

Relevance of Kautilya's Arthashastra in Modern Economics

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Abstract: *The "Arthashastra" by Kautilya is essentially a text about state administration. There are fifteen books in the Arthashastra. The first five of them deal with internal administration, the following eight deal with ties with neighbouring nations, and the latter two are of an ad hoc nature. Kautilya's Arthashastra placed emphasis on two overarching goals: resource maximization and optimal management. This essay makes an effort to connect his economic theories from the fourth century B.C. with their contemporary applications. The entire study demonstrates that Kautilya's economic theories are founded on specific scientific foundations. A wonderful example of establishing rules for state management is Arthashastra. His economic theories are still relevant today. Therefore, this great leader and philosopher deserve a special place among the greatest economic thinkers in history.*

Keywords: Administration, resources, management, maximization

I. INTRODUCTION

Aristotle's tutor Kautilya, also referred to as Vishnugupta and Chanakya, lived during his lifetime. His well-known treatise, "Arthashastra," is essentially a manual for managing the state and a guide to methods for acquiring and preserving wealth. Although there is disagreement among researchers over the precise date of his work, the majority locate him in the Fourth Century B.C., during the reign of Chandragupta Maurya, a renowned Indian ruler who is credited with having ruled India for a considerable amount of time. According to an examination of pertinent literature, Kautilya played a key role in state administration while serving as a minister in Chandragupta's reign. He was rumoured to have continued to play a significant role in the state's liberation from the Nanda dynasty's oppression.

Like the works of western economists, Kautilya's famous treatise "Arthashastra" did not just discuss financial or wealth ideas. Wealth was interpreted in a very broad way by Kautilya. According to Kautilya, wealth is vital for a state or king to maintain its sovereignty, but the management of wealth, or resource management in modern parlance, is equally crucial to uphold the emperor's sovereignty. Kautilya always emphasised that the king should keep his citizens content and shouldn't enforce any oppressive laws unless an emergency arises (Sarkar, 2000). A strong and rich kingdom would be able to defend the interests of the people against an invasion by other kings, he reasoned, but even a strong emperor cannot exist without his people being content and prosperous.

Therefore, Kautilya's Arthashastra placed emphasis on two overarching goals: resource maximization and also their optimal administration, which included resource-gathering techniques that may lead to the greatest prosperity without undermining economic incentives. Even though he did not explain economic theories in detail, his discussion of creating the rules of statecraft made subsequent economists conclude that he was well-versed in some basic economic concepts.

1.1 Objectives of the Study

The above research aims: -

1. To study and analyze the economical aspect of Arthashastra.
2. To connect ancient economic strategies to the present times.
3. To study and understand the contribution and relevance of Chanakya's concept of Economics to the modern age.

II. RESEARCH METHODOLOGY

The proposed study is based on primary and secondary data collected through various books and journals. Review and analysis of various books available on Arthashastra and Kautilya's teachings had been done in order to relate it with the modern economic scenario and thereby arrive at ways how Arthashastra is relevant to modern economics.

2.1 Data Collection

1. **Primary Data:** The primary data had been collected through personal visits to people who have expertise in the field of Kautilya and Arthashastra. Interviews had been taken with various economists in the Mumbai region.
2. **Secondary Data:** Secondary data had been collected through various books, journals, and articles on Arthashastra

2.2 Hypothesis

To understand the concept of Economics which was explored thousands of years ago in the 'Arthashastra' and whether the same is applicable in the contemporary era.

2.3 Arthashastra

There are fifteen adhikarans, or volumes, in the "Arthashastra" of the Kautilya. The first five of them deal with internal administration, the following eight deal with ties with neighbouring nations, and the latter two are of an ad hoc nature. Book 1 focuses on the monarch, including his upbringing, the selection of ministers and other state officials, the daily schedule that the king must adhere to, and his safety and security. Book 2 includes a thorough overview of state activity in agriculture, mining, leisure, and other areas, as well as the responsibilities of the various executive offices of the states. Book 3 reproduces a complete code of law and is concerned with the law and the administration of justice. Book 4 is devoted to the suppression of crime and includes chapters on crime detection, management of merchants and artisans, torture, and the death penalty. The remuneration of officials is among the themes covered in Book 5. There are just two chapters in Book 6. The theory of a state's fundamental components is covered in the first chapter, while foreign policy theory is covered in the second. Book 7 is a thorough analysis of how each of the six foreign policy procedures may be applied in different circumstances that are likely to arise throughout the conduct of foreign policy. Book 8 is focused on vyasanans, which are typically understood as disasters that have the potential to impair the system's ability to function as a whole. Book 9 sheds insight on the war preparations, including topics like the many types of troops that could be mobilized, the ideal circumstances for embarking on an expedition, and the risks to be aware of before embarking (Prasad, 2004). Fighting is the subject of Book 10, which discusses the main combat camp, several battle arrays, and various fighting techniques. Only one chapter in Book 11 describes how a winner should defeat oligarchies run by a collection of chiefs in place of a single king. Book 12 explores how a weak monarch should frustrate a stronger king's plans and ultimately defeat him when their interests are at stake. The topic of fighting or strategizing to take the enemy's fort is covered in Book 13. The final book discusses the process and the logical procedures employed in the production, whereas book 14 is concerned with mysterious and unsettling activities. It can be claimed that, generally, the first five books deal with internal administration and the last eight with a state's interaction with its neighbours, even though the ordering of some chapters may not appear exactly logical (Rangarajan, 1992).

2.4 Arthashastra and Modern Economics

A. Demand and Supply

The fundamental ideas of contemporary economics—demand, supply, and their combined effects on price determination—were well known to Kautilya. He believed that a king should not unilaterally set a product's price without taking into account the supply and demand dynamics. Price cannot be said to be an equilibrium price that may maximise the welfare of consumers and producers without taking full account of demand and supply. The "invisible hand" theory of Adam Smith, the Father of Modern Economics, is somewhat similar to this one. Kautilya tried to set a profit ceiling that addressed both as he was aware of the monopolistic characteristics as well. Businessmen were

permitted to make between five and ten percent of their profits (Sarkar, 2000). In the Kautilya era, both privately owned-businesses and state-owned corporations existed. It follows that their clash of interests is inevitable. However, he suggested some pricing parity so as not to strangle the motivation for the private sector in his policy prescription to eliminate this kind of conflict. According to Kautilya, the state shouldn't set prices without taking into account factors like the cost of manufacturing, the supply-to-demand ratio, a suitable amount of profit, etc. In the event of a glut (overproduction), the state was expected to step in and centralize the sales of the good in order to prevent prices from falling below what is now often referred to as the price floor (Kangle, 1960).

B. International Trade

Kautilya shared Ricardo's and other contemporary western economists' firm belief in the benefits of global trade. He thought that international trade could make trading nations more prosperous. In order to categorize commodities into groupings that could be exported and imported, he vigorously supported international trade and sent experts to research other markets. He anticipated increased consumer opportunities and financial rewards through promoting international trade. However, foreign trade was constrained during the Kautilya dynasty.

C. Profits and Interests

Risk and uncertainty were integrated into Kautilya's calculations of profit and interest rates. He had said that larger revenues and interests were required to make up for the increased risk and unpredictability. He stipulated that the permitted profits on imports should be double those on domestic items. On imports, allowed earnings were 10% whereas they were just 5% for domestic goods. This had a very obvious cause. At the time of the transportation of goods from other states, the importers of foreign goods had to deal with a considerable risk of being robbed and looted (Sen, 1967). The modern profit theory of Knight, which holds that profit is the reward of uncertainty, and Kautilya's notion of profit are extremely similar. Kautilya preferred adding interest on loans, but the state controlled the interest rate. According to him, the risk involved and the capital's productivity should be used to establish the interest rate. While the rate of interest was lower for personal purposes like weddings and funerals, it was greater for traders. In addition, depending on how risky the trade was, different sorts of deals had different interest rates. Thus, it can be seen that both the risk and productivity of the loan were taken into account while determining the interest rate. We also noticed human thinking of interest payments. Interest was waived for some groups of people, such as those who couldn't pay, students, and so forth. To receive this exemption, they had to follow the correct legal procedures, though. As a result, several interest rate structures based on the loan's purpose were in use at the time, which is quite similar to the borrowing and lending practices used by banks and other financial organizations today (Sarkar, 2000).

D. Tax Structure

The Arthashastra of Kautilya demonstrates excellent financial restraint in dealing with administrative, political, and economic issues. He argued for limiting the state's ability to levy taxes and for reasonable and equitable taxation. He believed that taxes shouldn't be burdensome or excessive. He recommended that tax rates not go above 16 to 20 percent (1/6 or 1/5 of economic activity). He understood that paying taxes above a certain threshold would hinder economic activity and would even encourage tax cheating. However, he suggested tax rates of up to 50% or higher for particular items or services that had a negative social impact. Additionally, it is important to note that the majority of the taxes were imposed on land and various commodities. With the exception of singers, dancers, prostitutes, spies from neighbouring states, etc., income tax was rarely found. In some situations, taxes could have reached 50% or more of their income. To prevent tax evasion and the use of black money, a moderate tax rate, such as 16 to 20 percent, was a wise approach. As a result, it can be seen that Kautilya's idea of taxation is remarkably close to the system of modern progressive direct taxation. Many developing nations still adhere to the idea of exempting taxes on agricultural land. His idea of imposing higher taxes on objects that harm society is still relevant today. In the modern world, the majority of nations impose high taxes on harmful products like alcohol, cigarettes, and others. In his Arthashastra, Kautilya provided a comprehensive overview of the tax system's administration, structure, and goal.

He stated in his treatise that the general government of the state required eighteen ministers. Out of them, the taxation department was overseen by two ministers (sulka). In the "Atharvaveda," the word "sulka" was used to refer to tax that

was due by the traders in general. Kautilya used the names "Samaharta" and "Samindhata" to describe the ministry of revenue or taxation. Samaharta is regarded as the head of tax and other revenue collecting. Samaharta was also in charge of keeping an eye on how tariff revenues were used to calculate the gross income from the land. On the other hand, Samindhata's duties included building and maintaining "Panyagrha" (a storehouse for the goods produced by the states for sale) and "Kasthagara" (a storehouse of food production). Additionally, he made reference to "Sulkadhyaksa," the head of the tariff division. Thus, it is clear that the tax levying and collection system in use at the time was excellent (Sen, 1999). He supported a budget surplus on the fiscal front. He made the point that a monarch would never experience a financial crisis if he kept a careful eye on the state's income and expenses. In addition, a sound treasury was seen as one of the seven components of a state's sovereignty (Thakur & Sah, 2004).

Kautilya also highlighted the function of the intelligence division. He asserts that a kingdom cannot succeed solely through its administrative officials. He stated in Arthashastra that the intelligence division was in charge of stopping economic crimes. He was also worried about the budget's expense line. He stated that the state's entire salary bill shouldn't be higher than one-fourth of its revenue. He supported varying pay rates based on talent, the caliber of the work, and the nature of the positions. There was a clear attempt to create a wage policy in Arthashastra based on realistic notions and an understanding of economic, social, and political elements (Sarkar, Sam 2000)

III. CONCLUSION

The full exposition demonstrates that Kautilya's economic theories are founded on specific scientific concepts. A wonderful example of establishing rules for state management is Arthashastra. He came to the realization that economics cannot be disregarded when looking for a solution to any social issue facing a state in the fourth century B.C. Although Kautilya did not produce a book specifically on economics, unlike Adam Smith and other western economists, his economic perspective on controlling state activities is just as significant as the ideas of many contemporary economists. Therefore, this great leader and philosopher deserve a special place among the greatest economic thinkers in history.

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