import substitution, foreign exchange controls, a prominent public sector and a deep suspicion of foreign trade were seldom questioned by the policy elite in the Nehru years.

One note of dissent was from B R Shenoy – who had little influence on policy, and was marginalised by the political establishment for his labours (Bauer and Shenoy 1998). Shenoy argued that exchange controls and import restrictions harmed India’s growth and development by misallocating capital, hurting the balance of payments, and transferring incomes to beneficiaries of import licenses (P. Sinha 1970). In a 1970 critique of the first fifteen years of the planned economy, Jagdish Bhagwati and Padma Desai showed how protectionist policies created inefficient investment decisions, kept uncompetitive firms in business, and allowed the beneficiaries of protection to enjoy monopoly power and earn supernormal profits. Such firms also had little incentive to explore export opportunities and foreign markets (Bhagwati and Desai 1970). While the government establishment accepted the outcomes of the planned model had been suboptimal, they nevertheless swept aside the criticism as being unaware of ground realities (M. Singh 1972).

Quo Vadis

Swadeshi’s greatest success has been in its ability to mobilise public opinion towards a political objective. It can be argued that swadeshi sentiment resulted in the promotion of Indian crafts and industries in the late 19th century, and that independent India’s pursuit of self-reliance created a modern industrial core. Now as in the past, the sentiment has sparked a spirit of entrepreneurship and spurred investment in manufacturing. Counterfactual arguments are impossible to prove. It is

difficult to prove whether swadeshi and self-reliance created new investment or merely shifted it to import substitution.

It is important, however, to ask what the opportunity cost of swadeshi was – and is – before arriving at a definitive judgement. Nationalists must be concerned with economic outcomes, rather than be wedded to dogmatic policy prescriptions. Strengthening a nation requires the rapid acquisition of widespread material prosperity, and swadeshi and self-reliance must be subject to critical examination. India's economic trajectory clearly shows that Ranade was right: Self-reliance is best achieved in an open economy.

The burden of boycotts and import restrictions falls disproportionately on those with lower incomes, subtracting a bigger share of their disposable incomes and savings. Neither nationalism nor patriotism can condone hurting the most vulnerable members of one's own population in the expectation that doing so will coerce a foreign government. The imperative against import controls is categorical even if the distributional effects are ignored. If the latter are included in our analysis, import restrictions amount to coercive transfers from consumers to domestic capitalists. Where the latter are relatively better off than the former – as is the case in India – such transfers are regressive in nature.

India's experience over the past century offers the strongest argument against protectionism, even of "infant industries" in the interest of self-reliance. Import controls are sought to buy time for domestic firms to gain scale and competitiveness. However, the "right time" for opening up never arrives, because the world moves ahead in the meantime. As Bhagwati and Desai showed as far back as 1970, sheltering domestic firms from international competition only imposes higher costs on consumers, reduces savings and investible surplus, and coddles the holders of licenses to diversify into other protected industries. The fate of the automobile industry before and after the liberalisation of 1992 offers stark evidence of the relative performance of protectionist and open economy policies. A new form of the protectionist argument projects ambition to create national champions, along the lines of South Korean *chaebols*. Unfortunately, scale doesn't change the fundamentally flawed logic, only exacerbates it. If protectionism increases rent-seeking and corruption, promoting national champions risks policy capture. As Shenoy warned, the risk is to liberal democracy itself. It is possible to end up in the unintended Korea. After all, *juche* ("self-reliance") is the state philosophy of North Korea.

Geopolitically too, it is an open-economy that offers the pathway to greater power and influence (Baru 2002). A protected economy holds little interest for other countries, and thus loses the ability to promote its interests. Its foreign relations are characterised by economic disputes and conflicts, and before long, its elites become caught up in a siege mentality. India's experience before and then in the years following the 1992 reforms is instructive: Until the 1980s, India was considered a Third World 'developing country'; by the late 1990s, it became an emerging economy and a rising power.

If swadeshi does not do too well in the economics test, is there – as Gandhi asserted – a moral case for it? Individuals are entitled to live by their own values, but if swadeshi is to be a public virtue the case for it must be made on non-arbitrary grounds, employing reason. Utilitarianism indicates that there is no special morality in preferring local products. On the contrary, intentionally subjecting others to avoidable suffering is little moral justification. If there is a moral argument, it is in favour of rapid economic growth that raises incomes, living standards and life expectations of the people of

India. Guha highlights a letter to Gandhi by one Kantilal Amratlal, accusing the great leader of hypocrisy and chauvinism. Rejecting the notion that it was sinful to use imported goods, the correspondent stated that national pride “is not the ultimate sentiment” and Gandhi’s vision was narrow for “country and life are transient, not eternal” (Guha 2018).

Swadeshi, like satyagraha – the other famous instrument of the Gandhian toolkit – needs to be reviewed in the context of a liberal democracy. Ambedkar described protests and civil disobedience as a “grammar of anarchy” in a free republic, where constitutional methods are available. Similarly, the political case for swadeshi is weak in an independent liberal democracy where there is no colonial power to resist, where foreign companies do not enjoy special privileges, and where trade policy is in the hands of a popularly elected government.

Furthermore, few proponents of swadeshi are clear about exactly how local it should be. India is a subcontinent and each region has its own cultural consciousness and identity. Should the swadeshi principle operate at the sub-national level? Only Gandhi is intellectually honest in answering this question in the affirmative, and his answer undermines national unity. If states, districts and villages enact laws or socially determine to prevent trade across their boundaries, India will turn into a mere geographic entity. Not only does protectionism, nativism and localism result in inefficient, sub-optimal, and unsustainable firms and polities, but – as Tagore feared – they lead to the shrinking and the closing of the mind.

Does swadeshi have a place at all in the future life of a liberal democratic republic? Yes, as a form of social consciousness, freely held, promoted, and acted upon by individuals to whom it appeals. Consumers and private investors have the economic freedom to exercise their choices and preferences. Recall that “National” Nabagopal and his patrons did not need the permission or the support of the Bengal government to produce, promote, and consume swadeshi goods. Market economies have numerous ways of changing consumer behaviour and driving consumer preferences towards desired causes. As with, say, organic products, voluntary swadeshi also allows the discovery of the premium people are willing to pay for their preference. However, other than in strategic areas, there is no case for promoting self-reliance through tariffs and import controls.

Two centuries on, the compass of economic nationalism is better pointed to *samarthya* (capability) rather than swadeshi. Capability does not mean everything must be produced within the borders of one’s own country, even if it can be. Rather, it suggests the power to access whatever is desired regardless of where it is produced. *Samarthya* is more than self-reliance. It is achieved through rapid economic growth and free trade. “We must think, therefore, in terms of the world.”

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