UNIT 1: History of Indian Economic and Business Model

- Ancient Foundation of Economics
- Economic Thought in Context from Dharmashestras, Shukraniti, Mahabharata, and Arthashastra

INTRODUCTION

- Economics, whether in ancient India or the modern world, is, indeed, not a science solely concerning the individual in search for personal welfare or purely material happiness but, it is a social science, concerning man in his everyday life and pursuits, which would be impossible without association, organisation, and intensive action to predetermined ends.
- In ancient times, economics was based on trade, which is often a simple exchange of one item for another. It was in general based on the traditions, history and beliefs. It helps to shape the goods and services produced by the economy, as well as the law and method of the distribution.
- However, ancient Indian thinkers had no clear conception of economics and their ideas were mixed with politics, ethics and economics. Whereas in modern era, economics was more concerned with the distribution of labour as well as the means of production.
- It deals with the institutional structure through which individuals in a society coordinate with diverse **wants and desires.** It is a means by which societies or governments organize and distribute available resources, services, and goods across a geographic region or country.
- It regulates the **factors of production**, which includes land, capital, labour, and physical resources.
- Basically, economics is concerned with the creation, consumption and transfer of wealth. In modern times, economics is categorised into two parts, that is **microeconomics** and **macroeconomics**.
- The study of **microeconomics** explores how people and firms produce and consumer goods and services, whereas **macroeconomics**, explores about mass economic progress and inter-country trade.
- Over the period of time, the discipline of economics, as it stand today, is the result of continuous developments due to increase in population, number of occupations and per capita income.
- Furthermore, economics explores various aspects such as markets, prices, incentives, and the role of institutions in shaping economic behaviour. In the ancient Indian economics agriculture and animal husbandry were the important means of trade and commerce.

- Indian economic thought is relatively little known in India or in any part of the world.
- The study of ancient Indian economic ideas offers a deeper insight into India's culture, tradition, and fundamental national characteristics.
- The history of Indian economic thought provides rich insights about the Indian thinkers and the economic issues.
- The information of ancient Indian economic thoughts is available in the Vedas, Upanishads, the Epics such as **Ramayana and Mahabharata, Smritis and Niti Shastras namely Manu and Shukra,** some of which are discussed in the further parts of the book as per the syllabus.

MEANING OF ECONOMICS

- Economics is the **social science** that studies how individuals, businesses, governments, and societies allocate scarce resources to satisfy unlimited wants.
- It explores how people make **choices in case of scarcity**.
- It is a study about the production, distribution, and consumption of goods and services. Thus, Economics is the study of ways in which mankind organizes himself to tackle the basic problem of scarcity of resources.
- Originally, economics was dealt as **a science of statecraft**. It was concerned with the collection of revenue for the state that is the government. The government advisers were supposed to point out the best possible way of spending the revenue.
- However, over the period of time economists have stressed upon different aspects of economic activities, and hence quoted different definitions of economics.
- **Chanakya** also known as **Kautilya** is called the **father of ancient economics in India** whereas **Adam Smith** is known as the **father of modern economics**.
- Kautilya is known for providing **knowledge and wisdom about Arthashastra** which ultimately means economics.
- Economics is a **social science** which studies **human behaviour** as a relationship **between ends and scarce means which have alternative uses.**

- **Adam Smith**, defined, "Economics as the science of wealth". Ricardo emphasised on the distribution of wealth.
- **Alfred Marshall**, "Economics is the study of mankind in the ordinary business of life".
- **Lionel Robbins**, "Economics is the science which studies human behaviour as a relationship between ends and scarce means which have alternative uses".
- **John Stuart Mill**, "Economics is the practical science of production and distribution of wealth".

ANCIENT FOUNDATIONS OF ECONOMICS

- The great Indian thinkers like Kautilya and Sukra have laid strong foundations and contributed towards Economics during ancient times.

- The study of these thinkers might enable a place in the history of economics and thereby obtain due position among the economists of the world.

- It lays down strong foundations which can also help in the solution of modem social problems. The vernaculars have attempted to coin equivalents for the term 'Economics' as **Artha - Mimamsa, Dhan-shastra, Arthashastra, Vartashastra, Dharmashastra, Nitishastra.**

- Ancient (old) economic thought is the product of Indian culture, moral and religious system possessing certain principles.

- The study of ancient economic thought will not only help to visualize the life of our ancestors but it will **help to recognise and interpret the purpose of their day-to-day activities.**

- Economics examines the part of individual and social action which is closely connected with the use of material requisites of well-being.

- On one side it is the **study of wealth** and the other side it is the **study of mankind**, religion as an interpreter of human action in moulding human character.

- Hence, economic thought in any age reflects the life of human through economic opinion with the variations of economic conditions. Most of the ancient Indian literature is written in **Sanskrit,** which depicts the treatise on philosophy and philosophical dimensions of life.

- This immense literature comprises many basic thoughts on economic development and human welfare which had a significant influence on the thinking of nationalist and socialist thinkers, both of pre-independence and post-independence vintage.

- This literature is the integrated framework of what are called as Dharma (**Values**), Artha (**Capital Formation**), Kama (**Basic Needs Consumption**), and Moksha (**Highest Efficiency**). This subject deals with the broad contours of the classical wisdom of India.

- Detailed description is provided in this part about the Kautilya's Arthashastra; a treatise of economics and political science, written in 6. and 7. century B.C. which deals with the various principles of efficient governance and evolution of a welfare of the state.

Early economic Thought in the context from Dharmashastras, Shukraniti, Mahabharata, and Arthashastra

DHARMASHASTRA

- Dharmashastra are Sanskrit Pauranic Smriti texts on **law and conduct**.
- In the ancient Indian texts, Dharmashastra, was mainly concerned with **morality, ethics, law, and governance.**
- It refers to the treatises that is shastras on Dharma.
- Dharmashastra texts are mainly based on Puranas that provides the code of conduct and moral principles (dharma) for Hindus.
- The concept of Dharma is important for both Hinduism and Yoga.
- Dharmashastra is the symbol totality of Hindu knowledge about religion, law, ethics, etc.
- Dharmashastra is the manuscripts of Vedic literary tradition namely **Rigveda, Yajurveda, Samveda, and Atharvaveda**. It has historical and cultural significance.
- Dharmashastra was written by an Indologist **Bharat Ratna Pandurang Vaman Kane**.
- The History of Dharmashastra with subtitle as **Ancient and Medieval Religious and Civil Law in India**, is a monumental comprising of **five-volume** work of around 6,500 pages.
- The first volume of the work was published in **1930** and the last volume in 1962.
- Dharmasutras consists of four Law Codes which are **Apastamba, Gautama, Baudhayana and Vasistha.** The oldest one is **Apastamba**.
- During the Vedic era and 1st millennium BCE Dharmasutra emerged from Kalpa (Vedanga). There are about 18 to 100 dharmashastras with conflicting viewpoints and each of the texts exist in many different versions which are rooted in Dharmasutra texts.
- In India, Manu-smriti is traditionally the most authoritative book of the Hindu code that is Dharma-shastra. It is officially known as **Manava-dharma-shastra** and attributed to the law giver known as Manu.
- It provides an important advice on how to live ethical life and also provides an ethical framework for evaluating human actions in general. In ancient India, it regulated the political, religious and social life of a person.
- It also offers guidelines for individuals, rulers, and society to lead a righteous and harmonious life as per Hindu principles.
- In Hinduism, Dharma denotes behaviours that are considered to be in accord with Rta – “order and custom” that makes life and universe possible. The relevance and interpretation are applicable in contemporary India.
- There are ten characteristics of dharma, that is **Patience, Forgiveness, Restraint, Not steal, Cleanliness, Keep in mortify, Wisdom, Knowledge, Truth and Do not be angry.**
- **Manusmriti** has twelve chapters which can be divided into four, namely **Achara, Vyavahara, Prayaschitta and Karma Phala**.
- **Achara** means **immemorial practices or observance of caste**.
- **Vyavahara** means **practice of law and government**.

- **Prayaschitta** means **penitential exercises** and **rules of expiation**.
- **Karma Phala** means **consequences of acts**.

Early economic thought in the context of Dharmashastra

- The concept of dharma is central to Indian economic thought which offers valuable insights into economic thought within the context of ancient Indian society.
- Dharmashastra is the concept of Dharma which means **righteousness, truthfulness and charity, and associated with the satisfaction of the soul**.
- However, Dharma is associated to economics in terms of **Duty, Role of State, Property Rights and Ownership, Trade and Commerce, Wealth and Charity, and Ethical Conduct.**

Following key points are highlighted with respect to economic thoughts from Dharmashastra

1. **Duty and Dharma**

   Duty and Dharma incorporate moral, social, and economic obligations. In ancient times individuals were expected to fulfil their duties according to their caste (varna) and the stage of life (ashrama), which included economic activities such as earning a livelihood, supporting the dependents, and contributing to the welfare of the society.

2. **Role of the State**

   To ensure social order, Dharmashastra texts provide direction on the role of the state in regulating economic activities. The king (ruler) was expected to uphold Dharma by administering justice, protecting property rights, and maintaining economic stability through fair taxation and regulation of trade and commerce.

3. **Property Rights and Ownership**

   Dharmashastra texts recognize private property rights and emphasize the importance of acquisition and transfer of property. Individuals were expected to respect the property rights of others. Ownership of land, animals, and other assets was regulated.

4. **Trade and Commerce**

   Dharmashastra acknowledges the importance of trade and commerce in society. It provides guidelines for conduct of fair trade, resolve disputes, and enforce contracts. Vaishyas were considered as the merchants and an essential part of the economy. They were expected to follow ethical principles in the business dealings.

5. **Wealth and Charity**

   Wealth is a means to fulfil one's duties and obligations, which includes supporting the religious institutions, providing for the needy, and contributing to public welfare projects. Dharmashastra emphasizes both the creation of wealth for self and the importance of charity (dana) which means giving back to the society.

6. **Ethical Conduct**

   Dharmashastra texts stresses on ethical conduct (achara) in all aspects of life, which also includes economic related activities. Individuals were supposed to follow principles of honesty, integrity, and fairness in the economic dealings and avoid exploitation and dishonesty.

Understanding of economic thought in ancient India with a view from Dharmashastra, can support and influence Indian society and culture in the modern era too, by emphasizing on the integration of ethical, social, and legal principles in economic activities and governance.

SHUKRANITI

- Shukraniti also known as Shukranitisara is a **part of Dharmashastra**.
- It is an ancient Indian treatise on the science of political economy. It is an ancient Indian text that has been written around the **4th or 5th century BCE**.
- However, the exact date and authorship are uncertain. It was a treatise given by Shukracharya who was an advisor to kings according to Hindu mythology.
- It is basically concerned with statecraft, governance, and economics as ascribed by Shukracharya. Hence, called as **Shukraniti**. Also, it is considered as Shukracharya's "**System of Morals**".
- According to Shukracharya, a person can live without grammar, logic, and Vedanta but cannot live without **Niti**. He says that, Niti is as an essential aspect required for maintaining social order in the society.

Shukraniti book is divided into five chapters

- **Chapter 1:** It deals with the duties and functions of the Princes.
- **Chapter 2:** It elaborates on the duties of the crown prince and other administrators of the state.
- **Chapter 3:** It highlights the general rules of morality.
- **Chapter 4:** It is the largest chapter divided into seven parts:
  - **4.1** It describes the maintenance of the treasure.
  - **4.2** It describes social customs and institutions in the kingdom.
  - **4.3** It details about the arts and sciences.
  - **4.4** It lays out the guidelines for the characteristics required in the friends of the king.
  - **4.5** It describes the functions and duties of the king.
  - **4.6** It presents maintenance and security of forts.
  - **4.7** It lays out the functions and composition of the army.

- **Chapter 5:** deals with miscellaneous and supplementary rules on morality as laid down in Shastras to promote the overall welfare of the people and the state.

Early economic thought in the context of Shukraniti

- The Shukraniti texts stress on the importance of **proper administration and management of resources for the welfare and prosperity of the state.**
- The economic thought highlighted in Shukraniti deals with **principles of governance and ethics.**

Following key points are highlighted with respect to economic thoughts from Shukraniti

1. **Wealth Management**
   Shukraniti emphasizes the significance of wise management of the resources and wealth by the kings/rulers. It advises the ruler to be careful in expenditure and to be cautious when making purchases. It advises against luxury and encourages savings.

2. **Taxation**
   Shukraniti text discusses various forms of taxation and revenue generation. It suggests fair and impartial taxation policies which will not be a burden to the subjects. Taxation should ensure adequate revenue for the smooth functioning of the state.

3. **Trade and Commerce**
   Shukraniti recognizes the significance of trade and commerce for economic growth. Both domestic and international trade should be made possible, by ensuring the interests of the state and to protect its subjects.

4. **Welfare State**
   According to Shukra, the State is a trustee to which others are related. He also said that the state is a tree of which King is the root and counsellors are the main branches. The Commanders are the lesser branches. The armies are the blossoms and the flowers. The people are the fruits and the land is the seed. In short, King was responsible for the economic prosperity of the people. All this indicates that the ancient concept of State in India was that of Welfare State. Hence, all the people are equally responsible for the welfare of the state.

5. **Role of the State**
   It is the responsibility of the state to ensure the welfare and prosperity of its citizens. It should not facilitate economic management but also look upon for the provision of justice, security, and social welfare.

6. **Ethical Conduct**
   According to Shukraniti texts, all the economic activities should be within the framework of ethical principles. It emphasizes honesty, integrity, and fairness in economic dealings, both for individuals and for the state.

Understanding of economic thought in ancient India with a view from Shukraniti reflects a holistic approach which integrates the economic principles with governance, ethics, and social welfare. It aims for the overall well-being and prosperity of the state and its people.

MAHABHARATA

- Mahabharata is the greatest epic of ancient Indian History. In Hinduism, it is considered to be one of the major Smriti (**which is remembered**) texts and Sanskrit epics of ancient India.
- It comprises a combination of myths and mysticism.
- Mahabharata was considered to be the **age of bravery**. Dying in the battlefield was considered as a symbol of prestige.
- During the time of Mahabharata, king occupied the highest position in the society. He lived in a very beautiful palace and adopted many titles.
- The king performed **Ashvamedha yajna** (one of the most grandest and most important vedic rituals performed by kings to assert sovereignty, military power and divine approval for their rule) to become Chakravarti king.
- He had ministers to assist him but all the power belonged to him. However, there were certain shortcomings in his character like drinking liquor and gambling.
- Mahabharata was the story of **two cousins Pandu and Dhritarashtra**. **Pandu** had five sons who were known as **Pandavas**, where as **Dhritarashtra** has hundred sons who were known as **Kauravas**.
- Mahabharata is the fight between the Pandavas and Kauravas, **a cosmic struggle between good and evil**. It is the narration of the events and outcomes of the Kurukshetra War, a war of series focusing on themes of dharma (**duty**) and **righteousness**.
- It is also about the struggles faced between two groups of cousins to gain supreme power.
- Mahabharata written by **Lord Ganesha** was conceived and dictated by the **Maharshi Veda Vyasa**.
- It is one of the longest poems ever written. It contains philosophical and devotional material which highlights four “goals of life” or purushartha that is **Dharma** (righteousness, moral values), **Kama** (pleasure, self-psychological values), **Artha** (prosperity, economic values), and **Moksha** (liberation, spiritual values, actualization).
- Its longest version consists of over **1,00,000 shloka** or over **2,00,000 individual verse** lines (each shloka is a couplet), and long prose passages.
- Mahabharata covers almost all aspects of human life and reminds people about the discrepancies, disagreements and disputes which affects the social, economic and political environment of that period.
- Hence, it has been explored for its intense and magical reality from time to time.

Early economic thought in the context of Mahabharata:

- The Mahabharata, one of the major **Sanskrit** epics of ancient India which offers insights into early economic thought within the context of ancient Indian civilization.
- It comprises of passages and dialogues that touch upon economic principles and practices. Although it is the story of the two warring cousins, the Kauravas and the Pandavas, but it throws a light on the contemporary political, social and economic life, also.

Following are the key aspects of economic thought as depicted in the Mahabharata

1. **Duty and Responsibility**
   The concept of dharma which is central to the Mahabharata, also covers economic behaviour. Almost all the characters in the epic are found fulfilling their duties and responsibilities from the family perspective as well as from the economic perspective. Whether the individual is the ruler, the minister, or a family member, the duty and responsibilities are very well managed in terms of kingdom resources or as household.
2. **Kingdom Management**
   The Mahabharata provides insights into governance and administration, including economic management by kings. Rulers are expected to maintain equitable distribution of wealth, ensure the welfare of their subjects, and promote economic prosperity. The governance and policies should also take care of the poorer sections of the society.

3. **Trade and Commerce**
   The epic recognizes the importance of trade and commerce in ancient Indian society. During the time of Mahabharata, various economic activities such as agriculture, trade, and crafts were very famous. There are references of the marketplaces, merchants, and trading routes, highlighting the interconnectedness of different regions through economic exchanges.
4. **Wealth and Charity**
   The texts of Mahabharata emphasize the significance of wealth and its proper utilization. Accumulation of wealth is not the only concern of the king, but wealth should be used for right purpose, which also includes support to the Brahmins (priests), performing sacrifices, and charitable activities aiming to benefit the society.
5. **Ethical Considerations**
   Economic conduct is often evaluated within the framework of ethical principles. Individuals are expected to engage in economic activities with honesty, integrity, and fairness. Unethical behaviour such as fraud, deceit, or exploitation is condemned.
6. **Social Structure and Economic Roles**
   The Mahabharata reflects the hierarchical social structure of ancient India, with distinct economic roles assigned to different varnas (social classes). Brahmins are primarily engaged in intellectual pursuits and religious duties, Kshatriyas are responsible for governance and protection, Vaishyas for trade and commerce, and Shudras for service and manual labour.

Understanding of economic thought from the perspective of Mahabharata presents a rich ancient Indian civilisation. The economic principles are supported with moral, social, and religious values, shaping the economic behaviour and practices of individuals and communities.

ARTHASHASTRA

- Arthashastra is wider in scope than economics. It includes a number of **social sciences.**
- Arthashastra is a Sanskrit title which is related to '**economic science**' or '**political science**'. It is simply known as '**statecraft**'.
- In brief, Arthashastra is primarily a treatise on the governance of a state. It broadly deals with the issues and functions connected with the administration of the state or kingdom and foreign relations.
- It provides the king/ruler or a leader an education in the ways of attaining the overriding goal of expansion of his kingdom.
- Sukra defines Arthashastra as, "Arthashastra is that science which describes the actions and administration of kings in accordance with the dictates of revelation (religious and philosophical context) and of law as well as the means of appropriate livelihood."
- Arthashastra was attributed by the scholar **Chanakya** (also known as **Kautilya or Vishnugupta**) and written around the **3rd century BCE**.
- According to him Arthashastra is an economic thought which deals with principles of political science and administration. Kautilya defines Arthashastra as, "**Arthashastra is the science of wealth**."

Early economic thought in the context of Arthashastra

In the context of the Arthashastra, an ancient Indian treatise on statecraft, governance, and economics the Arthashastra provides a comprehensive framework for the functioning of a state, including economic policies and practices.

Following are the key aspects of economic thought as depicted in the Arthashastra

1. **Ethical Considerations**
   Arthashastra mentions that the governance (**it is the exercise of economic, political and administrative authority to manage a country's affairs at all levels)** should be practical and ethical—that is, it should be an economic governance. It guides the rulers and administrators to act with integrity, honesty, and fairness in their dealings, both within the state and with external affairs.
2. **Wealth and Welfare**
   The policies laid down in economic as per Arthashastra are intended at ensuring the prosperity and welfare of the state and its subjects. The text provides policies that promotes economic growth, accumulation of wealth, and equal distribution of

resources. It also emphasizes the importance of social welfare measures, including relief for the poor and support for the needy.

3. **Role of Officials**
   The Arthashastra provides an outline for the roles and responsibilities of various officials and departments in the welfare of the state or nation. It highlights that competent ministers and administrators should be appointed to manage different aspects of the economy, such as finance, agriculture, industry, and trade.
4. **State Control and Regulation**
   The Arthashastra promotes strong state control and regulation of economic activities. It emphasizes the king/ruler to look upon all the matters to manage various aspects of the economy, including agriculture, trade, industry, and taxation.
5. **Taxation and Revenue**
   Taxation is the means of revenue generation for the state for its smooth running and to meet its obligations. It outlines various taxes, levies, and duties imposed on agricultural produce, trade transactions, artisans, and merchants.
6. **Trade and Commerce**
   The Arthashastra highlights the importance of trade and commerce for economic prosperity of the state or the nation. Regulation of markets, and promotion of trade routes and commerce are given importance along with fair practices.

Understanding of economic thought from the perspective of Arthashastra presents a systematic and pragmatic approach (way of thinking or dealing with problems that focuses on practical results and real world solutions) to economic governance, economic policies, integrity and stability of the state/nation for the overall well-being of state/nation in Indian tradition.

UNIT 2: Introduction of Indian Economic and Business Model

- Kautlya's thought to Arthashastra,
- Kautilya's Saptang Theory of State
- Kautilya's Economic thoughts in specific India
- Kautilya's Economic thoughts in Global GDP
- Beyond Capitalism and Communalism Dharmicism,
- Caste as Social Capital.
- Black Money and Tax Heaven.

KAUTILYA'S THOUGHTS TO ARTHASHASTRA

- Kautilya referred to political economy and its real-time applications mentioned in Arthashastra. In the Arthashastra treatise, he writes about politics, administration, and economics which is divided into Adhikarnas (books), Adhyayas (chapters), and Shlokas (verses).
- The treatise is known as '**science of political economy'**. It provides an authentic account of the economic and political ideas of the day. It also contains information about law, agriculture etc. that prevailed at that time and also deals in detail with the qualities and disciplines required for a wise and virtuous king.
- The book on Arthashastra covers each and every aspect of theory and practice of economics, which comprises vivid description of the administrative procedures, the **duties of kings, ministers, and government officers.**

Major economic ideas of Kautilya were about:

- **Wealth**
- **Varta**
- **Agriculture and Animal Husbandry**
- **Dignity of Labour**
- **Trade**
- **Value**
- **Public Finance**
- **Population**
- **Slavery**
- **Welfare State**
- **Social Security**
- **Market**
- **Town Planning**

1. **Wealth**
   Kautilya mentioned about economics as the formation of wealth. Defining about wealth, Kautilya mentions that the root of happiness is Dharma, the root of Dharma is Artha, the root of Artha is right Governance, the root of governance is Victorious Inner-Restraint, the root of Victorious Inner-Restraint is humility, and the root of humility is serving the aged.

2. **Varta**
   The word Varta or Vartha used in those times is national economy. At that time, the national economy consists of agriculture, animal husbandry and trade. However, later on money lending and artisanship were also brought under Varta. Hence, kings were expected to have good knowledge of Varta or economics.

3. **Agriculture and animal husbandry**
   At that time agriculture was the most important constituent of economy and highest occupation in the society which also included animal husbandry. The means of livelihood were mainly Krishi (agriculture), Pashupalan (cattle rearing) and Vanijya (trade). The state and the community were responsible for the development of agriculture, cattle rearing and trade.

4. **Value and Trade**
   In India in those days, there was free trade. Value of the commodity was decided according to time and place. There was no value for the items which were incapable of exchange. Kautilya emphasized more on problems of trade.

5. **Population**
   During those times, large population was not an issue since population could not grow beyond a reasonable limit because of constant wars between small states. Another factor was that there was considerable loss of life due to the lack of medical facilities.

6. **Labour and Caste**
   In ancient India caste system prevailed. Kautilya gave importance to each labour discipline. He also clearly mentioned that women should help men in productive activities in agriculture and trade.

7. **Welfare State**
   Kautilya's literature about good governance was aimed at fulfilling the welfare of the people. According to Kautilya, King's happiness lies in the happiness of his subjects, and their welfare. The king shall not consider good whatever pleases him, but he shall consider it good whatever makes his subjects happy. Ultimately, the state was to promote the welfare of people by regulating the life of people and to give subsidies for the development of trade, agriculture, irrigation, mines, cattle welfare, etc.

8. **Private property**

Institution of private property was supported by ancient economic thinkers. Individual and family can own land and the right in land was transferable and saleable. State had the right to levy cesses and fines.

9. **Production and consumption**

   Land was considered important source of all wealth. For production and consumption, four sources were land, labour, capital and organization. Hence, trade, agriculture, irrigation mining etc. were promoted by giving subsidies.

10. **Public Finance**

    Land revenue was important source of taxation. Basically, two principles were followed with the realization of taxes. First, tax should be levied once a year and should not prove burdensome and second, taxes should be levied according to the ability to pay. 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. Kautilya's taxation was multi-fold and had several underlying principles. That is, tax should not be felt to be heavy or excessive, tax hikes should be introduced steadily, it should be levied in the proper place, time and form, and tax level should be equitable and reasonable and taxing power of the state should be limited. According to him, government should collect taxes like a honeybee that sucks the right amount of honey from the flower so that both can survive. Kautilya suggested forced loans for meeting deficit budgets.

11. **Town planning**

    Town planning included the careful planning of the infrastructure such as roads and streets, and the sub-division of city areas and due emphasis was laid on the maintenance of sanitation and prevention of fire.

12. **Social security**

    Kautilya emphasized that it was the prime duty of the state to protect the weak and the aged, to provide jobs to the unemployed, and to set up poor houses and charitable institutions.

13. **Slavery**

    Kautilya cherished against slavery and by guaranteeing civil rights to the Shudra's. According to him, an employer could not force a human slave to hurt or abuse them. He gave importance to human values. Kautilya was not merely concerned with the material and physical welfare of the citizens, but was concerned with the moral welfare of the people.

14. **Market**

    In those days the important source of market supplies was agriculture and farmland. Kautilya recognized the variability of land quality which depended on rainfall, adaptability of land to different crops and population density.

KAUTILYA'S SAPTANG THEORY OF STATE

- The word "**Saptang**" indicates seven **limbs, constituents or elements**.
- According to the theory, a state or a well-governed kingdom is composed of seven essential elements or limbs that contribute to its stability and prosperity.
- Saptang comprises of Swami, Amatya, Janapada, Durga, Kosha, Danda, and Mitra.

1. **Swami**
   The king is considered the swami or ruler and is the central figure in the state. Swami is responsible for making important decisions, maintaining law and order, protecting the kingdom, and ensuring the welfare of the people.

2. **Amatya**
   Amatya are the ministers or the advisers who play an important role in assisting the king in the governance. Their role is to advise the king and most importantly maintain the secrecy of their deliberations.

3. **Janapada**
   Janapada refers to the people and the territory of the state. According to Kautilya, the territory of the state should be fertile and have a plenty of forest, rivers, mountains, minerals, wildlife, etc. People should be loyal to their king, hard-working, disciplined, religious, ready to fight for their motherland and should pay taxes on a regular basis.

4. **Durga**
   Durga refers to Fortification. It means defensive structures which represents the protection and security of the state. A well-fortified fort is crucial for defending against external threats and maintaining internal stability.

5. **Kosha**
   Kosha here comprises of the treasury which represents the economic strength of the state. It encompasses the financial resources, collection of revenue, and management of finances to support the state's activities, including infrastructure development, defence and welfare programs.

6. **Danda**
   Danda is the army (armed forces) or the military who are essential for defending the state from external aggression and maintaining internal order. They ensure the king's authority and protect the interests of the state.

7. **Mitra**
   Mitra is the alliance which are crucial for a state's security and prosperity. Maintaining diplomatic relations, forging strategic alliances, and engaging in trade contributes to the state's influence and stability.

KAUTILYA'S ECONOMIC THOUGHTS IN SPECIFIC INDIA AND GLOBAL GDP: ANCIENT INDIA

Brief about 'KAUTILYA'

- Vishnugupta Kautilya was born in **350 BCE** who grew up in north-western India in the city of Takshashila. Kautilya was also referred to as **Chanakya**, a patronym derived from his father, 'son of Sage Chanaka'.
- He was a scholar who studied in one of the famous universities known as **Takshashila University**. To seek fresh honour (honour or praise earned by somebody for their achievement) for his learning, he left for Pataliputra (which is now known as Patna, capital of Bihar), capital city of **Magadh Empire**.
- At Pataliputra, he became head of the department and administered the danashala (charity centre) of Emperor Dhananda. There he came in contact with Chandragupta, an orphan brought up by pastoral family and arranged education for him at Takshashila.
- Eight years later both Chandragupta and Kautilya returned to Pataliputra and successfully overthrew Dhananda by defeating the Nanda Dynasty in the east and the Greek satraps in the west.
- Subsequently, **Chandragupta Maurya** was crowned **the emperor** and **Kautilya** was an adviser and assumed the role of the **chief minister.**
- He was known by the name of Kautilya because he was an expert in diplomacy and political strategy.
- Kautilya wrote the book Arthashastra "**Science of Material Gain**" or "**Science of Political Economy**" in Sanskrit.
- In Kautilya's Arthashashtra, the treatise was intended for the use of rulers in general and not for any king or emperor in particular.
- This was the greatest contribution to the pre-classical science of political economy.
- Kautilya's economic thought was probably the world's most ancient economics.
- The treatise, was more academic and universal in nature and did not make any specific reference to the historical situation of that period.
- Kautilya's attention was for state administration, advice for smooth continuity of the ruler, and on economic organisation of the state.

MEANING OF ARTHASHASTRA

- Arthashastra is made up of two words, that is **Artha** which **means money** and **Shastra** which **means science**.
- Hence, Arthashastra is **the science which deals with money.**
- Kautilya's Arthashastra has been considered to be the most reliable work on ancient Indian economic thought.
- The Arthashastra was the culmination of the elements of economic thoughts that had appeared in sacred and secular texts over the millennia.

- It is in the Arthashastra literature that economic discussion was most highly developed—much more fully than one finds it in classical Greek Economics.
- (According to Kautilya, the objective of Arthashastra was to have a manual that revolved around maintaining economic and political stability and centralised administrative system.)

KAUTILYA'S ECONOMIC THOUGHTS IN SPECIFIC INDIA

- As discussed above, Kautilya "Arthashastra", a comprehensive treatise on **statecraft, economics, and military strategy** within the context of India emphasizes on taxation, trade and commerce, agriculture, public work and infrastructure and fiscal policy.
- He highlighted that **taxation** is a means for the state **to generate revenue** but it should be progressive.
- Higher incomes would pay higher taxes.
- There is a need for moderation in taxation to prevent stifling economic growth and to ensure the welfare of the people.
- **Trade and Commerce** is very important for economic **prosperity of a nation.**
- Hence, Kautilya encouraged for policies that take into account domestic and international trade, which includes trade routes, markets, and regulation of trade practices.
- He also stressed upon the importance of maintaining stable prices and preventing monopolies to ensure fair competition.
- Indian economy is heavily dependent on **Agriculture**.
- Kautilya laid down the policies that promoted agricultural productivity, irrigation, land reforms, and protection of farmers from being exploited to their welfare.
- Kautilya recognized the importance of a stable monetary system for economic stability.
- In order to **prevent inflation** and to ensure the integrity of the monetary system, appropriate policies should be laid.
- Nation's overall development is dependent on public works and infrastructure.
- He emphasized for government investment in projects such as **roads, bridges, and waterways to facilitate transportation and commerce.**
- Kautilya believed in wise **fiscal management to ensure the financial stability of the state.**
- He emphasized the need for **budgeting, accounting, and auditing** to prevent wasteful expenditure and corruption.

KAUTILYA'S ECONOMIC THOUGHTS IN GLOBAL GDP

Kautilya's economic thoughts in the "Arthashastra" was in the context of ancient India rather than Global economy. However, some principles from his teachings can be extrapolated and applied to the concept of global GDP in a contemporary context.

- In modern context, trade and commerce with fair competition is essential for **globalisation and expansion** of international trade.
- Towards the global economy, countries around the world can adopt **fiscal policies** to stimulate **economic growth, regulate inflation, and manage public finances.**
- In the modern world, investments in infrastructure such as **transportation networks, communication systems, and energy** facilities contribute towards productivity, growth and can have a positive impact on **global GDP** by facilitating trade and economic activity across borders.
- A **stable monetary system** is very much important to **prevent inflation** and ensure the integrity of the economy.
- Hence, central banks and monetary authorities worldwide can work to maintain price stability and financial integrity.
- **Good governance** within a sovereign state and strategic alliances can be applied to the global stage.
- International co-operation, trade agreements, and diplomatic relations between nations can be viewed through a contemporary lens to understand their relevance to the interconnected and interdependent global economy.

BEYOND CAPITALISM AND COMMUNALISM

CAPITALISM

- Capitalism as an economic system based on **private ownership of the means of production and their operation for profit.**
- It is also an economic and political system where trade and industry are controlled by **private owners for profit.**
- In a capitalist economy, capital assets such **as factories, mines, and railroads can be privately owned and controlled.**
- However, **labour is purchased** for money wages, capital gains accrue to private owners, and prices allocate capital and labour between competing uses.

Historical Background

Capitalism has emerged in the context of the European Renaissance and the expansion of trade in the 16th century. It has developed further during the **Industrial Revolution** in the 18th and 19th centuries, when technological advancements and industrial production significantly transformed economies.

Key Features of Capitalism

1. **Private Property**
   Individuals and businesses have the right to own and control property and assets.

2. **Market Economy**
   Goods and services are produced for exchange in markets where prices are determined by supply and demand.

3. **Profit Motive**
   The primary driver of economic activity is profit, which is the reason businesses exist.

4. **Competition**
   Multiple businesses compete within the market to attract consumers and achieve higher profits, leading to innovation and efficiency.
5. **Limited Government Intervention**
   Ideally, the government has a limited role in the economy, primarily to enforce contracts, protect property rights, and ensure market stability.

Types of Capitalism

1. **Laissez-Faire Capitalism**
   It emphasizes minimal government intervention, with the belief that free markets lead to the most efficient allocation of resources.
2. **State Capitalism**
   The government plays a significant role in the economy, owning and managing key industries while maintaining capitalist principles.
3. **Corporate Capitalism**
   Large corporations dominate the economy. Companies like Reliance wield substantial power over both markets and politics.
4. **Entrepreneurial Capitalism**
   Small businesses compete freely in this system. It encourages innovation and individual entrepreneurship.
5. **Social Market Economy**
   Combines free-market capitalism with social policies that aim to reduce inequality and provide public services.

Advantages of Capitalism

1. **Efficiency**
   Market competition drives innovation and efficient resource allocation.
2. **Economic Growth**
   Incentives for profit lead to investment and technological advancements, fostering economic growth. Capitalism has lifted millions out of poverty and facilitated innovations.

3. **Consumer Choice**
   A wide variety of goods and services are available to consumers due to competitive markets.

Criticisms of Capitalism

1. **Inequality**
   Capitalism can lead to significant wealth and income disparities.
2. **Exploitation**
   Workers may be exploited as businesses seek to maximize profits.
3. **Market Failures**
   Capitalist markets can sometimes fail to provide essential services or lead to negative externalities like pollution.

Contemporary Issues of Capitalism

- Modern capitalism is often debated in the context of **globalization, technological changes, and environmental challenges.**
- Discussions about the future of capitalism involve considerations of sustainability, the balance between markets and government regulation, and the role of social safety measures in addressing **inequality.**
- In modern times, **mixed capitalism is the future of the economy**.
- The success of capitalism relies on certain forces, but these same forces can also contribute to its downfall.
- For capitalism to thrive, governments must establish rules that govern **free markets, safeguard property rights and provide essential infrastructure like roads and highways.**
- However, organized private interests may influence governments to prioritize their economic advantage over the public interest, potentially stifling the free market that initially fuelled their prosperity.
- Capitalism can be a powerful engine for economic growth and innovation.
- Since ancient times till today, **India is a mixed economy that is both socialist and capitalist.**

COMMUNALISM

- Communalism in India refers to the **allegiance and loyalty of people to their religious community rather than to a broader national identity.**
- This phenomenon often leads to **tensions and conflicts** between different religious groups.
- Communalism has deep historical roots in India and continues to influence its socio-political landscape significantly.

Historical Background of Communalism

1. **Colonial Policies**

   British colonial rule contributed to the entrenchment of communal identities through policies of "divide and rule". The introduction of separate electorates for certain group of caste in the early 20th century institutionalized communal divisions.

2. **Partition of India (1947)**

   The division of British India into India and Pakistan was a result of intense communal tensions between different religions leading to large-scale violence and displacement.

Characteristics of Communalism

1. **Identity Politics**

   Prioritizing religious, ethnic, or cultural identity over national unity.

2. **Religious Polarization**

   Communities often perceive themselves in opposition to others, leading to mutual distrust and animosity.

3. **Political Mobilization**

   Political parties and leaders exploit communal identities to mobilize support, often exacerbating divisions.

Socio-Political Implications of Communalism

1. **Polarization**

   Communalism deepens societal divisions, making national integration challenging.

2. **Electoral Politics**

   Political exploitation of communal identities to gain electoral support, often leading to differentiating policies.

3. **Policy and Governance**

   Communalism can influence government policies, sometimes resulting in biased governance.

Efforts to Combat Communalism

1. **Secularism**

   Emphasizing the separation of religion from state affairs to promote equal treatment of all religions.

2. **Interfaith Dialogue**

Encouraging communication and understanding between different religious communities to foster mutual respect.

3. **Education**

   Promoting inclusive education that emphasizes tolerance, diversity, and shared national identity.

4. **Legal Measures**

   Strengthening laws to prevent and punish communal violence and discrimination.

Contemporary Issues related to Communalism

- Communalism remains a significant issue in modern India, influenced by socio-**economic changes, political strategies, and global factors.**
- Recent incidents have underscored the persistent relevance of communal tensions in **India's socio-political context.**
- Addressing communalism requires immediate responses to violence and long – term strategies to promote inclusive development and social harmony.
- **Communalism in India is a complex** and enduring issue with deep historical roots and significant socio – political implication.
- Efforts to combat it must be multifaceted, involving legal, educational and social initiatives to foster a more inclusive and harmonious society.

Beyond Capitalism and Communalism

Beyond capitalism and communalism means alternative economic and social models that address the limitations of both the systems which promotes the values of democracy, equality, and sustainability mentioned as below.

1. **Socialism and Democracy**

   It combines the elements of socialism with democratic governance with respect for individual rights and freedom. It also promotes social welfare programmes and emphasizes on collective ownership of key industries and resources.

2. **Harmonious Economy**

   It emphasizes the principles of cooperation, mutual understanding, and harmony in economic relations through fair trade networks, community well-being and sustainability over profit maximization.

3. **Continuous Economic Growth**

   It promotes continuous economic growth as the prime measure of progress along with well-being and quality of life. Ecological sustainability, social justice, and flourishing economy are also the major concern when looking to continuous economic growth.

4. **Feminist Economics**

   Feminist economics critiques traditional economic theories and practices for their failure to account for gender disparities and the unpaid care work predominantly performed by women. It seeks to challenge patriarchal structures in the economy and society, advocating for policies that promote gender equality.

Many more approaches can be developed, however should share common goal of transforming the current economic system to better serve the needs of people and the environment.

DHARMICISM

- Dharmicism refers to an **economic** and **social ideology** rooted in the dharmic traditions of India.
- If we were to conceptualize "Dharmicism" based on the root word "**Dharma**", it could potentially refer to a socio-political ideology that emphasizes adherence to "dharma" or **duty, morality, and righteousness** as defined in Indian religious and philosophical traditions.
- Generally, dharma represents the **moral and ethical** framework that sustains the order of the universe and guides individual conduct.

Key points about Dharmicism

1. **Ethical Foundation**

   Dharmicism emphasizes ethics, personal responsibility, and the pursuit of spiritual growth. It views economic activities as part of a larger framework guided by dharma, the natural laws governing the universe and human behaviour.

2. **Economic Approach**

   Unlike command-and-control economics, Dharmicism encourages individual pursuit and seeking opportunities. It aligns with principles such as swadeshi (self-reliance), small-scale industries, and village-based economies.

3. **Historical Context**

   Mahatma Gandhi's economic thought also drew from Dharmicism, emphasizing simplicity, decentralization, and cottage industries. While often associated with swadeshi and khadi, Dharmicism encompasses a broader vision for sustainable and ethical development.

   Dharmicism offers an alternative economic ideology that balances material prosperity with spiritual well-being, rooted in India's rich cultural heritage.

Potential Features of Dharmicism

1. **Moral and Ethical Governance**

   Policies and governance based on principles of dharma, emphasizing justice, righteousness and ethical behaviour.

2. **Cultural and Religious Values**
   Promotion and preservation of traditional cultural and religious values as central to societal norms.

3. **Social Responsibility**
   Emphasis on duties and responsibilities of individuals towards society, family and the environment.

4. **Interfaith Harmony**
   Encouraging harmony and understanding among different religious communities, grounded in the shared ethical principles of dharma.

Implications of Dharmicism in India

1. **Cultural Revivalism**
   Emphasis on dharma could lead to a revival of traditional cultural practices and values.

2. **Legal and Ethical Framework**
   Laws and policies might be influenced by ethical principles derived from religious texts and traditions.

3. **Social Cohesion**
   Promoting dharma could foster social cohesion through shared values and moral principles, although it might also lead to tensions if interpreted narrowly or exclusively.

4. **Interfaith Dynamics**
   While dharma can be a unifying concept, its interpretation might vary across different religious communities, potentially leading to debates on its application in a pluralistic society.

Challenges and Criticisms

1. **Interpretation and Flexibility**
   Dharma is interpreted differently across various traditions and contexts, which might lead to conflicts over its definition and application.
2. **Secularism and Inclusivity**
   Emphasizing dharma in governance could challenge the secular framework of the Indian state.
3. **Modernity and Tradition**
   Balancing traditional values with modern democratic and human rights principles could be challenging.

While "dharmicism" as a term is not commonly used, the concept of dharma plays a significant role in Indian society and politics. Any socio-political ideology based on dharma would need to carefully balance traditional values with contemporary principles of justice, equality, and inclusivity to be effective and harmonious in India's diverse and pluralistic context.

CASTE

- A caste is a fixed **social group** into which an individual is born within a particular system of social stratification.
- Since ancient times, caste has only been studied from a religious, social and political angle.
- However, in the modern era, caste is considered as "**social capital**" and hence, it is important to understand the "positive" aspects and the "role" it plays in the economic sphere comprising of markets and workforce.
- Caste as a social capital recognizes how caste, traditionally seen as a hierarchical social stratification system, can also function as a form of **social capital**.
- Social capital refers to the **networks, norms, and trust that facilitate co-operation and benefits individual and group.**

Caste as Social Capital

- Caste has economic consequences; however, the study of this aspect has been limited to looking at caste groups in terms of their **per capita income**, their representation in various professions, and other statistical details.
- Caste societies have been moving up the economic ladder through the years and, across industries, whether it is **agriculture, manufacturing, trade and commerce, and services.**
- R. Vaidyanathan adopts Marxian lens to provide us with an economic perspective on caste in his book "**Caste as Social Capital**." The book deals about **"Vaishyavization"** — a newer concept which highlights the socio-economic dimensions of caste.
- **Vaishyavization** is an approach that examines caste dynamics from the perspectives of business, economics, and entrepreneurship. It looks at how caste affects access to financial markets and the continuation of caste-based inequality.
- In contrast to traditional views, Vaishyavization presents caste as a positive institution with multifaceted roles.
- It is seen as a source of social cohesion, economic lubrication, and social capital, suggesting that caste plays a constructive role in various aspects of society.
- This departure from the conventional focus on ritual status enables a more nuanced understanding of caste within the socio-economic context of modern India.
- He takes the examples of how recruitment into companies is often governed by a sense of community for an increased trust factor, of caste/community-based financing and risk mitigation, as well as of economic clusters such as Tiruppur (Gounders manufacturing knitted garments), Sivakasi (Nadars manufacturing matches), and Surat (Patels in diamond trade) clusters that provide ease of business, and presents a perspective on how caste (or community) is a tool for socio-economical upward mobility.

Global and Urban Perspectives of Caste Dynamics

- **Urbanization**
  In urban areas, caste distinctions are less pronounced than in rural areas, though they still exist.
- **Diaspora**
  The Indian diaspora also grapples with caste identity, though often in transformed ways due to different social contexts.

  Caste in India is a multifaceted system that has shaped and continues to shape the social, economic, and political landscape of the country. Caste networks can offer substantial support and resources to their members.

Concluding, Caste as Social Capital looks at caste from the perspectives of entrepreneurship, business, and economics. In terms of enabling the backbone of business and entrepreneurship; finance, markets, and labour force, it examines the function caste plays in the economy.

BLACK MONEY

- Black money or **black income** refers to the income which is taxable but not reported to tax authorities. It is simply the money earned through illegal activity and is not taxed.
- Black money is most of the times hidden and spent in the **underground economy**. It refers to income on which taxes imposed by government or public authorities have not been paid.
- Black money is attempted to appear valid through **illegal money laundering**.
- It is the extent to which estimates of national income and output are biased downwards due to deliberate, false reporting of incomes, output, and transactions for tax evasion, flouting other economic controls, and relative motives.
- Black money is denoted with several terms such as "**unaccounted income**", "**black income**", "**dirty money**", "**black wealth**", "**underground wealth**", "**black economy**", "**parallel economy**", "**shadow economy**", and "**underground**" or "**unofficial**" economy.
- Black money can include money derived from corruption and other illegal ways, such as **drug trafficking, counterfeiting currency, smuggling,** and **arms trafficking.**
- It also includes market-based illegal production of goods and services concealed from public authorities for reasons such as evading tax payments, statutory contributions, minimum wages, working hours, and safety standards.
- Black money generation is primarily driven by a variety of factors, including **high tax rates, corruption, procurement, suppression of receipts, issues of permits** and **licenses,** and i**nflation of expenditure.**
- Ineffective tax laws and a lack of tax morality also contribute to the generation of black money. Political factors also play a role in the amount of black money generated.
- The Indian economy is facing several challenges due to the influx of black money, which is causing **a significant amount of corruption and bribery.**
- The government is also struggling to maintain its finances, leading **to increased debt and borrowing from the World Bank**. The government's inability to stay updated with technology also poses a significant threat to the nation's development.

Black Money Generation Methods

1. **Land and real estate**
   Land and real estate are crucial assets for black money investment due to unique valuations and flexibility. Government policies affect land use and infrastructure development, affecting land and property prices in urban areas. Development in developed areas push prices, affecting black business owners.

2. **Financial Market Transactions**
   In spite of the regulatory reforms in the financial markets, there are many financial markets which are still unregulated. The cause may be that some brokers set up ridiculous sales and nominal expenses in order to collect capital gains.

3. **Bullion Transactions**
   Gold smuggling in India decreased after easing gold purchase controls, leading to increased legal imports. R. Vaidyanathan in the book Black Money and Tax Havens mentions that India holds over 18,000 tonnes of above-ground gold stocks worth over $800 billion, representing 11% of the world's gold stock. However, the economic impact of gold remains still exists, due to socio-cultural reasons, putting pressure on the balance of payments and increasing inflation.

4. **Counterfeit currency**
   Counterfeit (fake) currency has a high threat to cash economies like India, causing trouble to commercial transactions and affecting the mainstream economy.

Government Measures to Curb Black Money

1. **Lower tax slabs** for encouraging voluntary compliance.
2. Introduction of Tax Deduction at Source (**TDS**) on high-value transactions.
3. **Special Bearer Bonds** introduced by the Indian Government, to make use of 'unaccounted' money for constructive purposes.
4. **Amnesty schemes**, introduced by the Finance Ministry from time to time allows tax defaulters to pay a tax, waiving the penalty and interest, wherein defaulters can disclose their wealth and convert them to legal money.
5. **Punishment** to corrupt officials.

TAX HAVENS

- A country which has **no taxes or levies low taxes** on individuals and corporations is a tax haven in a simple language.
- Tax havens are often seen as villains, that can benefit the economy by **offering low tax rates** and **diverse tax features.**
- Further, in order to attract investment, these tax havens offer additional benefits like maintaining financial secrecy and providing legal protection and passport facility in some cases. Many tax havens countries outperform other countries in terms of growth, with low-tax rates fostering a favourable environment for investment.
- Tax haven usage has evolved since the 1920s, initially referring to personal tax avoidance. Corporate entities began using tax havens to lower global tax obligations, benefiting governments, businesses, and criminal masterminds.
- Dedicated companies promote and market services, including choosing an appropriate tax haven and setting up a company. In the 1990s, tax havens

aggressively promoted themselves, but they are now trying to prove their non-tax status through tax treaties.

Exemption rules

R. Vaidyanathan in the book **'Black Money and Tax Havens'** provides the exemptions rules for the company to operate as

1. Companies can hide their identities.
2. Certain companies are partly or wholly exempted from pa taxes.
3. No strict rule on accounting or auditing of books.
4. No need to preserve any important corporate documents.
5. Companies can move the company to a different jurisdiction with minimal formalities.