

An Analytical Study of the Relevance of Arthshastra in Modern India

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I. Introduction

Even though India and Indians never forgot the Arthashastra, the study and practical applications of the book lost its importance since the British rule. Professor Shama shastry rediscovered the book in 1905, he wrote its first English translation. Ever since then, only two more translations that are English have been written. One by Professor Kangle and the other by Shari Rangarajan. The book has many principles and techniques that once applied can prove a tremendous improvement. Arthashastra, written by Kautilya is an ancient treatise dealing with the governance of a country. Chanakya was a very learned scholar at the Takshashila University, an ancient Hindu university, located in present in Pakistan, and the acharya of Chandragupta Maurya. He had mastery over political science, economics, accounting, and governance, and he was the driving force behind the creation of the Maurya dynasty.

Arthashastra is a very famous treatise on ancient India. It was written around 300 B.C. The book deals with economics, administration, political ideas, ecology and various other topics. The book is divided into fifteen chapters. Apart from Arthashastra, Kautilya wrote several other books such as Chanakya-Sutras (Rules of Science) and Chanakya-Rajanitisastra (Science of Government Policies). He is India's most illustrious political economist of all time. He was a true statesman who bridged the gap between experience and vision. For him, good governance was paramount. The discussion in Arthashastra is as relevant today as it was in Kautilya's time. He was well-versed with the characteristics of bureaucrats and statesmen and laid down rules to prevent misuse of power. He emphasized the importance of accounting methods in economic enterprises to properly measure economic performance. He explained that no amount of rules and regulations or auditing can prevent unethical behavior and that character-building and action-oriented ethical values were essential.

He explains the necessity of having strong government finances and an able army. It states that the moral duty of the king is to increase prosperity, ensure judicial fairness, and provide national security. The book also describes duties of other key positions in the government such as Police chief, Chief Justice, Treasurer, Defense minister, Commerce Minister and others. The Arthashastra predates any similar body of work from the Greek, Roman or Chinese civilizations and is the source of many modern practices such as double-entry book keeping method, audits, etc. In this paper I am going to take up some economic ideas of Kautilya which may be proved very useful in present era.

II. Methodology

This is an analytical study. It is based on secondary data. The study has been divided under following sections;

Introduction which includes the methodology, data collection and objectives of the study.

Economic ideas of Kautilya in Arthashastra

Relevance of the Arthashastra in modern time.

Conclusions and Suggestions.

Data Collection;

There are many books available on Kautilya's Arthashastra. Originally the book was in Sanskrit. Later it was translated in English and Hindi by many scholars. Sources of data collection include the following:

1. Books written on Arthashastra by authors and translations of the book itself.
2. Articles published in various journals.
3. Reports of researchers on Arthashastra.
4. Papers published by various organisations on the subject.
5. Internet Websites

Objective of the Study;

There are many books available on Arthashastra but unfortunately for the development of economic thought, Kautilya's writings were not discovered until early in the twentieth century. So the basic objective of this study is to explore the Kautilya's economic views and to investigate the relevance of Kautilya's economic ideas in modern time periods.

Economic ideas of Kautilya in Arthshastra

A perfect balance has to be maintained between State management and people's welfare is the essence of Kautilya's economic treatise Arthshastra, created 2,500 years ago. He was a great statesman as well as great scholar. He defined 'Economics as the most important aspect as it provides the basis for human existence and survival.' He performed a dominant role in the formation of Maurya Dynasty. It was his guidance that empire attained growth with stability with the help of strong administration and efficient fiscal management. He believed in public welfare because when his work gave a strong focus on the wealth, effectiveness and wellbeing of the king, his actual objective was not to benefit the king but to benefit the people.

Welfare State

Arthshastra lays the conceptual foundation for making India the first welfare state. He advocates welfare in all spheres. He did not talk only about human welfare but paid attention to animal welfare also. He states,

"In the happiness of his subjects lies the king's happiness, in their welfare lays his welfare. He shall not consider as good as only that which pleases him but treat as beneficial to him whatever pleases his subjects" He advocates the protection of livelihood, of weaker section, consumer protection and even the welfare of prisoners also. The King's dharma is to be just, fair and liberal in protecting his people. His attitude to his people should be like attitude of a father towards his children. Kautilya defined the ideal ruler as one "who is ever active in promoting the welfare of the people and who endears himself by enriching the public and doing good to them."

Good Governance

Governance generally encompasses all aspects of the way a country is governed, including its economic policies and regulatory framework. Kautilya had immense knowledge about various aspects of governance such as taxation, diplomacy, trade, business, administration etc. It is said that he had a fair knowledge of medicine and astrology as well. It is a treatise on political economy similar to Machiavelli's *The Prince* and hence he has been compared to Machiavelli by some and Aristotle and Plato by others. Kautilya speaks of the way a state's economy is organized, how ministers should be chosen, war conducted, and how taxation should be arranged and distributed. Emphasis is placed on the importance of a network of spies and informers which function as a surveillance corps for the king, focusing on external threats and internal dissidence.

He takes a holistic approach to governance and explains several areas critical to the functioning of a country in depth. The main sections deal with National security and Foreign Policy, Administration of Justice, Policies related to economic development, Taxation, Labor Management, and Financial Management. To him attainment of good governance requires that the objectives of the state are fulfilled and realized. This is possible through properly organized and guided administration. He suggests that good governance should avoid extreme decisions and actions. Decisions should be taken according to the situation. Picking on Kautilya's four-pronged approach to public finance and state planning, which was actually economics, monetarism and much more, based on "dharma, artha, kama and moksha," the experts agreed that understanding human welfare was the cornerstone of Arthshastra, said to be the oldest and most exhaustive treatise on governance and administration of state in the world, which set forth theories of state craft and monetarism and also a code of civil and criminal law still relevant today.

The Arthshastra equates political governance with economic governance. The end is economic governance while political governance is the means. But as economic objectives are not realized in the absence of political ones, then political governance becomes an end and economic governance the means. 'The end justifies the means', this is supposed to be the basis of Kautilyan philosophy. Political power and material wealth are the means and ends of governance. And good governance - political or economic - depends upon justifying the ends and means as the socio, economic and political conditions.

According to Kautilya, to ensure good governance there must be a properly guided public administration, where the ruler should surrender his likes and dislikes in the interest of his subjects, and the personnel running the Government should be responsive and responsible. Kautilya further emphasized that for citizen friendly good governance there should be uniformity in the administrative practices as well as competent ministers and officials possessing qualities of leadership, accountability, intellect, energy, good moral conduct, and physical fitness, capable of taking prompt decision. According to Kaufmann and Kraay, 'the concept of Governance is not new. Kautilya presented key pillars of the art of governance emphasizing justice, ethics and anti autocratic tendencies. He further detailed the duty of the king to protect the wealth of the state and its subjects, to enhance, maintain, and it does also safeguard such wealth as well as the interests of the subjects.' A ruler who administers justice on the basis of four principles: righteousness, evidence, history of the case, and the prevalent law, shall conquer the earth.

Foreign Trade

Foreign trade has always been essential element of any economy. Kautilya recognised that foreign trade in 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 is helpful to increase the supply of those goods which may not be available domestically. Through imports a state can be obtained goods more cheaply from foreign sources. In this way he formulated a comparative advantage view of foreign trade He said that it is beneficial for the different kingdoms when the product being imported are cheaper than those can be obtained domestically. He recognised 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 suggested heavy taxation on those foreign goods which are items of luxuries and on the other hand on the articles of common consumption light duties were 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.

Taxation

Jha and Jha(1997) pointed out that “Chankya paid supreme importance to the maintenance of a rich treasury, which favourably affected entire activities of the administration.” He paid a lot of attention to good fiscal management and the ways to development all the sectors of the economy. To him public revenue does not exist for the pleasure of the king but as a fund to be utilised to augment the wealth of nations. He admitted the taxation is the main source of revenue. The power of taxing of the state is unlimited but taxation should not be excessive.

He advocated that tax base should be increased not the tax rate. He criticised the excessive burden of tax on people. Kautilya used to say ‘King must collect taxes like honey bee, enough to sustain but not too much to destroy.’ Kautilya implicitly suggests a linear income tax. He emphasizes fairness, stability of tax structure, fiscal federalism, avoidance of heavy taxation, ensuring of tax compliance and subsidies to encourage capital formation. He advocated limiting the taxation power of the State, having low rates of taxation, maintaining a gradual increase in taxation and most importantly devising a tax structure that ensured compliance many postulates of Kautilya’s philosophy of political economy are applicable to contemporary times. Ideally, the government should collect taxes like a honeybee that sucks just the right amount of honey from the flower so that both can survive. Kautilya's scheme of taxation involved the elements of sacrifice by the taxpayer, direct benefit to the taxpayers, redistribution of income, and tax incentives for desired investments. He recommended tax holiday as an incentive which means if any one brings new land under cultivation, he should be exempted from agricultural tax for at least two years. He advocates a mixed economy and argued for a very active role of government. His discussion on taxation gave an idea of three principles i.e. taxation power is limited, taxation should not be heavy and excessive and tax increase should be moderate. He recommends a system of tax collection and public expenditure of revenue in such a way as to build up the permanent revenue yielding capacity of the economy. He said tax base should be augmented not the tax rate. The functional relationship which discussed kautilya in Arthshashtra between the rate of income tax and the magnitude of tax revenue is now expressed in terms of Laffer curve.

He advocated indirect taxes like excise and custom duties and direct taxes as income tax on individuals, wealth tax, and profession tax. He also advocated land revenue, water tax and toll, fine and penalties. According to him tax receipts can be divided into three parts; income earned through taxes on goods produced within a country, Income earned through taxes on goods produced in the capital and income earned through taxes on imports and exports. He advocates that rich persons should pay higher tax according to their paying capacity. In this way he considers the ability to pay approach. Tax should be levied one in a year.

Growth Oriented Public Expenditure

Kautilya advocated that most of the revenue generated from taxation should be spent on productive activities and public welfare. He discussed different items where state should incur expenditure such as on national defence, public administration and salaries of the ministers, government departments, maintenance of national store house and granaries, maintenance of armies and on the acquisition of valuable gems, stones and ornaments and whatever was left should be deposited to the treasury.

Infrastructure

Kautilya considers infrastructure as very important for the state development and also very useful for promoting commercial and trade activities. He suggests that state should invest in transport infrastructure

specially roads so that foreign trade and commercial activities can be increased and so that states revenue. Roads would be helpful in opening up new markets for both domestic and imported products.

Relevance of Arthashastra in modern time.

Kautilya, also known as Chanakya or Vishnugupta is one of the most famous Indian political thinkers. Though he lived a long time ago, certain principles from his theory are still relevant in today's framework. The book, written in Sanskrit, discusses theories and principles of governing a state. Kautilya demonstrated an extremely vital imperative: governance, polity, politics, and progress have to be linked to the welfare of the people. Having discussed the some economic ideas of kautilya, it can be said that even the terminology employed in Arthashastra may have changed but the nature and role of state in the economic system seem persistent in all settings. Covering various topics on administration, politics and economy, it is a book of law and a treatise on running a country, which is relevant even today. His ideas remain popular to this day in India. He provided valuable basis for economic science. It contains very useful economic ideas on foreign trade, taxation, public expenditure, agriculture and industry.

Good governance and stability are inextricably linked. If rulers are responsive, accountable, removable, recallable, there is stability. If not, there is instability. This is even more relevant in the present democratic setup. Heavy taxation should be avoided. If tax rates are high, public will not be willing to pay the tax and find out the ways of tax evasion. Low rate of taxation will yield more revenue to the state. He was fully aware that terms of trade were not just depending on economics but also on various parameters. There is no autonomous mechanism that will ensure that a nation would benefit from trade in the absence of certain safeguards and policy measures.

Social welfare is the centre point of kautilya's economic ideas. The State was required to help the poor and helpless and to be proactive in contributing to the welfare of its citizens. The emphasis that Kautilya gave to human capital formation is relevant in current times because development is not possible without human capital accumulation.

Apart from these ideas there are a number of things in Arthashastra which is very relevant such as conservation of natural resources.

Arthashastra provides much basic knowledge about economics, and several of his ideas are still relevant.

III. Conclusion

Kautilya's Arthashastra provides valuable basis for economy. It contains useful insights about economics. It can be used to glen of relevance to our time and can be useful to illustrate several modern economic ideas. He offered a set of different economic policy measures to promote economic development in the economy.

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