



Chanakya's 'Arthashastra' -An Epitome

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Abstract

Economic thoughts, principles and ideologies took their birth during the Vedic period (1200-400 BCE), a millennium before the Greek writings of Plato and Aristotle. Economic thoughts are reflected in many of the ancient Indian texts which spoke about the importance of wealth as a source of happiness and satisfaction, consumption, savings and investment etc. This Paper outlines the significance of economic principles and philosophy of one such Indian text, "The Arthashastra", an ancient classic, written by an indigenous unparalleled thinker, Chanakya who lived during fourth century BCE. Although Adam Smith, the Scottish thinker is said to be the father of modern economics, it was Chanakya who is well known as Kautilya, who advocated the various aspects of political economy, two millennia Prior to Smith. The Study attempts to bring to light the significance of ancient ideologies and principles of Chanakya as discussed in 'Arthashastra' in the modern contemporary age. The paper also presents a comparative analysis of the theoretical framework of classical and Keynesian schools of thought with Kautilya's ideologies.

Key Words: Economic thought, Arthashastra, Kautilya, Adam Smith, Keynesian

1.Introduction

Chanakya, also known as Vishnugupta and Kautilya, was a profound scholar at Takshashila lived in the 4th century BCE as the chief advisor and Prime minister of the great Mauryan emperor Chandragupta Maurya, who was a highly ethical, shrewd and far-sighted thinker aimed at establishing an equitable and prosperous society along with maintaining a strong State. He was the architect behind the rise of Chandra Gupta Maurya, the first Mauryan emperor. It was he who authored the politico-economic treatise, 'The Arthashastra', a seminal text and a manual on statecraft, economics, political science, military strategies, governance, ethics, the rules of king and ministers, emphasising practical governance and moral obligations. Chanakya was a pioneer of political science whose strategic and practical approach to ruling, diplomacy and economics have been considered foundational to Indian political thought.

2.Objectives

The objectives of the study are:

- 1.To explore the essence of Arthashastra and to review the contributions of Kautilya to economic theory.
2. To present a comparative study of the economic views and principles of Kautilya with those of modern economic schools of thought.
3. To bring to light the significance of Kautilya's Arthashastra in the contemporary global politico-economic environment.

3.Methodology

It is a theoretical study and is based on the secondary sources of data gathered from various texts, scholarly articles published in journals and different websites. It is a comparative and analytical study.

4. Arthashastra: The Science of Wealth

“Arthashastra”, the most renowned work of Chanakya is a seminal covering the diverse aspects of governance, military strategy, economic principles, ethics, statecraft etc. This comprehensive ancient classic consists of 600 slokas, 15 books, 150 chapters and 180 sections. The first five of these books are related to internal administration and the next 8 books discuss about foreign diplomacy while the remaining two books are mixed in nature.

In this section, the author presents various politico-economic principles, theories and ideologies of Chanakya as demonstrated in Arthashastra.

Governance, Statecraft and Social Welfare

Chanakya explains, in detail, how a State should be run. Arthashastra discusses about good governance, robust economy and territorial expansion. Kautilya stresses on facilitating the welfare of the people by the State. According to him, peace and order are crucial for achieving good governance, which can be accomplished through various factors, the first factor being the ‘leader’ or the ‘king’. Chanakya rightly said that the king is solely responsible for everything which is happening in the State. He describes the qualities and duties of a good leader or the king- “If a king is energetic, his subjects will be equally energetic. If he is reckless, they will not only be reckless likewise, but also eat into his works”, the king should always act for the welfare of his people,-“In the happiness of his subjects lies his happiness ; in their welfare, his welfare, whatever pleases himself, he shall not consider as good, but whatever pleases his subjects he shall consider as good”, “the king should ever be active and discharge his duties”.

Good governance, as Chanakya said in Arthashastra, ultimately is required to build a welfare State where the State should help the poor and the helpless among children, aged persons and those in distress and thereby should promote social welfare. Kautilya strongly believed in welfare State and had set the conceptual ground work to make India the first welfare State. The quality of governance depends on accountability, integrity and transparency, according to Chanakya.

Chanakya's 'Saptanga Theory' states the seven important elements for a stable State: 1. King (Swami) 2. Ministers (Amatya) 3. Territory and People (Janapada) 4. Fortified Capital (Durga) 5. Treasury (Kosha) 6. Army (Danda) 7. Allies (Mitra); They together should work for a prosperous effective governance and for the security of the State as well.

The Rajamandala and the Six-fold Foreign Policy

The theory of Rajamandala meaning circle of States is a core geo-political paradigm related to the foreign policy proposed by Kautilya which intended mainly to preserve the State along with maintaining friendly relations with other States. In his Rajamandala theory, Kautilya states that "your neighbour is your enemy and your neighbour's neighbour is your friend". The Rajamandala theory includes four types of States, Vijigishu (desirous to be world conqueror), Ari (enemy, whose territory is contiguous to Vijigishu), Madhyama (king with territory adjoining those of Vijigishu and Ari and stronger than both) and Udasina (kingdom lying outside or neutral and more powerful than that of Vijigishu, Ari and Madhyama).

While the Rajamandala theory provides a conceptual framework to understand the State's position in the world, the Six-fold policy, on the other hand, provides practical principles to the king for achieving his national interests and goals. These Six principles include: Sandhi (making peace with strong enemies), Vighraha (policy of hostility), Asana (maintaining stability), Yana (defensive and offensive strategies), Sansraya (avoiding conflict) and Dvaidhibhava (dividing enemies). This Six-fold policy or Shadguna theory offers a detailed and strategic approach to foreign policy.

Both the Rajamandala theory and the Six-fold policy of Chanakya are related to the issues pertaining to national security, statecraft, maintaining foreign relations, diplomacy and war.

Concepts of Dharma and Ethics in Arthashastra

Dharma and Ethics are given utmost importance in Arthashastra. It brings in the convergence of Artha (material well-being) and Dharma (righteous behaviour). Kautilya viewed that Dharma and ethical behaviour are essential factors to maintain law and order in the State and to develop a fair and peaceful society and to create wealth for benefitting of the nation.

Chanakya explained four components of Dharma-1. Raja dharma (obligations of the king or head of the State) 2. Praja dharma (duties and responsibilities of people to their country) 3. Ashrama dharma (duties of an individual during his four different stages of life such as Brahmacharya, Grihastha, Vanaprastha and Sanyasa), 4. Varna dharma (obligations of people which are unique to each caste or profession). Chanakya's perception was that the Dharma was supreme and it was the base for Artha (wealth) and Kama (pleasure).

Public Finance

Chanakya remarks that the increased economic activities specially through taxes would strengthen the State treasury (Kosa) and that would in turn finance internal and external security. To him, government's activities were mainly dependent on finance and therefore, the king always should think about treasury. According to him, taxes are to be imposed for the king's services towards bringing order, security and well-being.

Kautilya listed and categorised the sources of revenue that covered from agriculture to zoo, which also included tradable and manufactured items. He insisted on imposing taxes on other goods and services like 5% on salt, sugar, wines, liquor and gambling, 10% on silk clothes, metals and sandalwood, 20%

on imports etc. To quote his words, “the king must collect taxes like a honeybee enough to sustain but not too much to destroy”.

Chanakya did not recommend high tax rates, because, to him, if the tax rates were high, people find it to be a burden and will not be willing to pay which would result in tax evasions. He also made it a point that if the taxes were high, people might migrate to other neighbour States.

Kautilya clearly described the avenues of revenue expenditures. To exemplify, he provided an elaborate list on annual wages and salaries to be paid to government employees where it was advised that the wages and salaries should not be more than 25% of total revenue. Other revenue expenditures including the provision of public goods such as roads, water ways, tanks, irrigation canals, dams etc., were dealt with in Arthashastra. Kautilya stood for a fair use of tax revenue.

Sustainable Development and Human Capital Formation

Arthashastra signifies the concept of sustainable development and conservation of natural resources. Chanakya prioritised the optimum utilisation of natural resources and wealth creation thereby. To cite him, “humans are a part of nature and the growth and the progress will take place when there are proper management and optimum utilisation of natural resources”. He emphasised on human capital formation which is highly essential for economic development and growth.

Law and Order

Chanakya stressed on law and order in the State who described various rules and regulations necessary for peaceful life. In Arthashastra, he has set different degrees of punishments for different offences, according to their intensities. Chanakya opined that a fair judicial system should exist where the king was unbiased, punishing the criminals and protecting the innocents.

Gender Equality

Kautilya favoured women employment. He opined that women should be allowed to work not be discriminated on the basis of gender. He viewed that women should assist men in productive activities like agriculture and trade.

Agriculture, Trade and Commerce and Economic growth

Chanakya defined, “Economics is the most important aspect as it provides the basis for human existence and survival”. According to him, economic growth mainly depends on productivity which in turn is dependent on the levels of division of labour, wages and incentives.

At the time of Chanakya, the word “Varta” meant national economy, which consisted of agriculture, animal husbandry and trade, money lending and artisanship.

Chanakya gave highest importance to agriculture because land revenue was the most important source of tax collected in the State. He stressed on introducing new agricultural initiatives for good harvest as it was necessary for the treasury of the State. He had the idea of demand and supply theory, the utility of the commodity and its role in price determination. He did not support hoarding of the commodities that would lead to the prices to go up.

Chanakya encouraged internal trade and believed in self-sufficiency. At that time, trade was an important engine of growth. To Chanakya, merchants had an important role in promoting trade activities. He also

favoured international trade and asserted that the development of trade routes would enhance trade activities. He was of the opinion that certain incentives like tax exemptions were to be given for promoting international trade. However, a proper system of trade tariffs, import rates, and price subsidy systems were adopted to protect and promote trade activities.

He encouraged imports, importing those goods which were not being produced in the State. When there was a shortage of the goods in the market, the merchants were importing more goods for creating buffer stocks where this excess supply was sold at lower prices for bringing in price equilibrium.

5. Economic Theory of Chanakya, Adam Smith and J.M.Keynes -A Comparative Analysis

Having dealt with the economic ideologies of Kautilya in the ancient period, an attempt has been made at presenting a comparative analysis of Chanakya's economic theory with those of the Classical and Keynesian Schools of Thought, where it brings out some of the similarities and dissimilarities between the Classical, Keynesian and Kautilya's economic ideas and principles.

Table.1

Economic Views of Chanakya and Adam Smith

Similarities	Dissimilarities
Issues	Issues
<ul style="list-style-type: none"> • Wealth Accumulation: Both Chanakya and Adam Smith emphasised on increasing wealth of the State • State's role in collecting Taxes: Chanakya and Adam Smith viewed that it is the responsibility of the government to collect taxes or fees or penalties for raising revenue • Factors of economic Growth: Both Chanakya and Adam Smith considered land, labour and capital as the factors of economic growth • Taxation: Chanakya and Adam Smith considered the cannons of taxation such as certainty, benefit, economy and convenience and both emphasised on public welfare and State protection through taxation • Concentration of Monopoly Powe: Both opined that there should not be concentration of monopoly power in the State • Rational Behaviour: Chanakya and Adam Smith both believed in the rational behaviour and self-interest 	<ul style="list-style-type: none"> • Scope of Economics: Adam Smith's scope of economics is narrow whereas Kautilya;s scope of economics is wider • Source of wealth accumulation: While Chanakya considered the productive activities as the main source of wealth, to Smith, it is the rich people who are the main root of wealth creation • State Intervention: While Chanakya advocated a State-controlled approach(State should intervene in controlling economic activities), Smith believed in Laissez-faire policy that is, minimal government intervention • Individual and Collective Welfare: Smith proposed individual or the market as the core unit whereas Chanakya stressed on the welfare of the society as a whole above individual interests

Source: Created by the Author by gathering information from different sources

Table.2

Economic Views of Chanakya and J.M Keynes

Similarities	Dissimilarities
Issues	Issues
<ul style="list-style-type: none"> • State Intervention: Chanakya and Keynes emphasised on the active role of the State in the economy for maintaining economic stability at the time of crisis • Wealth accumulation: Both Chanakya and Keynes identified the significance of wealth accumulation and promoting economic activity through commerce, taxation and resource distribution • Fiscal Policy: Both advocated for State's role in revenue collection and public expenditure to promote welfare 	<ul style="list-style-type: none"> • Time Horizon: While Keynes focused on the short run, Chanakya emphasised on long-term sustainable economic stability • Economic Goals: Chanakya stressed on increasing State's treasury to promote welfare, Keynes focussed on the economic stability to maintain full employment and avoid recession • Key Focus: Chanakya's focus was on statecraft, governance and taxation during monarchy whereas Keynes' emphasis was on addressing the issues of unemployment and trade cycles in the industrial capitalist systems

Source: Created by the Author by gathering information from different sources

6. Findings of the Study

The Study reveals the significance and application of the Chanakya's theory presented in ancient times even in the current modern age.

1. The Arthashastra, which talks about the role of king or the leader of the State in promoting welfare, certainly serves as a guide and road map for the modern governments in achieving both economic and social welfare of the society.
2. The Rajamandala and the Six-fold Theory of Chanakya are reflected in the current global wars happening between the nations. The world today is witnessing wars across the globe. The countries adopt different strategies, their own diplomacies to retain their economic and political supremacy. The role of international organisations can be remembered in promoting peace, settling disputes among the countries, which are discussed in the Rajamandala and Six-fold policy of Chanakya.
3. The 'Neighbourhood First Policy', 'Look East Policy' and the 'Think West policy' of Indian foreign policy reflect the principles of Rajamandala.
4. Chanakya's address on the issues pertaining to public finance such as fixing the salaries and wages, are now reflected in the role played by the modern 'Pay Commissions'. His suggestion of imposing taxes on income according to one's ability and not to impose very high rates of taxes are still relevant in the present day.
5. Kautilya had identified at that ancient time, the role of the State in the provision of public goods, which the modern governments in the mixed economies like India are adhere to.

6. Chanakya's views on women's participation in work and against gender discrimination are reflected in the various initiatives undertaken by the modern governments in order to achieve women empowerment socially and economically.
7. The concept of Dharma defined by Chanakya is significant in decision making of the policy makers for creating an equitable and fair society.
8. Chanakya's vision of sustainable development and conservation of natural resources are the main focus of modern governments, termed as green economy and earthshastra.

7. Conclusion

Generations may change, but the ideologies of great thinkers remain long lasting and eternal. Arthashastra is one such classic that is unbounded by time and universal in nature. Arthashastra is an integrated approach to governance, where economic policies are advocated with ethical considerations. Arthashastra, though written in ancient times, at the time of monarchical rule, is certainly a blue print which provides guidelines to the today's policy makers in the spheres of economics, governance and administration.

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