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## Kautalya the most efficient economist

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### Abstract

Historically, Indian economic thought can be divided into four periods. They are Ancient Economic Thoughts, Medieval Economic Thought, Nineteenth Century Economic Thought and Twentieth Century Economic Thought. Information regarding ancient economic thought is lying scattered in the old Indian scriptures, such as, Vedas (Rig, Sama, Yajur, Atharva), Upanishads, Brahmanas, Epics (Rāmāyana, Mahābhārata). Smṛities (Particularly those of Manu, Yājñavalkya, Śhukra, Vidur, Kāmandaka and Nārada). Kauṭilya was the important economic thinker, whose *Arthaśāstra* has been considered the most authoritative work on ancient economic thought.

**Keyword:** Kauṭilya, economist, arthaśāstra, puruṣārthas, wealth, vārtā, kāma, artha, dharma, krisi, paṣupāla, vānija, janapadanivesa, durga, setu, rashtra

### Introduction

Nama Śhukra Bṛihaspatibhyāṁ. Kauṭilya began writing the book on Arthaśāstra after praying to Brihaspati the teacher of the Gods and Sukrāchāya – the teacher of the demon. He wrote in the book, the various ways one can reign control over the Earth and the wealth of the Earth, how to gain profit over it, how to keep it well established and safe so that there is good administration, so that comfort is provided, so that peace reigns, so that there is prosperity, so that for generations together people live happily, so that respect and prestige is prevalent and salvation can be attained in the end. Knowledge is very essential to gain all the above things through its proper management. In Kautilya period state economy is based on three vocations such as agriculture, cattle-tending and Trade. The three together constitute vārtā, a word obviously derived from Vṛtti, livelihood. Kauṭilya was the Chief Minister of Chandra Gupta Maurya (4th Century B.C.). His *Arthaśāstra* provides an authoritative account of the political and economic thought that prevailed in ancient India. Dr. Shyama Shastri's discovery of *Arthaśāstra* in 1905 has aroused wide and enthusiastic interest in the Indian ancient thought

### Subject

Main economic ideas as elaborated in the *Arthaśāstra* are as follows: -

#### a) Attitude towards Wealth

The ancient Indian economists conceived of wealth as having four qualities, viz materials, consumable, appropriate and transferable. The general attitude was to regard material wealth not as an end in itself but as an important means to the objectives. (Puruṣārthas) of life. For an individual, acquisition of wealth is beneficial if it is acquired for maintaining a good wife, a son, or a friend; or for giving away (charity). For a country, material wealth is required (A) To maintain the social structure, the organization and institutions of the community, (B) To provide means and opportunities for each individual to live a decent life, (C) To ensure self-expression, self-fulfilment, self-realization and thus, (D) To achieve salvation.

#### b) Conception and Division of Economics

In ancient India, Vārtā and *Arthaśāstra* were the two terms used for the science dealing with the subjects having large economic content. Vārtā has been defined as a branch of knowledge dealing with agriculture; commerce and cattle breeding. Later on, the scope of Vārtā was extended to include the additional subjects of money-lending and artisanship. *Arthaśāstra*, which became popular since Kauṭilya, covered a much wider field than Vārtā did. It included Kāma, Artha and Dharma (aesthetic, economic and religious aspects of worldly life) as separated from Mokṣ (or the subject related to non-worldly life). In modern terminology, *Arthaśāstra* is a combination of jurisprudence, politics and economics.

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Sukra defined *Arthaśāstra* as 'that science which describes the actions and administration of kings in accordance with the dictates of revelation and of law as well as the means of livelihood.

In the ancient period, there was no one book that dealt with all fields of economics. Different books contained different fields. For instance, production and exchange have been treated in *Arthaśāstra* and consumption and distribution are found in the Dharam Shāstra and in Buddhist and Jain literature.

### c) Consumption

The ideas of consumption in ancient India were based on the doctrine of the four ends of life. i.e., Dharma, Kama, Artha and Moksha. Human conduct was governed by the competing claims of the psychological, economic and ethical ideals. While freedom of an individual for higher aims of life was recognized, but, for the purposes of consumption, the subordination of the individual to the family was emphasized. According to Kautilya, "When a capable person other than an apostate or mother neglects to maintain his or her child, wife, mother father minor brothers, sisters, or widowed girls, he or she shall be punished with a fine of twelve panas."

### d) Production

The ancient thinkers seem to have recognized the four factors of production. They are land, labour, capital and organization. (A) Land: Land was regarded as the source of all wealth. For Land even Kings have laid down their lives. (B) Labour: The importance of labour was clearly recognised. As Kautilya says: - "An employer not taking work from his labourer or an employee not doing his employers work shall be fined 12 panas." That labour was considered unproductive which failed to achieve its objective. (C) Capital: The importance of capital in production was visualized. The high rates of interest mentioned in the law books show that capital was scarce in those days. (D) Organization: Brihaspati is of the view that the contribution of supervision in production is much more than that labour of craftsman.

The phase from 325 to 187 BCE is well known to have been dominated by the Mauryan Empire in early Indian history. It was a Pan-Indian empire. Such a large empire was supported by the large and permanent Army as well as the large bureaucratic administrative system. These two things naturally necessitated the availability of a huge number of resources. This led the Mauryan ruler to adopt control over the economic activities of the phase. This was an unprecedented economic scenario in early Indian history. As usually, the economic activities of the period were related to both agricultural and non-agricultural productions which led to trade and commerce also.

According to *Arthaśāstra*, three principal vocations are recognized as providing men with the means of livelihood, namely Krishi (agriculture), Paśupāla, (Cattle-tending), and vānija (Trade). The three together constitute vārtā, a word obviously derived from Vrtti, Livelihood. Agriculture and animal husbandry are given a place of importance and pride in the ancient Indian economy. Agriculture and cattle breeding from two most important components of vārtā.

The state endeavoured hard to develop and protect agriculturists from everything that reduces their efficiency. (A) "Lands prepared for cultivation shall be given to tax payers only for life." (B) Unprepared lands shall not be taken away from those who are preparing them for cultivation. (C) 'Lands will be confiscated from those who do not cultivate

them and give to others. (D) If cultivators pay their taxes easily, they may be favourably supplied with grains, cattle and money. (E) The king shall bestow on cultivators only such favour and remission as will tend to swell the treasury, and shall avoid such as deplete it. (F) "No ascetic other than a vanaprasthi (Forest-hermit)", no company other than the one of local birth and no guilds of any kind other than local co-operative guilds shall find entrance into the village of kingdom. (G) Agricultural scientists were to be employed on crown lands. An agricultural scientist must be possessed of knowledge of the science of agriculture dealing with the plantation of bushes and trees. (H) Interest of the cultivator as a seller was protected by restricting traders from lowering agricultural prices and by fixing fair prices.

### e) Janapadanivesa

"There can be no kingdom without a country or territory." In this connection we find the state to have taken another important step and that was the state policy of creating 'agrarian settlements' (Janapadanivesa) mainly with sudra cultivators. In the *Arthaśāstra* of Kautilya we find Janapada to have been considered as the third element (Tṛtiya Prakṛti) among the seven elements which constituted the state. Moreover, the *Arthaśāstra* makes us aware of the fact that the Janapada element was a resource (anapada Sampada), particularly agrarian resource for the state. We find that it signified agricultural resource. Therefore, the Mauryan authority pursued a policy in order to utilizing the agrarian potentialities of the land. The Janapada was therefore created in that area which either had no population or was deserted. The anapada crowded area within the kingdom or by bringing people from outside. We learn from scholarly discussions that the Maurya kept a newly created Janapada under their absolute control. At the sometime the king according to Kautilya was also to provide the people of a newly created Janapada with benefits such as the exemption or decrease of revenue, the distribution of agricultural implements like seeds, cattle, money etc among the peasants on the conditions that they would return those according to their convenience. We learn that this was essentially similar to agricultural loan. Possibly this policy was thought of in order to attract people to a new Janapada. But it was also economically motivated. We find that this policy of dispensing favour was useful till it was helpful for the enhancement of Kautilya the king was advised to maintain the old Janapadas and to create new Janapadas. For, it was very important for agricultural production and therefore, no entertainment was allowed in the Janapada. The authority to distribute land in such settlements lay with the state. For, the fallow land was prepared for cultivation with the assistance of the state. In these settlements we find two types of land such as the land that yielded revenue (Karada) and land that was free of rent (niskara). The policy of Janapada nivesa's a programme was important to the king from the point of economic interest to the royal exchequer.

### f) Trade

Elaborate trading regulations were made to ensure the efficient working of markets keeping in view the general interests of public: (A) Exploiting traders were warned. 'Merchants who conspired either to prevent the sale of merchandise or to sell or purchase commodities at higher prices shall be fined.' (B) Regarding the necessities of life or comforts in common demand, consumer's interest was protected through measures, such as, prohibiting the

adulteration of commodities, the imposition of distinguishing marks, the preparation of correct manifests, and the return within a specific period of the improper articles. (C) Charges of the middle men and the profits of the traders were fixed. As Kautilya said, "The superintendent of commerce shall fix a profit of five percent over and above the fixed price of local commodities and ten percent on foreign produce."

### Foreign Trade

Foreign trade has always been essential of any economy. Kautilya recognized that foreign trade is goods and services is a major vehicle for increasing the state wealth. He said that foreign trade should be encouraged by providing some incentives such as exemption from taxes so that foreign traders to make a profit. He gave very much importance to imports. He further said that foreign trade was helpful to increase the supply of those goods which might be available domestically. Through imports a state could be obtain goods more cheap from foreign success. He says that it is beneficial for the different kingdoms when the product being imported is cheaper than those can be obtained domestically. He recognizes that trade based on the principal of comparative advantage would be beneficial for both exporting and importing nations. Trade is an important source of revenue for the Treasury. Kautilya supports the use of tariffs, both export and import duties. Kautilya advocates attracting foreigners who possess good technical knowledge. He supports the use of tariffs, both import and export duties. He suggests heavy taxation on those foreign goods which are items of luxuries and on the other hand on the articles of common consumption light duties are imposed. Any item which is highly beneficial for the country should be free from any import duties. He was the first person to discuss the passport is necessary to cross the boundaries.

### g) Distribution

That the problem of distribution was concerned would reducing inequalities of wealth and property, harmonising the rival claims of the individual and the community, and ensuring just wages, just rent and just interest or profit. Two fundamental principles of distribution were followed. (A) Each individual should be remunerated according to the principal of productivity. (B) Each remuneration should be based on the personal and human needs of the individual.

### 1) Rent

The ancient economic writers based the claim to rent on two conditions: (A) Scarcity of arable land, and (B) Productivity.

### 2) Interest

Charging of interest was justified on the ground that capital was productive, but high interest rates were not approved. No interest was allowed on mortgaged property. Kautilya was in favour of the regulation of the interest rate and suggested as a general rule, 15% as the just rate of interest.

### 3) Wages

The ancient thinkers recognised the dignity of labour. They also approved of various incentives to ensure adequate supply of labour. Various methods for the regulation of wages and working condition of labour were suggested. Regarding the determination of wages, the following rules were followed: "A labour should be remunerated according to his productivity and qualifications and wages should be such as

would maintain the labourer and his family in tolerable conditions."

### h) Private Property

The rights to private property both in movable and immovable was recognized. The right in land was transferable, saleable enjoyment of this right was subject to the law of the land.

### i) Public Finance

The state required sufficient revenue for meeting its expenditures on administrations, salaries of ministers, defence, maintaining store-houses granaries, acquiring valuables etc. Main sources of revenue were land tax; customs and excise; taxes on salt, monopoly and property; fines; profits of state factories; revenue from crown monopolies in gambling; the sale of intoxicants; the manufacture and sale of salt and saffron; the trade in horses, elephants and fine wool; port dues and control; etc. Tax today is defined as a compulsory levy by the state, whereas the ancient economists considered it a tax only when it is collected for spending on proper occasions and for proper reasons and not for being squandered away by a tyrannical government. Tax is simply a reward of the king for performing his duties toward the public. All efforts should be made to increase the treasures of the state. Taxation, wastage, faulty collection, inadequate management reduce treasure and should therefore, be firmly repressed. To make the financial system more effective, a system of rewards for those clerks and officers who did their duties honestly and efficiently and of punishment for defaulters was evolved. Attempts were made to adjust the tax burden so as to cause the least inconvenience to the tax payer and at the same time get the maximum possible returns for the state, with the least loss to the tax payer. While levying taxes, two rules were kept in mind by the authorities: (A) A tax should be levied once a year, and should not prove burdensome. (B) Tax should be levied according to the ability to pay of the tax payer. Whereas Sukra was in favour of balanced budget, i.e., regulating expenditure of the state according to its income, Kautilya even recommended forced loans for meeting deficit budgets. Kautilya mentioned three kinds of incomes from taxes: (A) Income from taxes on commodities produced in the country, (B) Income from taxes on commodities produced in the capital and (C) Income from taxes on imports and exports. Taxation and revenue collection comprise one of the most significant and important aspects of any system of administration and governance. The basic structures of taxation ultimately providing for revenue collection for the state machinery are the basis of state function. Kautilya discussed the methods of revenue collection along with describing the modes of taxation with specification of levying normal and additional taxes in different conditions and on different categories.

### j) Revenue collection

The collector-General shall attend to (the collection of revenue from) forts, (durga) country parts (rāṣṭra), mines (Khaṇi), building and gardens (Setu) forests (Vanam), herds of cattle (Vraja) and roads of traffic (Vanikapatha).

The classification of revenue collection is as follows-

#### Durga

Tolls, fines, weightage and measures the town clerk (nāgarka), the superintendent of coinage, the superintendent of seals and passports, liquor, slaughter of animals threads, oils, ghee, sugar (Lakṣhaṇādakṣa), the state gold-smith

(Sauvarṇika), the ware house of merchandise, the prostitutes, gambling, building sites (vāstuka), the corporation of artisans and handicrafts men, the superintendent of golds, and taxes collection the gates from the people (known as) Bahirikas under the head of forts (durga).

### **Rāshtra**

Produce from crown lands, portion of produce payable to the government (bhāga), religious taxes (bali), taxes paid in money merchants, the superintendent of rivers, ferries, boats and ships, towns, pasture ground, road-cess (vartane) ropes (raju) and ropes to find these (chorajja) come under the head of country parts.

### **Khaṇi**

Gold, silver, diamonds, gems, pearls, corals, conch shells metals (louha), salt and other minerals extracted from plains and slopes come under the head of mines (khaṇi).

### **Setu**

Flower gardens, fruit garden, vegetable gardens, wet fields, and fields where crops are grown by sowing roots for seeds (i.e., sugarcane crops etc) come under Setu.

### **Vanam**

Game forests, timber forests, elephant forests are Vanam.

### **Vraja**

Cows, buffaloes, goats, sheep, asses, camel, horses, and mules come under the head of herds (Vraja).

### **Vaṇikpatha**

Land and water ways are the road of traffic. All the above stated heads form the body of income (ayasariram). The mouth from which income is to issue (ayamukha) is comprised of capital (mula), share (bhaga), premise (vyaji), gateduty (parigha), fixed taxes premia on coins (rupika) and fixed fines as several forms of revenue.

### **Conclusion**

Such system in the economics of in the monarchy proved Kauṭilya to be a prominent-economist. By such management in the economic system there was financial growth and the development of the state. So, Kautilya was considered to be the greatest economist at that time. The reign of Chandragupta Maurya was called to be a golden age only for him and the As of Kautilya was treated as the constitution of the ancient India. If the economic system of Kautilya is accepted in the modern democratic India there will be financial growth and consequently she may become well developed and the most famous in the world.

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