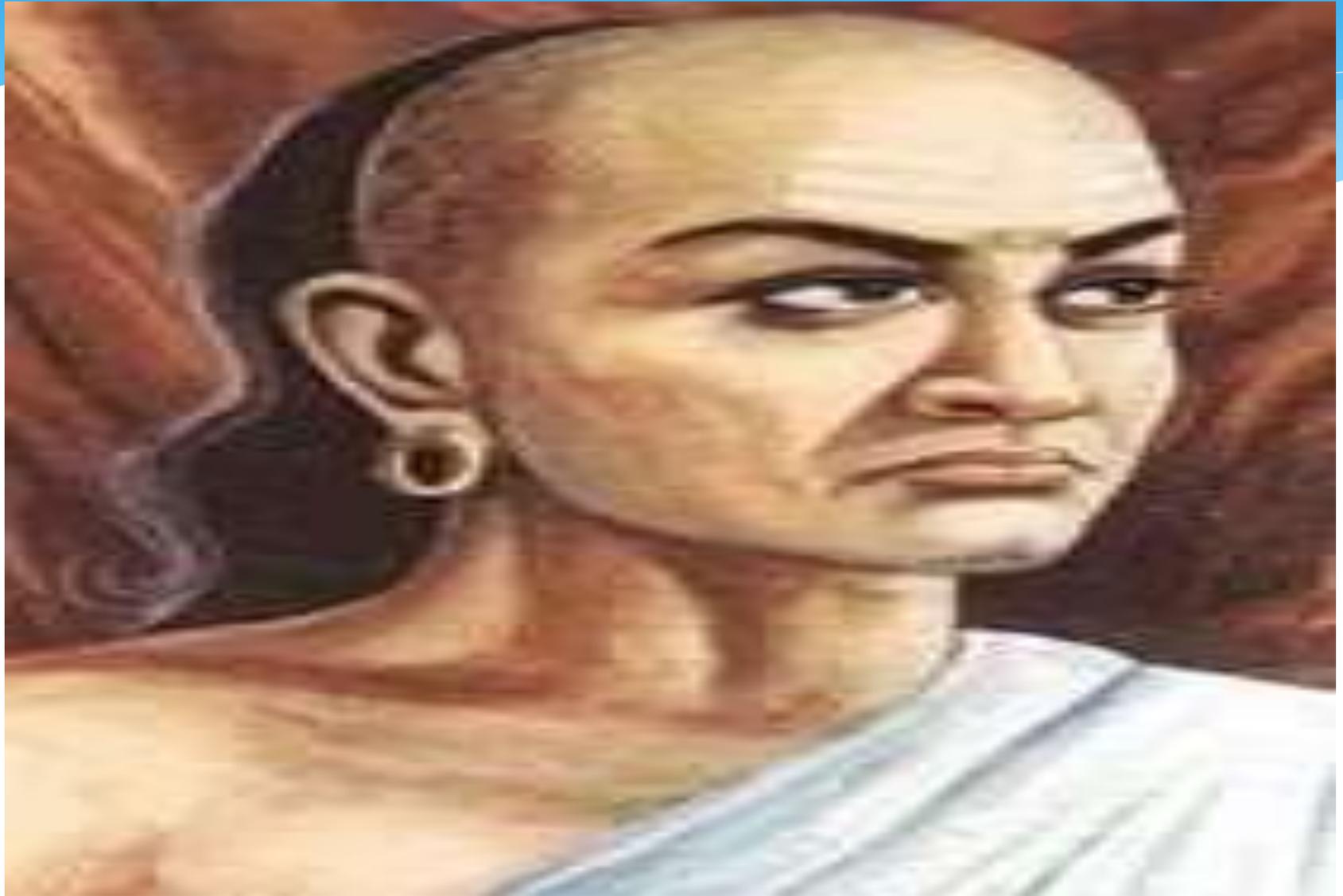


MODULE 4

***INDIAN ECONOMIC  
THOUGHT***

# KAUTILYA



# CONTRIBUTIONS OF KAUTILYA

- \* He was an Indian teacher, philosopher, economist, jurist and royal advisor.
- \* He is traditionally identified as **Chanakya** or **Vishnu Gupta**.
- \* He is considered the pioneer in the field of political science and economics in India
- \* Chanakya assisted the first Mauryan emperor Chandragupta in his rise to power. He is widely credited for having played an important role in the establishment of the Maurya Empire. Chanakya served as the chief advisor to both emperors Chandragupta and his son Bindusara.
- \* He has been called Indian Machiavelli

# KAUTILYA'S ARTHASHASTRA

- \* His book arthashastra gives details of the political, social, economic & military organization of the past and especially of the Mauryan empire
- \* It is divided into 15 chapters covering 430 pages
- \* It covers almost all the aspect of the theory and practice of economy.
- \* It also deals with the government of towns and villages ,law courts ,rights of women, ,maintenance of old and the helpless, marriage and divorce ,public finance, maintenance of army and navy ,diplomacy ,agriculture, spinning and weaving and a number of other subjects.

# 1.Wealth

- \* According to kautilya 'ARTHA' (wealth) is the most important thing and 'dharma' and 'karma' are dependent on it.
- \* It was recognised as one of the purusharthas
- \* To him wealth included money, commodity, acquired wealth, public or private property, precious metals, labour and even forest produce.
- \* Acquisition of wealth is always beneficial if it is acquired for the sake of the good wife, a son, or friend or giving for charity
- \* He justified the wealth earned through proper means
- \* He also thought that accumulation of wealth was a safe method for protecting the people against famines.

## 2.VARTA(National economy)

- \* Ancient thinkers used the word Varta to mean the science of national economy.
- \* Kautilya included agriculture, animal husbandry and trade in varta
- \* It was necessary for the king to learn about the essentials of national economy from scholars and specialists in order to discharge his functions successfully as a ruler.

# 3. Agriculture and Animal husbandry

- \* Important components of varta
- \* Regarded as the basis sources of new wealth.
- \* Agriculture was given pride of place among the occupations adopted by the people
- \* Our ancient scholars well understood the details of agricultural techniques
- \* They have mentioned in their books ,rotation of crops, intensive and extensive cultivation, large and small scale farming, use of fertilizers ,crop diseases and their eradication ,irrigation by rivers and tanks, cattle farming ,seed selection, evils of fragmentation of holdings etc.
- \* Largest source of state income was land revenue.
- \* In those days state and the community was responsible for the development of agriculture for which waste lands were to be cleared.
- \* The value of the land was determined on the basis of its fertility
- \* The fair prices of agricultural produce were fixed by the state to save cultivators from the clutches of traders

# 4. LABOUR

- \* Kautilya have dealt with the methods for the regulation of wages and for the settlement of disputes between employers and workers
- \* Kautilya didn't recommend slave labour but hired labour was there.
- \* Kautilya had laid down a code of labour discipline
- \* For instance ,he suggested that a wage worker who abandoned his work before the term had expired, was to pay the whole amount of stipulated wages to his employer and a fine to the king
- \* On the other hand, if an employer dismissed a workman whom he had hired before the expiration of the term agreed upon, he must pay the full amount of wages stipulated and a fine to the king, unless the workman was to blame.

# 5. TRADE

- \* Kautilya devoted a good deal of attention to the problems of trade such as regulation and development of trade by the state and the different taxes to be levied on the commodities that entered into trade
- \* He even advocated state trading in certain commodities through departmental agencies
- \* Trade was approved only when the supplies of commodities are leftover after satisfying local needs

# 6.VALUE

- \* According to the ancient thinkers ,we should take the value of the commodity according to time and place but there can be no value (price)of that which is incapable of being exchanged
- \* Whatever one pays for obtaining a thing must be taken to be the cost or value (mulya of that article)
- \* The value is determined by the easiness ,or otherwise of obtaining and also by the inherent utility of it(shukracharya)

# 7. POPULATION

- \* Ancient thinkers had no fear of growing population
- \* Population could not grow beyond a reasonable limit owing to the high death rate due to constant wars between small states and loss of life due to the inadequate medical facilities
- \* Kautilya recommended that the king should establish colonies for facilitating immigration

# 8. WELFARE STATE

- \* According to Kautilya state has to promote the economic welfare of the people and fully regulate its economic life.
- \* The state had to give subsidies for the development of trade, agriculture, irrigation, mines, cattle welfare etc
- \* The function of the state were governed by moral dictates
- \* Each citizen was guaranteed protection against starvation
- \* An equitable distribution of wealth and food was the objective of state administration
- \* Wages were determined on the basis of equality and justice
- \* There was no exploitation of labour by the employers or of the cultivators by the landlords and capitalists

## Economic functions

- \* state should undertake those industries which help directly in making the nation self sufficient & self reliant  
eg;gold,silver,diamonds,iron & other metals
- \* Private enterprises are to be allowed in agriculture,weaving,arts and crafts and the right of ownership should be recognized.
- \* State should regulate activities related to the production,distribution,exchange and consumption with the object of promoting maximum efficiency and equitable distribution and in accordance with the rules framed by it.
- \* The duties of men ,women, saints and sages, lords and the kings used to clearly defined so that their observance may help in achieving the objective.
- \* The private people can also undertake the production of goods under the supervision of the state.
- \* State should also regulate the wages, and working conditions of workers and help farmers in times of calamities.

# 9.SLAVERY

- \* In ancient India slave was treated as a member of family and was not asked to do a degrading work.
- \* Slave was a hereditary domestic servant who couldn't use his personal earnings and couldn't own property.
- \* But economically he was better than a hired labourer.
- \* In ancient India all slaves were as good as others and hence Megasthenes wrote that slavery was unknown in ancient India

# 10.PUBLIC FINANCE

- \* Taxation was the most important source of revenue of the state.it was known as ‘rajkar’
- \* The rate of tax was determined in accordance with the dictates of Hindu religion.
- \* Land revenue was an important source of taxation in ancient India.
- \* The early writers have described the features of a good tax system. ***“The tax system should be such as not to prove a great burden to the public. The king should act like the bee which collects honey without inconveniencing the plant”***

- \* Kautilya attached great significance to public finance in the national economy
- \* He has stated that administration and all other activities depend upon finance and hence greatest attention must be paid to the treasury.
- \* He has favoured the participation of state in the industry, agriculture, mines, fisheries etc.
- \* Apart from these earnings, state used to collect revenue through taxation which was essential for running the various government departments
- \* Savings were also considered necessary.
- \* Kautilya also suggested that for meeting the deficit budget resort may be taken to forced loans

- \* He divided income from taxes into following 3 kinds.
  - 1.income from taxes on commodities produced in the country.
  - 2.income from taxes on commodities produced in the capital
  - 3.income from taxes imposed on imports and exports.
  
- \* Kautilya also suggested the imposition of heavy taxes on imports of luxuries and other articles which were not conducive to the welfare of the people.
  
- \* He suggested an efficient machinery for audit

2 principles were followed in connection with the realization of taxes.

- 1.A tax should be levied once in a year, and should not prove burdensome
- 2.Taxes should be levied according to the ability to pay

- \* Kautilya included the following items in public expenditure
  - i) national defence
  - ii) public administration
  - iii) salaries of ministers and expenditures on government departments
  - iv) expenditure on government departments
  - v) expenditure on government storehouses
  - vi) exp. Incurred on the maintenance of national storehouses and granaries
  - vii) exp. Incurred for the maintenance of armies
  - viii) exp. Incurred on the acquisition of valuable gems, stones and ornaments

- \* Land revenue system was the chief source of revenue to the state
- \* The rate of revenue on private land ranged between  $\frac{1}{12}$  to  $\frac{1}{13}$  of the total produce of the land
- \* Other sources of revenue were house tax, road toll, street dues, fruit and tree tax, and commodity tax.
- \* Kautilya favoured the income received through the participation of the state in the industries more than the income earned through taxes.
- \* Acc. to him the participation by the state in the industries not only brought income to the state but also provided employment to the people

# 11.TOWN PLANNING AND SOCIAL SECURITY

- \* Town planning included the re-orientation of main roads and streets and the subdivision of the city areas.
- \* The villages were grouped together from the point of view of economic necessities and for national defence
- \* The metropolitan city was established after a detailed and careful planning ,and due emphasis was laid on the maintenance of sanitation and prevention of fire.
- \* Kautilya believed that it was the prime duty of the state to set up charitable institutions and poorhouses.
- \* The state should protect the weak and aged
- \* The state has to provide jobs to the unemployed.

# 12.PRIVATE PROPERTY

- \* Kautilya supported the institution of private property, both movable and immovable.
- \* The right in land was transferable and saleable.
- \* There were 8 sources of property which were revealed by ancient law books, they were;
  1. gift
  - 2.conquest
  - 3.inheritance
  - 4.partition
  - 5.purchase
  - 6.gain of agriculture and trade
  - 7.discovery
  - 8.seizure

# 13.INTEREST

- \* Interest was justified in ancient India
- \* They were not in favour of high rates of interest
- \* The rate of interest was varied from class to class depending upon the purpose for which the money was borrowed, economic resources of the borrower etc.
- \* Kautilya proposed regulation of the rate of interest.
- \* Acc.to him the just rate of interest would be 15% as a general rule, but on money lent to traders and merchants even a high rate of interest could be justified

# 14.PRODUCTION AND CONSUMPTION

- \* For consumption purposes family was considered as an economic unit
- \* The consumption in ancient India was based on the four ends of life-dharma, artha, kama, and moksha
- \* As far as the production was concerned the four agents of production namely land, labour, capital, and organization were recognized.
- \* Land was considered as the main source of wealth.

# PRICE CONTROL

- \* it was one of the important functions of the state during the reign of Chandragupta Maurya
- \* The main object of the price control was to protect the consumers against the malpractices of the shrewd and dishonest traders
- \* The trade in food grains and other essential commodities was conducted by the authorised traders appointed by the state
- \* The traders could charge at the maximum 8% profit on domestic commodities and 10% on imported commodities. Those who violated these laws were heavily punished

# SOCIO-ECONOMIC INSTITUTIONS

- \* The socio economic structure in ancient india was based on the dictates of religion
- \* The laws of religion governed every walk of life, family and social relations, economic activities and spiritual life

# CRITICIZMS

- \* Ancient thinkers did not regard economics as a separate discipline. the study of economics was combined with the study of religion ,ethics,law,philosophy.philosophy and public administration
- \* Concept of welfare state was kernel of the ancient Indian economic thought. The state was responsible for the economic prosperity of the people
- \* Economic life as well as thought in ancient India was governed by moral sanctions and religious ideals