



## REVISITING KAUTILYA ARTHASHASTRA THROUGH ECONOMIC LENSES

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### Abstract

*This essay centers on the economic theory of Kautilya arthashastra. Arthashastra is a literary synthesis. Ushanas and Brihaspati are mentioned by Kautilya as his forefathers. However, their contribution has dwindled over time. This text, called the arthashastra, was composed in the third century BCE. An outline of the political and economic policies and legislation is given in the text. The text is composed of 15 books, each containing 150 chapters, 180 sections, and 6,000 shlokas. His ideas on trade, agriculture, taxes, foreign policy, and economic governance will continue to be applied in the real world today.*

Chanakya promoted theories related to economics, politics, philosophy, and statecraft. Chanakya is also known by the names Kautilya and Vishnugupta. He was a learned man who served as Chandragupta Maurya's principal advisor. Written in the third century BCE, this text is known as the arthashastra. The text provides an overview of the strategies and laws related to politics and economics. With 150 chapters, 180 sections, and 6,000 shlokas, the text is written in 15 books. These texts are written in Sanskrit, our ancestral language. The shloka's interpretations were first studied by Shamasatry (1951), then by Kangle (1965) and Rangarajan (1992). This paper centers around the Kautilya Arthashastra text. Additionally, it makes an effort to demonstrate the continued applicability of the kautilya principles in the modern era.

### Kautilya Arthashastra Six Component of Arthashastra

1. The science of politics, or Raja Niti, is concerned with the duties and principles that a ruler or king has to uphold for the kingdom. It has to do with state duties in general and governance policies in particular.
2. Economic policies, also known as Artha Niti policies, are those that aim to promote the welfare of the people and the state. Various economic policies relating to expenditure and taxation policies to achieve people's welfare.
3. Law and Order (Danda niti) to uphold the state's law and order. It is founded on the principle of administering justice and punishing those who break the law.
4. Foreign Policy (Anukula Prakarna) is concerned with maintaining international relations among foreign countries through diplomacy.
5. Amatya (Council of Ministers) related to administration powers and qualifications to select officials based on their qualifications.
6. Mitra (alliance) was more about upholding integrity and remaining friends with other kingdoms.

### Kautilya's Economic Philosophy

- Agriculture: To ensure people's health and access to food by building enough irrigation infrastructures, agriculture was a prominent and essential economic sector in the ancient era that contributed to the prosperity of the people and states. Kautilya Policies pertaining to land expansion, irrigation facilities, farmer incentives, and infrastructure development were promoted in order to bolster the growth of the agriculture sector. During the Maurayan Empire,



many reservoirs, wells, tanks, dams, and irrigation facilities were constructed to benefit the people. Kautilya recommends crop rotation and diversification in order to prevent soil erosion and the deterioration of soil fertility. According to the text, the government ought to encourage farmers to grow crops that are compatible with the ecological conditions of their region. Additionally, it emphasized the need for regulation, equitable agricultural markets, and protection against unfair trade practices. The development of rural infrastructure is crucial to facilitating trade and the transportation of goods from one location to another.

- **Monetary Policy:** Kautilya recognises the importance of standardising and stabilising currencies. During the ancient era, metallic coins predominated in coinage. In accordance with weight and design, coins were minted in copper, silver, and gold. To stop counterfeiting and the distribution of subpar coins, there were stringent regulations on the coins that could be minted. Notwithstanding the fact that Kautilya did not address gold monetization, his main concern was keeping the gold pure for its inherent value. Gold was used to facilitate trade between states while exporting and importing precious metals. Gold was merely recognised as medium of transaction and store of value. The main function of monetary policy at the time was the state's responsibility for maintaining reserves and regulations for preserving public confidence in the currency.
- **Fiscal Policy:** A king needs a stable budgetary policy in order to govern the state. There should be enough revenue to cover the state's expenses. Kautilya discusses the costs associated with maintaining the state's external and internal security through defense spending. It is critical to preserve the state's population and territory. Consequently, people will be ready to pay taxes in order to receive security from an external state. Administration, upholding law and order, infrastructure development, and social welfare are additional costs associated with running welfare programs for the populace. Achieving social welfare through delivering necessities like health care and education and reducing poverty. To prevent any unforeseen circumstances, the Kautilya Arthashastra discusses having a balanced or surplus budget. It is best to refrain from excessive spending and to moderate the amount of taxes that individuals must pay. Diversifying tax revenue streams, such as land taxes based on agricultural production and crop cultivation, as well as the ability to modify or adjust taxation based on soil fertility, are necessary. Goods entering or departing the state were subject to customs duties. Depending on their profession and occupation, different professionals paid different taxes. Taxation of government employees was based on their ranks and positions. Progressive taxation and buoyant taxation were features of the Kautilya arthashastra. Groups with higher incomes would pay more taxes than those with lower incomes. Excessive taxation should be avoided because it is detrimental to the state.
- **Inequality and prevention of Monopolies:** Kautilya attempts to redistribute income through lumpsum taxes and transfers by redistributing wealth through taxes and avoiding excessive taxation. It aims to achieve more equitable resource distribution among all. Monopolies and concentrations of power lead to exploitation and distort fair and equal opportunities for all. Thus, the state controlled the monopolies in order to protect the rights of vulnerable groups. Price discrimination by monopolies distorts consumer welfare. As a result, the government intervened in markets to protect consumers.



➤ **Foreign Policies : There are six principles of foreign policy**

**1. Mitra or alliances**

Saptanga theory emphasizes the significance of mitra, or alliances. Allies should have a shared or mutual goal in order to improve ties between neighboring states or kingdoms. Additionally, Kautilya warns that an alliance should not cause problems for the state. Since geopolitical conditions are unstable and subject to change over time, diplomatic abilities are necessary to negotiate and uphold friendly relations. With alliances, common enemies will be defeated.

**2. Treaties and Diplomacy**

Treaties can be classified as peace, commercial, or alliance. Before violence or conflict, diplomacy ought to be the priority. However, there should also be a sense of caution about betrayal or blind trust.

**3. War / Use of Force**

While putting more of an emphasis on remaining neutral and upholding diplomacy than on waging war. The state ought to strive to bolster its armed forces and be ready to use them. Any disputes could turn into hostilities.

**4. Strategy tactics**

Asana refers to a state's geographic location, and upaya denotes strategies for fortifying and defending those states. When deciding on tactics, strategies, gains, international relations, and alliances, the state should exercise caution.

**5. Diplomatic Envoys**

Foreign languages, cultures, policies, and diplomatic techniques should all be known to envoys. Envoys with the right training may be able to persuade foreign leaders, build alliances, and diffuse possible disputes. An essential component of foreign policy is the selection of knowledgeable envoys.

**6. Military Expeditions**

"Yana" is a term used to describe military campaigns or expeditions. Even if a state has strong diplomatic ties and alliances, it is still possible for other states' strategies and tactics to change. As a result, a state should always be prepared militarily to face inevitable challenges in order to safeguard Janapada and its own interests. But he cautioned the state against using rash military action, saying that Vigrah should be the last Upaya to be used and that it benefits no one. His approach to warfare involved analyzing the enemy's strengths and weaknesses in depth, using intelligence, and planning strategically. Prior to going to war, a state ought to conduct a cost-benefit analysis.

**Conclusion**

An ancient text known as the Kautilya Arthashastra offers thorough and practical perspectives on economic principles. In the twenty-first century, these ideas remain relevant. The practical application of his insights pertaining to trade, agriculture, taxation, foreign policy, and economic governance will persist in contemporary times. Any economy that wants to stabilize must recognize the importance of the state in economic growth, and the geopolitical dynamics of the modern world with its territorial conflicts and alliances still apply.



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