

## Chapter - 4.1

### Ancient Indian Economic Concepts

The general view of western thinkers is that there is no systematic tradition of economic thinking in India. Indian thinking is basically social, spiritual and to some extent political and thus no place of economic aspects. They consider Arthashastra only a book of economic thinking while Arthshastra of Kautilya is the last book of Indian economic thinking. Economic thoughts have very important place in ancient books. Economic thoughts are found mainly in four vedas, brahmin granth, upanishad, puranas, smritiyan, epics, nities (Chanakya niti, Vidur niti, Shukra niti, etc.) Boudha and Jain Philosophy, etc. Vedas are the oldest books and thus, the tradition of economic thinking in India is the oldest. In this chapter concepts related with want, consumption, environment and wealth earning have been analyzed as described in ancient literature.

#### (a) Concept of Wants:

Human being feels some want in the life every moment. A want is always present in our life from birth to death. Human being makes efforts to satisfy these wants and thus wants give birth to economic activities.

#### Meaning of Wants :

In modern economics "effective desire" is known as want. Three things are necessary for the effective desire –

- (i) desire to get some good,

- (ii) sufficient resources to satisfy want, and

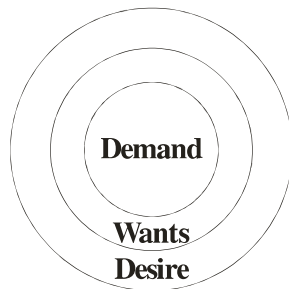
- (iii) being ready to use resources. On the basis of this concept of want the need of food of a person can not become want if the person does not have resources (wealth) to get food. The need of food, cloth and house of a hungry person is real but according to modern Economics the need of resourceless person is not want. According to Indian thinkers a resourceless person also has want.

In ancient Indian thinking "aggregate happiness" is expected. Complete happiness of body, heart, mind and soul is the "aggregate happiness ". Pt. Deen Dayal Upadhaya calls it the 'Chaturvidh Sukh'. Due to the desire of this 'sukh' (happiness) people do effort and work and then the desire of 'Sukh' becomes want. Human being is always engaged continuously in economic activities to get the work done. It has been said in Yajurveda that there is nothing more than 'sukh' (happiness). There is tendency of religion and wealth only for the happiness. All the activities are performed for the happiness. Happiness is the first and best thing. Religion, wealth, labour kama and moksh are the four wants of human being.

#### Desire and Wants:

According to lord Mahaveer, desire is infinite as sky. It is true on the ground of religion and Economics. Scope of want is more than that of demand and desires can not be wants but all

wants are desires. Desires are natural while wants are determined by geographical, social, physical, religious and economic factors. The scope of desire, want and demand is shown in the below figure.



**Figure -1**

### **Factors Affecting Wants:**

Following are the factors affecting wants:

#### **1. Economic Condition of People:**

First of all want is determined by the economic condition. Wants of poor are less than rich. Poor can fulfill only primary wants while rich fulfills primary and luxurious wants also.

#### **2. Religious Causes:**

Wants are affected by religious spirits also. Moral idles which are considered by people are the factors affecting the wants. Wants of a religious person are balanced and wants of a materialistic person are more.

#### **3. Spirit of Selfishness :-**

This factor also affects the wants. According to Mahaveer Swami benefit increases the selfishness.

#### **4. Level of Economic Development:**

After becoming rich, people have the desire of becoming king and then desire to become god and then to become Indra. Thus want increases with the economic development.

### **Primary Wants :**

In all the ancient literatures primary wants –

food, cloth, house, medical and education have been described. The want of wealth is direct for getting energy in the body. Existence of civilization is governed by wealth. In all the basic wants of human being food is at the first place. In Manusmriti and Shukraniti, first with the consumption of foodgrains, cloth, house, education, etc., over consumption is considered unhealthy, age reducing and publically criticized. While having wealth, dirty and torn clothes should not be put on and the house should be owned at that place where there is no shortage of grains, fruits, trees, etc. and sources of earning living (agriculture, trade, etc.) are easily available. In Mahabharata and Ramayana it has been described that it is duty of the king to make available the goods required to satisfy the primary wants of public.

### **General Characteristics of Wants:**

According to modern economics human wants are unlimited and resources to satisfy these wants are limited. Due to scarcity of resources in comparison to wants and unsatisfied nature of some wants human being is under sadness. This concept has been mentioned in Indian ancient literature or books before thousand years. According to Ishopanishada, being free and having unsatisfied wants due to non-availability of required resources are the causes of sadness. If want satisfying resources are available there will be satisfaction. It has been written in Kathopanishada that with the help of more wealth wants are not satisfied and thus more the wealth more the wants. Owner of 100 wants 1000 and then 100000 and then the owner of crores. Wealth is not want but it is desire which is never completed. Desire of consumption is not satisfied by consumption. When ghee is added to fire, it becomes more immaffable. In the same way desire becomes more intensive with more consumption. Hitopadesha describes that desired commodity is itself responsible for its more desire. Desires increase just like lines of circle

and thus never satisfied. Desires of people are like sea which never fulfills. There is no good in the world that can satisfy human wants. Wants are not only unlimited but when one want is satisfied then other want is created. According to Vishwamitra human wants are never satisfied. The above description depicts the following properties of wants in the ancient Indian thinking:

1. Wants are unlimited.
2. Resources used to satisfy wants are limited.
3. Want can not be satisfied by the available resources and thus human being faces sadness.
4. Some of the wants are of the repetitive nature and thus created after getting satisfied.
5. Wants are affected by social, economic and religious spirit. Want of poor and religious person are less but more for materialistic person and rich person.
6. Wants increase with development.

### **Satisfaction of Wants and Maximum Satisfaction :**

When wants are satisfied , people get maximum satisfaction, according to Vedic literature wealth earned by self and by pure and justified way gives happiness by satisfying wants. According to Vedas, satisfying wants by different types of wealth people get happiness and as result poverty is controlled and we get foodgrains, cloth, houses, chariot, gold, etc. Under poverty wants can not be satisfied so there should be sufficient wealth. Getting material happiness is only possible by the wealth. Satisfaction gives happiness.

### **(b) Concepts of Consumption:**

#### **Meaning of Consumption:**

Consumption is the activity by which any want is satisfied. The direct and ultimate use of goods and services to satisfy human wants is

known as consumption. Actually, consumption is the base of economy. Demand for goods and services is arisen due to the desire of consumption. This demand results into the production. The activities of exchange and distribution of goods and services take place due to demand. In ancient literature demand for produced goods in the society is directly related with consumption. Consumption of good depends on its demand. According to Shukra the expenditure on gold, stones, silver, place of keeping coins, chariot, horses, cow, elephant, camel and place to keep them, grains, books and the places of ministers, doctors, chef, artisan, etc., is known as the consumption expenditure.

### **Different Concepts of Consumption:**

In ancient Indian literature balanced consumption, co-consumption and equal consumption are the various concepts of consumption.

#### **1. Balanced Consumption:**

According to the ancient literature, the minimum and balanced use of self earned wealth to satisfy wants is the consumption. One should eat food as required for the body. All the human wants can not be satisfied so balanced consumption is a good strategy. Consumption of goods and services according to desire should be substituted by consumption according to want. Thus keeping consumption at minimum is justified. It is mentioned in Mahabharata that for editing of 'Purushartha Chatushtya', households should collect wealth but the right of people should be only on that wealth which is sufficient for them to satisfy wants. One who keeps more property, he or she is a thief and is to be punished. Earning and collection of wealth is not wrong but earning by wrong means and collecting wealth more than necessity are wrong. Collection of foodgrains is immoral and should not be done by non-religious activities. Same thoughts can also be seen in the Skandapurana. Shukra advises

that the person who collect more wealth should be sent out from the state. According to Kautilya it is duty of king to check people who misuse the expenditure of wealth. Thus following points are explained in relation of the balanced consumption:

- i. All the human wants can not be satisfied.
- ii. Consumption should be need based and not should be desire based.
- iii. The self earned wealth should be used for consumption. It is not correct to consume by borrowing.
- iv. Right of society on goods should be accepted rather than the right of individuals.

## **2. Co-Consumption:**

People have been given instructions in ancient literature to divide and consume the goods among them. Wealth and prosperity are given by God so their consumption should be based on the mutual distribution. One who consume goods alone is a sinful activity. It has been described in Mahabhart, "whatever is there on the earth I owned nothing and the right I have on these is the equal right of all." The earned wealth should be used for our people, capital formation, religious and other welfare activities. The balance remained should be used for own purpose. Atharvaveda writes that we should earn by 100 hands and use it by 1000 hands. This spirit of human being helps, in getting maximum satisfaction and results into the increase of happiness of whole nation. According to Dharmasutras of Manu, Shukra, Vishnu and Yagavalkya we should feed first to guests, servants, disabled people, birds and animals and after it we should consume. Kautilya talks one step ahead and says that people, who do not feed first the children, parents, widows and daughters; should be punished. The real progress is the progress of whole community and not the progress of individuals. Atharvaveda instructs for the equal consumption. All the people should

have the same food pattern and all should have foodgrains, wealth and proper protection which leads progress of all.

The thoughts like 'this is mine' and 'this is of others' are the thoughts of inferior people. The high character people consider whole world as their own family. The mantra of 'Vasudhaiva kutumbakam' teaches about world brotherhood. Instruments of balanced, limited, according to need and co-consumptions are the concepts of 'dan' (donation) and 'yagya'. Under the system of 'varnaashrama' only the 'grihastha ashrama' earns living for all people. As the shelter of mother keeps all creatures alive, in the same way all the residents in ashrama are alive with the support of grihastha ashrama. A real owner of property is said to be one who gives donation to good and real people. Donation protects the wealth but hoarding not. Over donation is always prohibited because it creates many problems in family and society. The donor must look into own needs and should donate according to his/her ability.

## **Main Points on Consumption :**

Ancient economic thinkers suggested code of conduct on consumption so as to keep it balanced, justified and limited. In this regard, following are the main points:

### **1. Consumption of Wealth Earned by Justified Resources-**

Wealth earned by justified efforts should be consumed only. The basic objective of activities of agriculture, trade and commerce is to remove the shortage and thus making people happy. It is wrong to consume wealth which is earned by wrong resources.

### **2. Prohibition of Consumption by Self :**

People should not consume alone. First of all poor people should get goods for the consumption.

### **3. Balanced Consumption Good for Health:**



According to Kautilya and Manu balanced consumption is good for health and beneficial age-wise.

#### **4. Morality in Consumption:**

According to Manu the place of morality in consumption is important. Thief of consumer goods should be punished. Shukra says that consumption of wine etc. is wrong.

#### **5. Prohibition of Over-Consumption:**

According to Shukracharya, people who are habitual of over-consumption always feel shortage of goods even after getting all the goods produced on this earth. So balanced consumption is the best. Poverty and begging are assumed to be equal to death.

#### **6. Prohibition of Debt based Consumption:**

Ancient economic thinkers instruct that we should make expenditure of self-earned and self-owned wealth as per rules like medicine. According to Rigveda we should not tell our poverty story to others and we should never be puzzled by the shortage of wealth. We should live under debtless conditions. It does not mean that we should not take debt. At the time of any problem we should take debt but it is necessary to repay the same in time.

#### **7. Prohibition of Misery :**

In ancient Indian thinking misery has been prohibited and balanced consumption is promoted. Misery makes human being naked. Wealth in hands of a miser becomes useless and non-beneficial. Wealth of miser is just like foodgrains collected by mice and thus the earner of it does not get happiness from it. Misery reduces the effective demand in society, increases unemployment and damages the objectives of justified distribution of resources.

#### **8. Collection of Foodgrains versus Consumption:**

Collection of foodgrains should not be more

than our needs and this collection is appropriate for the limited period only. If this collection is more than our needs, it should be distributed among needy people. The water in sea can not be used for drinking but sea water through clouds (rainfall) is very useful. Collection creates many problems because king, thieves and relatives have their eyes on this collected wealth. Collection is allowed by the king who uses it to feed servants and the public when suffered from draught, famine and flood.

#### **(c) Code of Conduct of Earning Money:**

Keeping in view the human efforts in the direction of happiness Indian economic thinkers divide human efforts into four categories (to keep human life disciplined). These four efforts are-dharma, artha, kama, and moksha. Dharma, Karma and artha are related with social life of human being. Because moksha is the ultimate goal and free from all bounds. Efforts are used for wealth. Dharma and kama can not be proved without artha. The chariot of life can not be run without artha (wealth). According to Kautilya, dharma is the root of happiness and artha is the root of dharma.

#### **Meaning of Wealth:**

Wealth is that which makes life dynamic. Both wealth and artha have the same meaning. According to Yaskacharya, the great learner of veda, "wealth is that which makes all satisfied and happy. Wealth is medium of exchange of all goods so artha is also called 'vitta' (finance)." In Vedas wealth means property, prestige and money. In ancient time coins of all metals, precious stones, animal, grains, etc. come in the definition of wealth.

#### **Sources of wealth:**

In Indian Vangmaya land, agriculture, commerce, occupation and industries are assumed to be main sources of wealth. World land (Vishvadhara) is the land of work where all activities are wealth oriented. In Mahabharata

Arjuna tells that agriculture, commerce, animals, etc. are the sources of wealth. Shukracharya suggests any work to be done to earn wealth. Wealth should be earned by people by means of education, bravery, agriculture, interest on debt, shopkeeping, music, etc. While earning wealth five things should be noted. These are:

- i. Nobody should suffer from the activities.
- ii. Body should not be puzzled.
- iii. No use of wrong resources.
- iv. Earning always by self-earned resources.
- v. Should be no problem in the self study.

### **Objectives and Importance of Earning:**

Wealth is the basic need of human life, without wealth human being can not live. All social duties of human being are dealt by wealth. The demerits of rich person become the merits. Having more wealth means having more friends. Brothers leave wealthless person. It is said in Mahabharata, "wealth is the supreme religion, every good depends on wealth, wealthy people are always happy and poor persons are like dead ones. The importance of wealth can be proved on the basis of following facts:

#### **1. Place of Wealth in Life:**

Wealth is a source of completeness of any work. Without wealth any industry is just like drilling in soil for oil. Bheem tells Yudhishtira, "human being is a slave of wealth, wealth is not slave of any body." Wealth is the result of labour. All quality depend on money. Human problems are solved by wealth. Living is not possible without wealth.

#### **2. Wealth-Life Approach:**

Wealth came first in life and after this dharma came into existence to control wealth. Thus dharma is the controller of wealth. In Indian religious books earning of pure and justified wealth is only recommended. Dharma and Kama are the two elements of wealth.

#### **3. Wealth and Its Functions:**

All human activities are governed by wealth and the basic source of wealth is labour. Agriculture, commerce, etc. are the sources to get wealth which is possible by labour. Without wealth dharma, kama, divine death (moksh) etc. of people are not possible in the world.

#### **4. Material and Spiritual Happiness:**

With the help of material wealth spiritual wealth (moksha or divine death) and other works and efforts are completed. Wealth increases dharma. Sources of dharma are created with the help of wealth because wealth is required in religious activities.

#### **5. Defence and Prosperity of Country:**

Defence and prosperity also depend on wealth. According to Mahabharata, "the main thing in hands of king is the wealth," because with the help of wealth the king does all his works. Treasury is the base of military and military protects all religions. In Agnipurana wealth is the source of prosperity and security of the king.

### **Types of Wealth :**

Brihaspati, Narad, Vishnu, etc. classify the wealth (money) in three parts:

#### **1. White Money:**

Wealth earned through education, bravery, religious activities and other proper methods and its growth is the white money.

#### **2. Brinded Money:**

Wealth earned through agriculture, commerce, art, service, and other such activities is the brinded money.

#### **3. Black Money :**

Wealth earned by cheating, adulteration, theft, gambling, decoity, interest, etc. known as black money. Black money is assumed to be punishable.

## **Bribery and Corruption:**

In Indian economic thinking bribery has been considered a strange way in which black money is used. All the transactions are secret and fearless. There is no proper measurement system. Jain writer Somdev writes, "bribery is the gate of all sins. Those who are engaged in bribery are purchased by rich people. The state in which such persons are sheltered, no citizen can be happy and prosperous there.

## **Utilization of Wealth:**

Proper utilization of wealth is necessary along with its earning otherwise wealth becomes insignificant which is harmful for both individual and society. According to Bhrituhari, "consumption and loss are the aims of donation of wealth. If a person neither consumes nor donates to others, his wealth goes to loss.

There are five uses of wealth according to Mahabharata. There are:

### **1. Use for Religious Activities :**

Real wealth is that which is used for social benefit otherwise that prosperity is useless which is used by individual alone. Thus use of wealth for religious activities is significant.

### **2. To Satisfy Wants :**

Consumption should be balanced. Sacrifice oriented consumption of wealth is only best wealth. According to Rigveda prosperity and property are given by God so these should be used on distributive basis.

3. For capital formation and investment.
4. To get honour and for welfare activities.
5. For family and other self persons.

## **Code of Conduct of Earning Wealth:**

Code of conduct for earning wealth means the rules to be followed by every person while earning. Thus things to be followed while earning wealth are the code of conduct which are as

below:

### **1. Earning by Religious way:**

According to ancient Indian economic thinkers wealth earned by justice oriented ways only is proper. Wealth earned in this way is durable and the basic rule of prosperity. One paise earned honestly is better than one thousand rupees earned by theft and other wrong means. According to Yajurveda, the wealth we want to earn should be earned by correct means and this is only the appropriate wealth. According to Maharshi Dayanand Saraswati, "both economics and ethics should completely be coordinated. If economics talks about earning of wealth then ethics teaches about proper use of wealth."

### **2. Balance in Wealth Collection:**

According to Manu, human being should be balanced and be satisfied with wealth. Human being should desire wealth only for purpose of satisfying want of family, for security of family and for religious activities like 'yagya'. Thus desire of more wealth is not correct because satisfaction causes happiness and dissatisfaction causes unhappiness. More the wealth more the desires.

### **3. Wealth Earning According to Needs:**

Wealth should be earned according to the want satisfaction. Earning wealth more than necessity is not required. In vedic culture wealth earning according to needs is assumed to be ideal in which world brotherhood and mutual cooperation are supposed to be first duty.

### **4. Non-attachment to Earning of Wealth:**

It is not correct to become slave of wealth and thus being owner it is good. So, in the tradition of ancient thinking there should be spirit of sacrifice. Wealth is the mean of consumptions. Only that consumption is significant where there is spirit of sacrifice. Thus limited consumption is the part of religion.

## **5. Following of Desire-Quantity Rule in Wealth Earning:**

According to Geeta, available resources on earth like foodgrains, gold, animal, etc. are not sufficient to satisfy human wants. So there is no need to think over this issue. According to Mahaveer Swami, we should not use the wealth of others and begging is wrong to run the family by households. So he suggested to limit the quantity of over desires. This is the Desire-Quantity Rule. Human being is a social animal and thus wants can not be ended. So as a medium path wants should be limited and we should keep necessary wants satisfied and luxurious wants ended.

## **6. Less Expenditure than Income:**

According to Shukra, it is a matter of knowledge that should make expenditure less than income. An intelligent person should not use more wealth on the small work.

## **7. Wealth Earning by Own Labour and Efforts:**

The fact emphasized more in Indian ancient literature is that people must earn wealth by own labour and efforts to satisfy wants of family, society and religions affairs. This device keeps us self reliant without any dependence on foreign debt.

## **8. Environmental Protection :**

In present time economic growth is taking place at the cost of animals and trees. These are clear instructions in Mahabharat and Manusmriti that we should earn our living by means where there is no loss to animals and trees. Thus, earning of wealth should be based on religion oriented methods. This is the basic formulae of prosperity. This type of wealth earning is durable and always gives happiness.

### **(d) Vedic Concept of Environment:**

Problem of environmental pollution has created a new danger for the existence of the

world. People do not know how much cost can be paid for the modern way of living. We are ignoring all the systems of nature and thus creating problems for the future of our coming generations. In present time we have been pressurizing to take certain steps for the protection of environment. Vedic literature instructs us not to harm the environment and to make efforts for its protection.

### **Environment and Economic Development :**

Natural atmosphere and clean environment is a necessary want for the living agents in the universe. Thus making environment polluted is just like cutting that branch of tree on which we are sitting. Our all the human activities rest along with the environmental conditions. At present, in the process of economic growth land, water and air have not only been polluted but the balance of ecology has also been disturbed. Blindfoldly use of resources, ignorance of environmental aspect of development programs, modernization, increasing population, etc. are the causes of imbalanced environment. As result, increase in temperature (green house effect), damage of ozone layer, disappearance of species, acid rainfall and increasing water & land pollution are the effects of the imbalanced environment. There is no conflict between development and environment but objection is on the issue of environmental pollution and the increasing activities for economic growth. Today the concept of growth ignores religion, kama and moksha and gives importance to wealth. Development is multi-dimensional process in which necessary adjustments are required in environment. So process of growth should not affect the environment negatively.

### **Nature and Environment :**

Both nature and environment are complementary to each other. To some extent both are same. Human being is closely related with climate, soil, sun light, forest, mountains, air, plants, etc and always surrounded by these factors. According to Atareya Upanishada, this

world is made of five elements- earth, water, sun, air and sky. When there is change in natural balance of these fine elements, environmental pollution takes place. Thus, difference in fixed ratio in quantity and quality of these five elements becomes more and this is known as environmental pollution.

### **Sensitivity Towards Environment :**

According to vedic approach when there is any types of defect in earth, water, air, etc. it becomes harmful for living creatures. In Yazurveda it is said that whole of the universe is in the equilibrium if there is balance in air, water, plants and animals. When the balance of these elements is disturbed trees, animals and human being are adversely affected. So these elements of environment should be kept in balance. Unlimited exploitation of natural resources should not be allowed. Nature itself corrects the imbalance in these elements. All the natural forces are assumed to be God. There are different gods relating with air, water, light, etc. Without forest Indian culture's existence is not possible because 1/3 life of ours is spent in the forest. According to vedic culture life is there where there is forest. Atharvaveda describes that it is wrong to cut the root of trees. People who cut the forests should be punished. Matsyapuram also talks about importance of forests in the life. The importance of ten dams is equal to the importance of one son and importance of 10 sons is equal to that of one tree. Governed by this spirit, a movement, led by Amrita Devi was started in Khejari Village of Jodhpur by the people of Vishnoi community. The aim of this movement was to protect trees.

### **Types of Pollution & Conservation of Environment :**

In Indian ancient literature there are five types of environment pollution –

- i. Land Pollution
- ii. Water Pollution

- iii. Air Pollution
- iv. Sky Pollution
- v. Time Pollution

### **Other types of pollution are:**

- vi. Direction of Pollution
- vii. Mind Pollution and
- viii. Heat Pollution.

Below given is the description of land, water and air pollutions as shown in our Vedic thinking.

#### **(a) Land Pollution**

Ancient Indians assumed land as mother because many types of medicines, foodgrains, trees, etc. are produced on land. Human life depends on land. From utilization to misutilisation of land is known as land pollution. We should not destroy and make dirty the surface of land because it makes field, water, etc. defective. With this cut hair, nails and other wastage should not be put into fields, gardens, sources of water, and open air. Atharvaveda says that learned, intelligent and powerful people should protect land so that they can get the love of mother land. Land gives us medicines which are essential for our life.

#### **(b) Water Pollution :**

Story of development of human civilization and origin of earth is not complete without water. Imagination of living world is impossible without water. In the present time water is being polluted due to paper, cloth, printing and dying, chemical, food manufacturing, chemical fertilizers, pesticides, detergents and other industries. Polluted water causes diseases to people along with fall in the land productivity. Water has its utility and due to this people started living with banks of rivers, dams, lakes, etc. Ancient civilizations were developed along with the banks of rivers. Without water agriculture is not possible. In Vedas water is assumed welfare



oriented and life saving. So water should not be polluted. According to Manu any, water should not be polluted by dropping dirty things in it like poison, impure goods and other wastages. In Vedas the purity of both rainfall water and underground water is emphasized. It has been mentioned in Rigveda that sky water should be made clean by religious activities like 'yagya'.

### (c) **Air Pollution :**

Human being can not live without air. We have 79% nitrogen, 20.09% oxygen, in rest proportion there are other gases in our atmosphere. For our healthy life a fixed ratio of all these gases is necessary. Imbalance in this fixed ratio is the air pollution which results into impurity of air. Ancient Indian scholars were vigilant about air pollution. Pure air, good health and happiness are the sources of long life. Pure air protects people from diseases and gives energy to body. In Vedas air is considered as the main base of life.

In ancient time population, industrialization, transport means, etc. were not the agents of air pollution as they are at the present time. At that time human produced pollution was less. When climate changes bacteria affect our health. When these bacteria come on earth from air, the air becomes polluted. In Vedas, air can be kept pollution free by 'yagya'. Yagya is considered as sources of spiritual exercise (Upasana). In the way of Indian culture values of life are assumed to be necessary and good and due to this these values have been added with religion. According to Yajurveda, as result of yagya the harmful elements of air, water and sky are damaged. Yagya is assumed to be a science. Yagya reduces the pollution of air, water, earth and sky.

Tree is our good friend. Like Shiva, tree itself takes away the poison (pollutants) and gives us the honeydew (oxygen). Yajurveda recommends plantation of trees to control the air pollution. These are very beneficial so they

should not be cut. To protect environment trees and rivers are recognized as gods and thus these are worshiped. According to Atharvaveda, if we cut trees, nature creates the problems of rainlessness and heavy rainfall. In Durga Saptashati it has been described that when earth becomes without trees and jungles it stops to nourish human being and other living creatures. In vedic literature exploitation of nature is prohibited and exploring of nature is acceptable.

### **Important Points :**

- **Concept of wants :** We have many wants in life from birth to death. We make efforts for satisfying wants.
- **Meaning of wants :** Complete happiness of body, heart mind and soul is known as 'Aggregate happiness'. We work due to the desire of happiness. Dharma, artha, Kama and Moksha are the four wants of human being.
- **Factors affecting wants :** Economic condition of people, religion, spirit of profit and economic growth are the factors affecting wants.
- **Primary needs :** Food, cloth, house, medicine and education are the primary wants.
- **Characteristics of wants :** Wants are unlimited and resources are limited. So all the wants cannot be satisfied and thus people are unhappy. Some wants are created again and again.
- **Maximum satisfaction :** According to Vedic literature pure, justified, and self earned wealth should be used to satisfy wants so as to get maximum satisfaction or happiness.
- **Various concepts of consumption :** Balanced and co-consumption are the two concepts of consumption. According to balanced consumption, it should be

according to want and not according to desire. Under co-consumption people should consume goods not lonely but in a joint way because property and prosperity are given by god.

- **Code of conduct of consumption :** Code of conduct of consumption includes :
  - i. Consumption of wealth earned by justified means.
  - ii. Consumption done lonely is prohibited.
  - iii. Balanced consumption is healthy.
  - iv. Morality in consumption.
  - v. Prohibition of over consumption.
  - vi. Prohibition of debt based consumption .
  - vii. Prohibition of being miser.

- **Wealth and Code of conduct of wealth :**

**(1) Meaning of wealth :** Wealth keeps all happy and satisfied. Wealth is medium of exchange.

**(2) Sources of wealth :** Agriculture, land, commerce, trade industry, animals and art are the services of wealth.

**(3) Types of wealth :** White money, brined money and black money are the types of wealth.

**(4) Uses of wealth :** Wealth is used for religious activities, want satisfaction, exchange, welfare activities and family members.

**(5) Code of conduct of wealth :** Wealth should be earned by correct means. Wealth hoarding should be balanced. Wealth should be earned according to need. Rule of desire-quantity to earn wealth should be followed. Expenditure should be less than income. Wealth should be earned by own labour and efforts. Wealth should be earned by protecting the environment.

- **Nature and Environment :** Both nature and environment are complementary. The imbalance in elements of environment is the environmental pollution where these elements are not formed in the fixed proportion.
- **Consciousness towards environment :** In vedic literature uncontrolled exploitation of natural resources is not allowed. All the natural powers should be considered as good. To protect environment water should not be polluted and forests should be conserved.
- **Types of pollution and Environment :** Land pollution, water pollution and air pollution are the types of environment pollution.

## Questions for Exercise :

### Objective Type Questions :

1. Amrita Devi, Who sacrificed for the safety of trees, was related with –
 

(a) Jaipur
(b) Khejari (Jodhpur)

(c) Udaipur
(d) Kota ( )
2. The oldest books of the world are –
 

(a) Veda
(b) Bible

(c) Kuran
(d) Upanishada ( )
3. Which is not the characteristic of wants according to ancient Indian economic thinking ?
 

(a) Wants are unlimited

(b) Resource to satisfy wants are limited

(c) Wants are created again and again

(d) All wants can be satisfied ( )
4. Who earns living for all people in the system of Varnashrana ?
 

(a) Brahmachari
(b) Grihasth (Household)

- (c) Wanprasthi (d) Sannyasi ( )
5. According to Vedic Vanhmaya the consumption should not be of the type –  
 (a) Balanced consumption  
 (b) Justified consumption  
 (c) Co-consumption  
 (d) Unlimited consumption ( )
6. From the point of view of public welfare the importance of 10 well is equal to –  
 (a) Pond (b) Dam  
 (c) Son (d) Tree ( )

### Very Short Answer Questions :

- What is 'aggregate happiness' ?
- Name the primary wants of human being.
- When does human being find maximum satisfaction ?
- What is the root of religion according to Chanakya ?
- What is the name of woman who scarified for protection of trees ?
- Write two measures to control environmental pollution as explained in Vedas.

### Short Answer Questions :

- What are the main characteristics of wants described in ancient Indian thinking ?
- Why the sadness has been opposed in ancient Indian literature ?
- Why should people not collect goods more than their want?
- What are the points to be noted while earning wealth ?
- According to Mahabharata what are the uses of wealth ?

- What is the code of conduct of consumption as described in ancient Indian literature ?
- What is air pollution ?
- What is the Vedic relationship between nature and environment ?
- Why has much importance been given to trees in ancient books ?

### Essay Type Questions :

- Explain the concept of balanced consumption.
- Explain the concept of co-consumption.
- Describe in brief the code of conduct of earning wealth as shown in ancient Indian thoughts.
- Write on essay on environmental protection as described in ancient Indian literature.
- "The Vedic nature of environment is relevant to control environmental pollution in the present time." Explain.
- Clarify the sensitivity towards environment as described in Vedas.

### Answer to Objective Type Questions :

- (1) b (2) a (3) d (4) b (5) d (6) a

## Chapter - 4.2

### Economic Ideas of Kautilya

For economic ideas of Kautilya is wellknown among the economic thinkers. Kautilya is also known by Chanakya and Vishnugupta as names. Thought of Kautilya emphasizes the materialism against the traditional idelism. Materialism was not considered to be proper so its supporters named Kautilya (a name given to him due to his cunningness). After the end of Nanda dynasty, Chandragupta became the king with the support of Kautilya. Kautilya thought a lot on the economy and economic problems of that time. No thinker was there as intelligent as Kautilya. The logic he used and explained in making economic laws are still applied in the present circumstances. Ideas of Kautilya on different subjects of economics are mentioned below:

#### **Kautilya's Arthashastra:**

Kautilya's Arthashastra is the representative book of ethical tradition of the ancient thought. Kautilya wrote his book between 321 and 300 BC according to Jain literature and Puranas (Bhagawat Puran, Vaya Puran, Matrisya Puran and Brahmana Puran). Kautilya was originally not economist but he was a philosopher, thinker and strategist. His Arthashastra informs us about the economic systems and concepts of that time which can presently be used also. In this book there are 150 chapters, 15 sections, 180 subjects and 6000 shlokas.

#### **Definition of Wealth and Economics :**

Kautilya calls branches of knowledge as 'Vidhya'. According to him 'Vidhya' is the concept which explains that what is correct and incorrect and what is duty-what is not duty. According to him there are four branches of knowledge – Trayee, Vartta, Aanvixiki and Dandniti. In Vartta, the activities of agriculture, animal husbandry, industry and commerce are important which help in earning of property and material achievement. Aanvixiki is that branch of knowledge by which the efforts, which are made for the political and material objectives, can be balanced.

Kautilya divides human life on the basis of astha, dharma and kama and among these three artha is dominant one because without artha (wealth) no activity is possible. According to Kautilya artha dominates dharma. According to him, "the root of happiness is the dharma and the root of dharma is the artha and the root of artha is the state." In Kautilya's Arthashastra the activities of both dharma and kama depend on artha. Kautilya says," in the world only wealth is the good, wealth dominates both dharma and kama." According to him, as knowledge is the result of training, in the same way wealth should be obtained slowly. Getting wealth is always beneficial if it is got for upbringing a good wife, good son or good friend or for religious purpose.

Thus Kautilya considers that wealth justified which is earned by proper means.

According to Kautilya agriculture, animal husbandry and commerce are included in Vartta. He defines Economics as, "the behavior or living of people is artha. Land with people is artha. Economics is that branch of study which is concerned with the measures which are used to get and to develop the land." No thinker in world gave such type of definition of Economics so far. Kautilya further writes that this Economics includes and protects dharma, artha and Kama.

### **Public Finance :**

According to Kautilya it is duty of the king to increase the income more and more for making various arrangements in different circumstances created time to time because all the functions of the state depend on the funds. If the treasury of the king becomes empty, he starts to puzzle the people living in cities and villages. The system of public finance of Kautilya is correctly associated with the concept of welfare state. According to Kautilya, there are four objectives of state except maintaining peace and justice. These are:

1. Earning that which has not yet been got
2. Protect which has been got,
3. Increasing the protected
4. Using the increased for the welfare of the public. It means using the income for the welfare of society.

Kautilya says that finance protects dharma. So treasury of the state should not be kept vacant without which state can not take over developmental work for the social progress.

#### **(a) Public Income :**

According to Kautilya, dandniti (policy of punishment) is responsible for the proper implementation of trai, vartta and aanvixiki.

**Sources of Public Income :** These sources, according to Kautilya are:

- i. Land revenue of different types, house tax in cities, etc.
- ii. Goods tax when sold and bought in market, import-export tax.
- iii. Path tax, canal tax, tax on loaded heavy vehicles
- iv. Tax on artists, tax on fish.
- v. Tax on liquor, wine and opium.
- vi. Property tax, tax on forest products, mining tax, tax on salt, monopolistic tax on goods.
- vii. Tax on labourer.
- viii. Tax on sudden income.
- ix. Tax on loan
- x. Inheritance Tax
- xi. Punishment
- xii. Profit of state
- xiii. Tax on horses, wool, elephants, fruits and trees.

Some of the taxes are described as below:

#### **1. Land Revenue :**

Agriculture was the main source of income of state. Farmer had to pay 1/6 of the output as tax to the king. Officers of state (Samahartta, gop, Sthanik, etc.) got income from the state. All the officers had their own areas. Tax was paid in the form of cash or kind.

#### **2. Fee :**

Fee was imposed on both outgoing and incoming goods. There were stations to collect fee. The officer who collected fee was known as 'fee officer' who constructed the fee-houses, collected the fee with the help of assistants and then deposited the collected fee in the treasury. Kautilya made three departments for fee – Brahya, Abhyantar and Aatithya. 'Brahya' was the fee collected on goods produced domestically. Fee collected on goods produced in forts and



capital was the 'abhyantar' and the fee on foreign goods was 'aatithya'.

### **3. Income from Mining:**

According to Kautilya state owns its own land. So it is right of the king to collect income from products which are under the earth. President of mining arranged the production and sale of all the mining products like shankh, vajra, mani, mukta, etc. The salt imported from foreign countries should be taxed as 1/6. In case of theft of metals, the thief had to pay 8 times punishment. In case of theft of precious stones death punishment was given.

### **4. Path Tax :**

Security guards on border were to collect the path tax from the traders. In case of fully loaded cart  $1\frac{1}{4}$  pana, an animal  $\frac{1}{2}$  pana, on small animals  $\frac{1}{4}$  pana and if the luggage was loaded on the shoulders of person then 1 masha were the rates of path tax.

### **5. Animal Tax :**

Persons having the occupation related with hen and pigs had to pay  $\frac{1}{2}$  part of their income as the animal tax. In case of sheep and goat  $\frac{1}{6}$  part, and in case of cow, buffalo, donkey and camel  $\frac{1}{10}$  part of total income was the tax to be paid to the state.

### **6. Emergency Tax :**

In case of any emergency Kautilya made some laws about the tax. According to him the king could impose tax on rich persons when the treasury became vacant. In case of emergency the king could impose tax on traders, animal owners, etc.

### **Canons of Taxation :**

There are many canons of taxation described in the Kautilya's Arthashastra which explain the tax rate, tax amount, way of collection of tax and way of tax imposition. These canons are :

### **1. Tax Collection at Proper Time:**

According to Kautilya tax on agriculture should be collected when crops are harvested. The King should not collect tax if the time is not proper.

### **2. Proper and Justified Taxation :**

The king should not impose improper and unjustified tax. In emergency king should collect tax from public in justified amount and at proper time. King should collect tax in the humanitarian way.

### **3. Taxation according to Ability :**

People should be taxed on the basis of their ability to pay.

### **4. Priority of Financial Discipline :**

According to Kautilya expenditure should always be less than income. According to him all the tax amount collected should be deposited in the treasury. Kautilya talked about the honesty of the servants of the state. According to him, there are frequent chances and possibilities of taking bribery by the officers of the state, so honest officers should be appointed by the king to collect various taxes.

### **(b) Public Expenditure :**

Acharya Kautilya discussed the public expenditure in his Arthshastra. Main items of public expenditure suggested by Kautilya where – religious work, salary and pension of officers, organization of military power, management of factories, salary payment of labourers, expenditure on agriculture, establishment of educational institutions, construction of roads and canals, safety of forests, expenditure on animals, etc.

### **(c) Concept of Savings:**

Kautilya also talked about the concept of saving. According to him saving is the unspent amount of the public income known as 'nivi'. Saving is of two types: (i) real saving (prapt)

which has been deposited in the treasury, and (ii) expected saving (anuverit) which has to be deposited in treasury.

#### **(d) Accounting of Income and Expenditure:**

According to Kautilya it is necessary for the king to keep the public expenditure and income accounted. The treasurer must account the income being received from cities and janpadas very well. If he is asked about the income account of 100 years back, the treasurer must have its complete information. Balanced income should be shown in the treasury. The king must look into the treasury affairs first of all. He should establish the office of accountants and develop the regular accounting of income and expenditure. Public must regularly be informed about the income, expenditure and surplus of the state. The chiefs of all the offices should visit the head office with their complete accounts at the end of the financial year and should tally the accounts. The income-expenditure should properly be maintained by mentioning the time, day, month and names of concerned persons. Kautilya proposed the system of punishment to the corrupt accounts officers. According to him non-mentioning of income in register, making non-expenditure even after having the income and not disclosing the surplus are the activities for which the responsible person should be punished. Persons or officers who put treasury into losses should be punished by the penalty of twelve times of the total loss. It is clear that the system of Kautilya had the merits of diversity, equality, justification and flexibility with the provisions of making expenditure of the tax income on the welfare oriented activities.

#### **Agriculture System :**

Kautilya, in his book, gives more importance to agriculture. According to him the king must appoint a good agriculture officer who should collect good quality seeds of food grains, fruits, vegetables, cotton, etc. The land on which agriculture is not possible should be used for

animal fodder. According to Kautilya seeds should be used according to weather conditions. To increase agricultural production ghee, honey, milk, etc. should be used in fields with the manure as suggested in the epics. Seeds of cotton, mango, etc. should be sown after mixing them with dung. The dirty manure should not be used in farming.

#### **Irrigation :-**

State should construct dams on rivers for the irrigation purpose. When rivers, lakes, dams and wells are used for irrigations, one fourth of the yield should be paid to the state as irrigation tax. He proposed punishment to those people who damage the rivers, canals and dams.

#### **Agriculture Loan and Assistance :**

Kautilya instructs the king to extend loan facilities to farmers for seeds, bullocks and grains and the same has to be repaid to the state after harvesting the crops. King should subsidize the loans for the honest and labouring farmers so that they can get some incentives. King should also give small loans to farmers for their health facilities at the time of disease so that they can maintain their health and thus society can get more agricultural production. This will also increase the income of the state.

#### **Animal Husbandry:**

Cow officer should be appointed by the king to look after cows, buffaloes, etc. It has been described in 'Arthashastra' of Kautilya that wages should be fixed for people who look after animals. For each animal a 'pana' should be the remuneration. Kautilya proposed some laws against those people who harm the animals.

#### **Wage Determination System and Social Security :**

Kautilya enacted many laws about wages and welfare of labourers engaged in different occupations. He divided these labourers into two parts –

- i. Efficient labourer,
- ii. Inefficient labourer.

These both types of labourers should be paid salary according to the work done. Kautilya proposed different rates of remuneration for doing the work on silver and gold. For trained artisans he proposed double wages. Workers whose salary is not already fixed should be paid according to their work and time. Female workers should be paid wage according to their work quality.

### **Theories of Wage Determination :**

In Kautilya's Arthashastra there are many theories of wage determination. Concept of wage determination of Kautilya was a dynamic concept and thus he advocated different laws on the basis of different occupations, works and productivity of labour. Following are such theories of wage determination.

#### **1. Cost of Living Theory of Wages:**

According to Kautilya the wage to be paid to workers should be sufficient in the sense that they can manage their physical facilities properly and can render their service to their owner with complete honesty and devotion. In this type of situation workers can be free from selfishness and dissatisfaction.

#### **2. Ability Theory of Wages:**

For different wage levels different qualifications are required. Wage for efficient and inefficient workers can not be same. Kautilya suggests to the King that government servants with special qualification should be given wages and allowances on the basis of their knowledge and specialization.

#### **3. Productivity Theory of Wages :**

Kautilya clearly mentions that the salary of worker should be based on their production and the time used. Wages should be paid only for that work which has been done. He says that salary of

government servants can be more or less according to their qualifications and work efficiency.

#### **4. Customary Theory of wages :**

There were some occupations where there was no rule of wage determination. In such occupation wage should be paid according to the custom in cash or kind. According to Kautilya artisan, doctor, advocate and servant should be paid salary as much as paid elsewhere or the salary decided by any expert. Except this Kautilya also emphasizes the work culture. According to him if any worker does not work even after taking salary he or she must be punished. Wage or salary is not paid only for attendance. The wage of 7 days should be kept as reserved for those workers who do not work properly.

If a worker is continuously ignoring duty that worker must be removed from the work.

#### **5. Share Theory of Wages:**

In some occupations where the wage can not already be determined there has been such tradition that a certain share of output was paid to worker. Thus the servant of farmer should take the share in food grains, servant of cow owner in ghee and the servant of shopkeeper should take the 10<sup>th</sup> share of sold goods provided their salary would have not already been decided. According to Kautilya some factors like need of the state, religion and morality, salary as per the service, devotion to state, quality of servant, etc. should be considered by the state while salary determination. The state should never use more than ¼ part of the income for the salary item.

### **Provisions of Social Security :**

Kautilya proposed many schemes for the welfare and security of workers. Some of such schemes are as given below:

#### **1. Pension Scheme:**

According to Kautilya if any government

servant dies during doing the work his/her salary should be paid to his/her son/daughter in the form of pension. Except pension children, old persons and sick persons of the family of the servant should be given the economic help at the time of death, disease and some other occasions. According to Kautilya such provisions indicate that government is having the spirit of help to the workers.

## **2. Rules of Leaves:**

According to Kautilya if female workers are engaged on work in the days of leave they should be paid extra wages with food, pulse and items. Workers can take leave at the time of sudden work, disease, etc or can send other person to work in his/her place.

## **3. Preference to Poor in Employment:**

Kautilya had the provision that widows, disabled women, artists, etc. should be given employment by the kind in the work of weaving and knitting. For this work there was provision of over time also. Servants must get justified salary. Permanent and temporary workers should get salary according to qualification and work efficiency. King should look such type of issues very seriously.

## **Labour Unions :**

According to Kautilya there should be provisions of labour unions in the system and these unions should be more powerful. Labour unions were known as 'Shreni', 'kul', 'gana' or 'sangh'. With the help of these unions economic and non-economic activities were discussed and required decisions were taken. These unions worked for the benefits of their members. These unions can be seen as the modern trade unions. According to Kautilya following are the main types of trade unions.

1. Weavers' Union
2. Mining Workers' Union
3. Stone age Artists' Union

4. Carpenters' Union
5. Phrohits' Union
6. Singers' Union
7. Buyers'-Sellers' Union
8. Service Union, etc.

## **Trade and Commerce :**

### **Exchange System:**

According to Kautilya both barter system and many exchange system should be used. Exchange of goods is known as barter system. According to him exchange of grain is a beneficial exchange of goods known as 'Parivartak'. Kautilya described money exchange also. Kautilya described four types of money –

1. Coins of gold
2. Coins of silver (Karshapana or Pana or Dharma),
3. Standard copper coin, and
4. Copper kankni.

Kautilya divided all money in two categories :-

### **1. Kosh Preveshya :**

These were the moneys which were used in all the government related works, and

### **2. Applied Moneys :**

These were used in the works of general public but these moneys could not enter in the government treasury. Money creation was done in government mint only. Any person could approach the government mint with own metal and could get moneys made from it with giving some fee. 'Souvarnik' and 'lakshanadhyax' were the names of the mint officers.

For the trade facilities proper money and measurement systems were developed. According to Kautilya there are two functions of money:- (i) Medium of exchange and (ii) legal medium to

deposit money in treasury. There were 16 types of measuring machines (taraju). Kautilya described the measurement activities of gold, silver, heavy goods, measurement of length, measurement of cloth, etc. King appointed 'poutavadhyax' as the government officer to look into the affairs of measurement and weighing.

### **Price Determination of Goods and Services:**

Kautilya suggested a proper and justified system of price determination of goods and services. In justified price he includes cost and proper profit. The justified price neither harms the incentives of producers like in socialism nor exploits the consumers like in capitalism. If price remains less than cost, producers will shut down resulting into increase in unemployment. On the other hand if price is high, consumer demand for goods decreases. In both the situations production falls and unemployment increases. According to Kautilya price determination is the duty of the officers known as 'panyadhyax' and 'sansthadhyax', appointed by king. It is duty of 'panyadhyax' (president of commerce) to find out whether there is demand of goods or not. According to Kautilya, fluctuations in prices is the result of changes in demand and supply. If demand increases price increases and if supply increases price decreases. In this way, Kautilya described the role of demand and supply in the price determination along with the role of government control. Price of goods is affected by many factors. According to Kautilya price of goods should be determined keeping in view the society, salary, transport outlay, rent etc. Kautilya says that 'Sansthadhyax' (market president) should consider society keeping in view the other factors. He suggests that perishable goods like milk, vegetables, etc. should be sold as early as possible at any price and at any place. According to Kautilya if the prices are increased by traders and workers, it is opposite to the theory of ethics. Thus prices of goods should be determined

according to country and time.

### **Market systems and their Regulations :**

Kautilya was the first thinker of world who presented a wide and wellplanned scheme to regulate the market. He suggested the appointment of the following officers to deal with the activities of adulteration of goods, blackmarketing, forward trading, etc.

#### **1. Panyadhyax :-**

This officer looked into the affair of price determination and the quality of goods. He also noticed the activities of traders.

#### **2. Shulkadhyax :-**

This officer was concerned with the work of cess collection, sealing the product and sale and weighing the goods.

#### **3. Sansthyadhyax:**

To control adulteration and sale of interior goods and giving punishment on less weighing were the works of this officer.

#### **4. Poutvadhyax :**

This officer was dealing the activities related with measurement and weighing systems.

#### **5. Antahpal:**

This officer looked into the issue relating with the internal and foreign trade. Kautilya proposed heavy punishment to control the adulteration. According to him only authorized persons can trade and store the foodgrains and goods should be sold only in the market and not at the place of production. Kautilya talked about the protection of producers under a system in which if there is the situation of excess supply, the market president should store and sell the goods. Kautilya says that if traders jointly sell or buy goods at improper prices then they should be punished of one thousand 'panas'. The profit should be controlled and taken away from traders if they earn it by speculative and profiteering



activities. According to him it is wrong to earn profit more than 5% on domestic goods and 10% on foreign goods. If the earned profit is more than this limit, then they should be punished by 200 'panas'.

### **Trade :**

According to Kautilya the domestically produced goods should be sold under the specific management system at the fixed place while foreign goods should be sold at many places so that there is no problem to the public. There will be same price of goods sold at different places. Traders must be protected by the state. Only those goods should be imported which are necessary. Kautilya says that there should be tax concessions on foreign trade and state should provide loans for this purpose Kautilya names 'samanpath' to the sea routes and 'pravahan' to sea ships.

Kautilya gave more importance to state trading but said that state trading should be welfare oriented with supporting the imports and exports Kautilya said to restrict the exports of some goods. According him exports of horses, foodgrains etc. should be restricted and the import of these goods should be free from fee and tax. According to him state should promote the trade and for it water routes, land routes, big market and mandhies should be constructed. State should protect traders on the trade routes. The selling and buying of goods should be managed by the state by collecting the salable goods and by constructing the big cities. Kautilya fixed the profit earned from trade. He gave an important direction to the activities of buying and selling and price determination so that general public could feel ease. The necessary good should be available to public at reasonable prices.

#### **Important Points:**

- Kautilya, also known as Chanakya, Vishnugupta, etc., is the propounder of Economics. He wrote 'Arthashastra'.
- The period of writing of 'Arthashastra' is assumed to be in between 321 and 300 BC.
- Kautilya emphasizes the branch of vartha (economics) more among the four branches in which dominant role is of agriculture, animal husbandry, industry and trade.
- Kautilya says the 'artha' plays dominant role among dharma, artha and kama.
- Canons of taxation are: collection at proper time, justification, ability to pay and financial discipline.
- Agriculture was main force of state income. 1/6 of the production was given as rent to state.
- Officer who took the fee was known as 'shulkadhyax'. Kautilya divides fee into three parts – bhahya, abhyantar and aalithya.
- Items of public expenditure are religious work, salary of officers, expenditure on agriculture, construction of roads and canals, safety of forests, expenditure on animals, etc.
- Agriculture system includes appointment of agriculture officer, food grains, irrigation, agriculture loan and assistance and subsidy on loans.
- Determination of wage and social security includes theories of wage determination, theory of productivity, theory of customary wage and theory of sharing wage.
- Provisions of social security are pension scheme, law of leaves and priority of employment to poor.
- Commerce and trade include exchange system, determination of prices of goods, appointment of commerce president and market president and state controlling system.

- Appointment of officers to regulate markets as panyadhyax, poutavadhyax, antahpal and shulkadhyax.

## Questions for Exercise

### Objective Type Questions :

- The branch of knowledge, described by Kautilya, in which economic subjects are studied is –  
(a) Trayee (b) Vartta  
(C) Aanvixiki (d) Dandniti ( )
- According to Kautilya the root of religion is–  
(a) Artha (b) Kama  
(c) Moksha (d) None of above ( )
- The state system of assistance to be given to able and good farmers is –  
(a) Irrigation system  
(b) System of good seeds  
(c) Subsidy on loan  
(d) System of good animals ( )
- In the administrative system of Kautilya the officer who looks into adulteration, state of inferior goods and defects in weighing is known as –  
(a) Panyadhyax  
(b) Anthpal  
(c) Pouvadhyax  
(d) Sansthadhyax ( )
- According to Kautilya the cess part of cost of the product on imported goods to be taken is–  
(a)  $\frac{1}{4}$  (b)  $\frac{1}{5}$  (c)  $\frac{1}{6}$  (d)  $\frac{1}{8}$  ( )
- The rate of profit fixed on produced goods by Kautilya was –  
(a) 5% (b) 10%

(c) 15% (d) 20% ( )

### Very short Answer Questions :

- What are the economic activities Kautilya included in varta ?
- Write name of three departments of fee according to Kautilya.
- What is the meaning of saving (nivi) according to Kautilya ?
- Explain the provisions of pension scheme according to Kautilya.
- What should be the amount of cess of the cost of imported goods according to Kautilya ?
- When should the subsidy be given on agriculture according to Kautilya ?
- What make the different officers according to Kautilya to be appointed to regulate the market systems ?

### Short Answer Questions:

- Name the factors affecting price of goods according to Kautilya.
- Explain the rules of trade described by Kautilya in 'Arthashastra'.
- Explain the definition of Economics given by Kautilya.
- What are the sources of state income according to Kautilya ?
- Explain the canons of taxation in the tax system of Kautilya.
- What is the meaning of 'apahar' in view of Kautilya ?
- Explain the rules of leave of workers according to Kautilya.
- What are the main types of labour unions described by Kautilya ?

### Essay Type Questions:

1. Explain the system of public finance of Kautilya.
2. What is fee according to Kautilya ? Explain the rules of fee given by Kautilya.
3. Explain the theories of wage determination and provisions of social security according to Kautilya.
4. Clarify the ideas of Kautilya about public expenditure and income.
5. What do you think about the measurement and weighing system and market organization of Kautilya ?
6. What are the provisions for the regulation of markets according to Kautilya ? Explain.

### Answer to Objective Type Questions :

(1) b (2) a (3) c (4) d (5) b (6) a

### Reference Book :

1. Kautilya's Arthashastram : Gairola Chokhambha Prakashan, Varanasi.
2. Vedic Sahitya Men Arthpurusharth : Rana Amar Granth Publications, New Delhi.

## Chapter - 4.3

### Economic Ideas of Pt. Deen Dayal Upadhaya

Pt. Deen Dayal Upadhaya was a live devotee of simple life, high thinking and easy behavior. He was born in Dhankiya village on the Jaipur-Ajmer railway route in Rajasthan in the house of his maternal grand father, Shri Chunnilal Shukla. Shri Chunni Lal Shukla was station master of the Dhankiya railway station. Both father and mother of Pandit Ji died in his childhood and he was cared by his maternal father, Shri Radharaman Shukla. Pandit Ji passed high school examination from Kalyan high School, Sikar and got gold medal by passing this examination with first division and with first position in the Ajmer Board. After this he passed B.A. with first division from the Birla College and got two gold medals. Pandit Ji passed his M.A. examination in first division from Sanatan Dharam College, Kanpur.

Pandit Ji gave the theory of integrated human philosophy to world suffered from the systems of capitalism and communalism. This theory is not only the complete thought from individual life to complete human being but also a thought to search the aggregate form beyond the human nature.

In his short life span Pandit Ji wrote many articles and books relating with national life and national problems. His important writings are -

1. Chandra Gupta Mourya
2. Jagadguru Shankaracharya

3. Jansangh Sidhant and Niti

4. Akhand Bharat

5. American Anaz P.L. 480

6. Bhartia Airthniti

7. Problem and Solution of  
Unemployment

8. Integrated Humanism

9. Tax or Loot

10. Problems of National Life

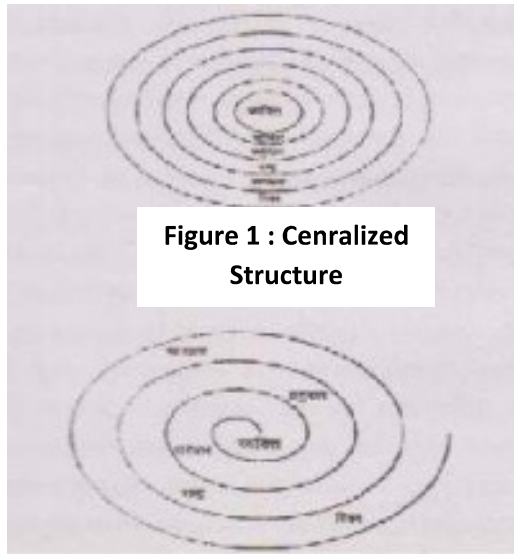
11. Unfaithfulness

Pt. Deendayal thought upon many subjects like integrated humanism, integrated money policy, capitalism, socialism, decentralized economy, prohibition of mechanisation, prohibition of cooperative farming, foreign capital, money, culture, etc. Before the discussion of integrated money policy it is necessary to understand the thought of 'integrated human philosophy', which was given to the world by Panditji.

#### Integrated Human Philosophy:

Integrated human philosophy means the philosophy of integrated relations of human life and complete nature. This is that philosophy of life that shows that the thought of human being is not only a single approach of "economic human being" but it explains the complementary

integrated relations between human being and the world beyond human being where a direction of prosperous and happy life can be observed. This philosophy is the philosophy of Indian culture which is the centre point of teachings of 'Chaturvidh Purushar-thas' of body, soul, mind, religion, money and work. Human being with these 'Chaturvidh Purusharthas' is the complete human being and the center point of integrated human philosophy.



**Figure 1 : Cenralized Structure**

**Figure 2 : Undivided Global Structure**

The family institution is very important in integrated human philosophy because the first lesson of life is taught in the family and lesson is about taking from 'I' to 'We'. According to Upadhyaya Ji we can not imagine the aggregate with individual and without aggregate an individual. As for individual, earning of income or money is necessary for society. Without sufficient earnings of money society can not be run successfully. When the lack of money becomes aggregative many problems are created for the aggregate society. In our culture the existence of society, sadness-happiness, and profit-loss are not only connected with each other but depend on each other also. Here the systems of 'Ashramas' and 'Varnas' were created for the mutual balance of individual life and the aggregate life i.e. social life.

## **Integrated Philosophy :**

There is a big controversy about relation between individual and aggregate in the Indian life philosophy and Western life philosophy. Western thoughts have been mostly developed as reaction. As an reaction of the Roman school of religion democracy arised and as the reaction of capitalism socialism and communalism were born. Western people separated the thoughts about individual life and also about the aggregative life of human being, world, nation and family. Figure-1 shows the centralized circle groups – created by western thoughts.

## **Centralized Structure :**

This figure has one point in the center which can be assumed as a human being and the circle around this point is the family circle, out of this the big circle is the caste society, further circle represents the nation and then humanity and then the circle of world human being. In this centralized information individual is the center point and all circles are separate to each other but in reality it is not so. All are related with each other. It is the result of the method of thinking of human life in pieces that today the communalism has indeed in the world and the family system in capitalism has disappeared.

Crisis of moral values has arised and due to unlimited consumption and centralized industrialization in whole of the world environmental problem has been created. Only the Indian culture has thought upon the human unity. We have not only thought upon the human unity but also upon the whole living things and their creation. This is the main lesson of unity in diversity. Indian culture has integratedness which is known as the global structure. In this global structure each structure is developed by having relations with other structures and thus human being is followed by family, community, nation, humanity and the world and further the god element. All these structures lie in the structure of



god element. The god element itself is found in all structures because god element is universal, found every where and every time. This God element is the soul of integrated human philosophy. Thus integrated human philosophy is a complete life philosophy as shown in below Figure-2.

### **Undivided Global Structure**

#### **Integrated Economic Policy : A Third Choice**

Each economic system has the main objective of providing facilities of prosperity and happy life to all the people. To achieve economic prosperity all the economic systems try their best. There have been many innovations due to this responsibility of economies and thus many sources of economic resources have been found and multifold growth of production has emerged. In the race of economic prosperity many economies have become advanced while others have become backward. Both of these economies are suffered from their different problems. For the solution of these problems capitalism and communalism developed in western countries. Capitalism, in its original form, is not seen today and by changing its form with time communalism and socialism have about disappeared from the world. Capitalism stood on four theories.

1. Struggle for existence
2. Survival of the fittest
3. Exploitation of nature
4. Individual rights

According to upadhaya capitalism was developed on the basis of these four theories. Thoughts of Adam Smith and Keynes contributed in the development of capitalism. Adam Smith writes, "Never do good for others, do good for others if there is something good for you." According to Keynes, "in coming of at least 100 years if there is no truth and untruth is appropriate, we should accept truth as lie and lie as truth. The hunger to earn more and more

wealth, competition to earn more and more profit and the efficiency used for it are good for some time to come." According to Adam Smith and Keynes survival of the fittest and struggle for existence have made the life more competitive in capitalistic countries. Each person worked day and night as a machine due to the fear lest he or she remained backward in compassion to others and as result highblood pressure, stress, heart diseases, and many other problems created. People take pills for sleeping. Incidents of murder, rape, divorce and suicides have been found more in capitalistic countries than in other countries. Thus Marxism economic thought emerged as reaction of the defects of capitalism. After the Russian Revolution of 1917 it was said that Marxism is a highly scientific thought way which will end all the thought ways and a society will be constructed which will be free from all types of exploitation and will be equity oriented. But after the period of 70 years, the building of communalism collapsed and about disappeared from the world map.

Even after the 68 years of independence the problems of poverty, unemployment, inequality, inflation, imbalance of payments, etc. in India are not only seen but these are being more intensive with the time also. According to Deen Dayal Ji, world is at the cross road of sever illusion. Is there any third alternative which can solve this problem ?

Pt. Deen Dayal says with high confidence that under the integrated human philosophy of Indian culture integrated economic policy can be that third alternative. Today western economics with more and more thinking accounts only the material prosperity of human being. Along with the economic policy there are some uneconomic issues to be thought upon. But it seems that most of the western economists do not think upon these uneconomic issues. According to J.S. Mill, "It can not be said that all the economics questions get the answer on the basis of economics only. Some

of the economic questions have the important political and moral aspects which can not be ignored." Today there is need of such medicine which can give mental health and satisfaction along with the material prosperity. Such medicine can be any one out of the integrated human philosophy and under it the integrated economic policy, as suggested by Pt. Deen Dayal . In his book 'Indian Economic Policy. A Direction of Development' he analyses the economic policy and by explaining the economic dimension of integrated human being he writes that, 'removing the shortage and effect of money from the society and by arranging it properly is known as "the economic dimension". Thoughts of Pt. Deen Dayal on economic policy are as below:

### **1. Meaning of Economic Policy in Indian Culture :-**

The place of religion is always considered very important in Indian culture and the religion is required as base for the economic development. In the description of Vedas, among the 12 properties of religion, work is considered as the first property. Giving right to work is the fundamental duty of the state. So right to work is the constitutional right of people. It is the first duty of the state to give opportunity of work to every citizen according to the eligibility and capacity. On the basis of this approach, Pt. Deen Dayal always emphasized that in the reference of five year plan formulation 'work to all' should be declared as the planning objective. In doing so state should always try not to discriminate the society on the basis of caste, colour and sex. Each plan of reconstruction of nation should have the objective of work availability for all.

### **2. Psychology of Wealth :-**

According to Pt. Deen Dayal lack of wealth makes people thief and is responsible for the loss of religion. So there is need of making such social criteria so that each commodity should not be purchased with money. If value is measured in

terms of money only then weak persons will not be protected and thus people will earn money by wrong means like theft, bribery, etc. Measuring the value of labour in money terms is not possible. Labour and remuneration both are closely related with each other even though formulation of the best and publically accepted value theory is neither simple nor useful. Importance of labour is not due to the money received for it but it is due to the element of religion present in it. Thus, the remuneration given to a person is not assumed due to the labor given by the person.

### **3. Question of Ownership :**

The conflict between thoughts under individualism and socialism has given birth to a new dimension whether property is owned by an individual or by the state. According to Pt. Upadhaya, it is wrong to own property either by individual or by society. According to him each person is a representative of society so the person is 'trusty' or 'guardian' of a part of the social property. An individual is itself a part of society, thus the individual itself is the property of the society and in this way society has its undoubted right on the property. In view of Pt. Deen Dayal, concentration of property in hands of some people of society (to the name of private property) or concentration of property in state (to the name of social property) both are equally wrong. Upadhaya does not accept the unlimited right on property either of individuals or of state. He is against the ownership concentration and thus he is supporter of the decentralized state or decentralized economy. The happiness of humanity lies only in the partnership of both micro and macro. Thus partnership right on property is the philosophy of integrated humanity.

### **4. Prohibition of Capitalism and Socialism:-**

Upadhaya forcefully opposed the concentration of unlimited production in few hands. Under capitalism financial power is concentrated in few hands. This tendency of

concentration has developed the industrialisation in the western countries. Capitalistic assumptions of economic man and consumerism have divided economic life and human being. Thus a deep ditch has been created between labor and happiness. An independent weaver is now not seen and has joined large factories. Bazar has been replaced by departmental stores and tailor by readymade garments. This is a type of dictatorship in the economic sector. Producers have snatched the rights of common persons with the help of communications system and the gained power. So capacity of production should be determined which is only possible through the decentralization. Capitalism creates reactions in the society, does not plan true life, damages the cultural values of society and thus attracts the people towards the vicious circles of consumerism. Now human being has become a part of machine rather than an assistant of it.

Socialism prohibits the excessness of individualism. According to Upadhaya all the defects of centralized capitalism are present in socialism. Tendency of centralization. Damages the work spirit of human being and increases the spirit of human being and increases the spirit of being 'labourer'. The spirit of wage is the spirit of pressure where there is no happiness of respect and duty.

## **5. Economic Democracy :**

Upadhaya says that democracy should not only be related with political life but should be related with economic democracy also. Thus, as 'Vote of each' is the conclusion of political democracy, in the same way 'work to each' is the measurement of economic democracy. On one side, the work should earn living and on the other side, there should be freedom to people of choosing the work. If people do not get a justified part of national income, being employed in the work is unaccounted and useless. Thus, there should be surety of minimum salary, justified distribution and social security. According to

Upadhaya, the controversy on private and Public sector of capitalism and socialism is wrong. Both of these have damaged the self employed sector. Thus development and expansion of self employed sector is necessary and for this decentralized system is required.

## **6. Prohibition of Heavy Industrialization:-**

Big industries become dictatorship oriented and inhuman due to the governance of demand-supply mechanism and concentration of output of these industries. Upadhaya opposed heavy industries due the following facts.

1. It is not favorable to the Indian social equality.
2. These industries are not complementary to artisans because they damage them.
3. These industries are opposite to the objective of 'work for all' and thus increase the technological unemployment.
4. They use more capital and less labour which is beyond the capacity of Indian producer.
5. They are more import dependent and thus the burden on balance of payments emerges (as result of more imports).
6. Their social cost is very high. Due to urbanisation many problems of health, residence, water supply, sanitation, etc. are created.
7. They have completed production and management system.
8. Big industries give birth to exploitative and broker systems between agriculture and industries.
9. Due to concentration at our place the problems of imbalanced regional development and extensive development are created.
10. The lobby of big industries becomes so strong in capturing the politics of country.

11. Big industries create inequality in society. The gap between rich and poor is enlarged and this results into the class struggle. Also, the big industries have their relations with foreign industrialists which can also have their wrong effects on the domestic economy.

So, according to Upadhaya, There should not be any role of foreign capital in the development. The social and economic effects of foreign capital can not be favorable to the country. Investment of foreign capital exploits the labor of the self country.

### **7. Over Self-reliant Industrial Policy :**

Although Upadhaya opposed heavy industrialization he supported the development of healthy industrialization. Thus, according to him, we should adopt such industrial policy under which we should try to produce some more output that is required for the self reliance. A healthy policy should have the following merits:

- i. It should give work to all.
- ii. It should be helpful in decentralization instead of concentration of output.
- iii. It should be complementary to agricultural rural system of India.
- iv. It should not support the rural migration of talent.
- v. It should support the moral values.
- vi. It should support labour intensive technique rather than capital intensive technique.
- vii. Its development should be based on equipments of artisans.

### **8. Decentralized Economy :**

According to upadhaya the base of economy should be villages and janpads. The economic planning destroying villages will destroy the India. Economies which once adopted heavy industrialization and centralization were

trapped into vicious circles and it became difficult to return back. According to him big industries should prepare productive or capital goods and small industries should produce consumer goods. Upadhaya is not agree with the fact that small industries are not economic. Truth is that economies are not the result of large scale production but are due to more production. If we go through the history we know that Indian cloth was cheaper in England in comparison to the cloth in Britain produced at large scale. The Japanese product, which keep out the product at big factories, are made in houses. If the facilities are given to small industries and additional facilities are not given to large industries small industries will win the game. Thus Upadhaya says that :

- (1) big industries are not economical due to proper competition but are due to the forced commercial activities.
- (2) Big industries mostly exploit the labor.
- (3) Once they authorize the market their incentive of industrial efficiency completely damages.
- (4) These industries are so big that they can not be run economically.

In decentralized economy small and cottage industries are the back bone of the economy. But big industries should not be ignored at once, according to Upadhaya. In this way he accepts the big industries compulsorily but there should not be concentration of economic power. He was not agree with the fact that small industries are not economical. According, to him being big industries economical is an illusion, real economies are seen there in the small industries.

### **9. Agriculture :**

According to Pt. Deen Dayal Updhaya India is an agricultural country. Agriculture has its about 60% contribution in national income of India and about 70% population earn living from

it. So, according to him, without agricultural development industrialization is not possible because Indian farmers not only produce foodgrains and raw material for industries but they are the big buyers of the finished goods of industries also. We should be self reliant in the production of food grains it is only possible by given priority to agriculture. Agriculture has the capacity of giving employment to many people with the investment of less capital. Upadhaya gives more emphasis to the construction of small dams in comparison to big dam projects. According to him the 95% water of small dams can be used in irrigation while only 55% water of big dam projects is used for the purpose of irrigation. Except this, the big dam projects are capital intensive and depend on the imported material, technique and resources. Water drainage system of these big projects is not proper. In his book, 'Indian Economic Policy', he presented the statistical information about increase in the agricultural production due to big dam projects in the period of 1951-56. It is clear from this information that we spent 92% of the sanctioned amount of the budget on these big dam projects and got only 47% increase in agricultural production. In the same period 63% was the expenditure of the sanctioned budget on small dam projects which resulted into 91% increase in agriculture production. According to Upadhaya, by using chemical fertilizers continuously the fertility of land has reduced so these fertilizers should be used in limited quantity along with the dung etc. Dung should not be burnt but should be used for fuel and manure with the help of dung gas plants. By doing so, villagers will solve their problem of fuel and the decreasing level of land fertility will be controlled. Pt. Deen Dayal opposed the cooperative farming. He believed that cooperative farming at last will change into the community agriculture and thus today's land owner will become landless labour with strengthening the tendency of dictatorship rather

than democracy. Cooperative farming will also go against our objective of more production.

According to Upadhaya, farmers must get proper price of their products. Prices of agricultural products and industrial products are not equal and due to this small industries and laborers should not be pressurized to sacrifice.

## **10. Foreign Capital and Devaluation of Rupee:**

In our country we have raw material and labour force in abundance but we lack capital for industrial development. Foreign capital can be achieved by below given three ways:

- i. By individual relations with foreign capitalists.
- ii. From international financial institutions, and
- iii. From foreign governments.

This foreign capital can be obtained in terms of capital loans or in terms of partnership in industries.

When our rupee is devalued under internal pressure, its effect is not limited upto imports only but it has long lasting effects on production, prices, industrialization and economic inequalities. According to Upadhaya, rupee devaluation in June, 1966 was done under the foreign political pressure.

With the foreign capital we are pressurized to accept the foreign production system also. As result of foreign production system and resource material domestic science and research activities have become backward and thus dependence on other countries has increased.

## **11. Economic Culture:**

According to Upadhaya, the activities of production, distribution and consumption control the economic life of human being. Uncontrolled or unlimited consumption increases distributional



inequality and loot and thus there is no limit to production. This is uncultured life. The theme of economic culture of Upadhaya includes three concepts some more output than self reliance level (higher quantity output), equal distribution and controlled consumption.

Output sufficient for need of consumption and expected savings is the higher quantity output. This is the limit of output. Distribution should be of the type that food, cloth, house, education and medicine these five needs can be satisfied for each person. The justified ratio of maximum and minimum income should not be deteriorated. Controlled consumption means the consumption favorable to healthy body. Thus economy should be such that can fulfill the economic requirement of life.

### Important Points :

- Upadhaya gave the world the principle of integrated human philosophy which not only relates with the thought from individual to the aggregate human being but also with the issues beyond the humanity in its aggregate form.
- Integrated human philosophy means the philosophy of integrated relations of complete nature and human life.
- Under the integrated human philosophy of Indian culture the integrated economic policy is the third alternative to the capitalism and communalism.
- In Indian culture, religion plays important role in human life. A structure is needed to construct economically new objective.
- Uncontrolled consumption is the base of consumerism, competition and class struggle.
- Upadhaya does not accept not only the unlimited ownership of property nor the unlimited right of state. He supports the

decentralized state and decentralized economy.

- As 'each for vote' is the result of political democracy, 'work for each' is the measurement of economic democracy.
- Opposing heavy industries Upadhaya supports the healthy industrialization.
- Our villages and janpads should govern the economy. Small and cottage industries is the back bone of the decentralized economy of Upadhaya.
- Small dam projects are more useful than the big dam projects and earn more profit from less capital.
- Activities of production, distribution and consumption control the economic life of human being.
- Investment of foreign capital exploits the domestic labour.
- Economic culture of Upadhaya includes higher quantity output, equal distribution and controlled consumption as base.

## Questions For Exercise

### Objective Type Questions:

1. According to Upadhaya the live philosophy of Indian culture is –
  - (a) Capitalistic philosophy
  - (b) Integrated human philosophy
  - (c) Communalistic philosophy
  - (d) None of the above ( )
2. Consumerism, competition and class struggle is the base of –
  - (a) Uncontrolled consumption
  - (b) Higher quantity output
  - (c) Unequal distribution

(d) Socialism ( )

3. Upadhaya opposed heavy industries because-
- (a) These are against the objective of each big business
  - (b) Complicated system of production and management of them
  - (c) These are of capital abundant
  - (d) All of the above ( )
4. Which of the following is not related with capitalism ?
- (a) Struggle for existence
  - (b) Survival of the fittest
  - (c) Exploitation of nature
  - (d) Happiness for all ( )
5. Why Pt. Deen Dayal gave special importance to agriculture in his ideas ?
- (a) 60% portion of our national income we get from agriculture
  - (b) Availability of raw material for industries
  - (c) Self-reliance in food grain production in our country
  - (d) All of the above ( )
6. Which is the base of economic culture of Upadhaya ?
- (a) High quantity output
  - (b) Equal distribution
  - (c) Controlled consumption
  - (d) Unequal distribution ( )
7. According to Upadhaya which activity does not control the economic life ?
- (a) Production
  - (b) Distribution
  - (c) Consumption
  - (d) Public finance ( )

### Very Short Answer Questions :

1. What is the theory given to world by Pt. Deen Dayal which is the thought of the complete human being ?
2. What is meaning of integrated human philosophy ?
3. Write the name of four principles on which capitalism works .
4. Write the cause showing why Pt. Deen Dayal opposed the cooperative agriculture.
5. What is the high quantity production ?
6. What is the formula of economic culture of Upadhaya ?

### Short Answer Questions:

1. Explain the integrated philosophy in reference of the west and India.
2. Explain the ideas of Upadhaya about ownership of property.
3. Explain the high quantity production based industrial policy of Upadhaya.
4. Why does Upadhaya give more importance to small dam projects than big dam projects?
5. Explain the formula of 'economic culture' given by Upadhaya.

### Essay Type Question ;

1. Explain the causes why Pt. Deen Dayal Upadhaya considered the heavy industries having the nature of inhumanity and dictatorship.
2. Describe the concept of decentralized economy of Upadhaya.
3. Describe the integrated human philosophy of Upadhaya.
4. Explain the integrated economic policy of Upadhaya.

5. Describe the main characteristics of economic policy of Pt. Deen Dayal Upadhaya.

**Answer to Objective Type Questions**

(1) b (2) a (3) d (4) d (5) d (6) d (7) d

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5. Deen Dayal Upadhaya : Devaluation - A Disaster.

## Chapter - 4.4

### Economic Ideas of J.K. Mehta

The world famous Indian Economist and the follower of Indian philosophical tradition, J.K. Mehta was born on December 25, 1901 in Village Rajnand of Mumbai. His full name was Jamshed Ker Khushro Mehta. J.K. Mehta got his primary education in Rajnand. After passing high school examination he did his graduation from Allahabad university with Mathematics, English and Economics as optional subjects. After doing M.A. in 1925 from Allahabad university J.K. Mehta joined his research work there. In 1927 he started the teaching profession in department of Economics in the Allahabad University. J.K. Mehta took over the work of studying and teaching in whole life and engaged in writing work for the complete period. J.K. Mehta is remembered among famous economists for his thoughts on the subjects of definition of economics, representative firm, micro and macro economics, public finance, economics of development, etc.

Prof. J.K. Mehta wrote many books on Economics. His famous books are:

1. Ground work of Economics
2. Public Finance
3. Studies in Advanced Economic Theory
4. Economics of Growth
5. Principles of Exchange
6. Foundations of Economics

#### 7. Macro Economics

Prof. J.K. Mehta established Indian theoretical economics. His thinking is original and according to Indian traditions, He has both supporters and criticsers of his thoughts. The wantlessness approach of Prof. Mehta can be explained as below.

#### Definition and Scope of Economics :

Prof. Mehta tried to give a new approach to Economics which is different from the western economists and favourable to the Indian culture and tradition. He considered thoughts of Indian Philosophy, saints and historical persons as the base to explain the definition of Economics. Prof. Mehta says that according to Indian saints, munis and great souls the true happiness lies in keeping the human wants minimum. Our great personalities have taught us to lead a simple and truth oriented life because true bliss can only be obtained by reducing the wants not by increasing the wants.

Explaining this approach Prof. Mehta clears that human welfare, which is the subject matter of Economics, is the imbalanced state of mind. The reason behind this imbalanced status of mind is the effect of external forces on the mankind. There is a big gap between human wants and want satisfying available resources. Mental imbalance is the result of this gap. Human mind does not like this imbalance. So people go

through struggle to get the mental balance. This state of imbalance is sadness and stepping up towards balance is happiness. Thus removal of sadness is the happiness and to achieve maximum happiness it is necessary to keep the sadness minimum.

According to Prof. Mehta sadness is experienced due to mental imbalance and by removal of this imbalance the happiness is experienced. In this way achieving the balance is our basic need. There are two methods of achieving this balance-

- i. Changing atmosphere as per the desire of mind. This is really related with the use of resources, and
- ii. Setting the mind in such a way that it should not negatively be affected by the atmosphere. According to Prof. Mehta the second method is a better one due to the philosophical approach. Prof. Mehta is of the view that with the proper use of resources the imbalance of mind can be controlled for some time but achieving complete balance by it is not possible because the process of removal of imbalance by first method creates new imbalances and thus satisfaction of one want creates another want.

According to Prof. Mehta economists, under all basic rules, use human resources in such a way that maximum satisfaction can be achieved. Prof. Mehta recommends the second method and emphasizes happiness in place of achieving maximum satisfaction or bliss. Human being experiences happiness when there is neither any misery, nor any want nor any type of imbalance. This is the state of freedom from all wants and real aim of human behavior for wantlessness.

The main points of this approach of Prof. Mehta are:

1. Human behavior is the result of mental imbalance.

2. The balance in mind can be established by mental teachings.
3. The ultimate objective is to get bliss.
4. Maximum bliss is the state of absence of wants.
5. State of wantlessness can be obtained slowly.

### **Definition of Economics by Prof. Mehta**

Prof. Mehta's definition of Economics is based on the Gandhian concept of "Simple Living High Thinking". According to Robins problem of choice is the economic problem while according to Mehta keeping wants minimum is the economic problem. Mehta defines Economics as – "Economics is the science which studies that human behavior which tries to approach the aim of wantlessness state."

It is clear from the Mehta's definition that Economics is the study of human behavior which aims to achieve the wantlessness state. It shows the way of freedom from wants to the man kind. Freedom from wants can not be achieved at ones. For this high level wants are first of all satisfied than the low level wants. There is neither sadness nor happiness in the state of wantlessness but there is only the happiness. This state shows us the way of approaching the haven. Getting haven is a basic aim of life.

### **Principle of Wantlessness :**

Wants are infinite, unlimited and we satisfy one want another want is faced at once. So by following the basic pillar of Indian culture "Santosham Parmum Sukham" Prof. Mehta says that wantlessness is the last aim of the life. This state of satisfaction is known as the state of wantlessness in Economics by Prof. Mehta.

State of wantlessness of Prof. Mehta is not the state of actionlessness. According to Prof. Mehta wantlessness does not mean actionlessness. When we follow the wantlessness policy economic activities are not stopped. The



use of goods and services in the production and consumption is changed according to the norms of wantlessness. This state does not mean that we stop eating and drinking or we should stop earning of income. All the works which are necessary should be done without selfishness.

Prof. J.K. Mehta presents wantlessness in the reference of Gandhian principle of trustiship also and it is the end of all the problems. According to the words of Mehta if we follow the correct way of happiness then the functioning of the state will become limited and less. There will be no need of tax imposison on rich for the welfare of poor. It will also be not necessary to stop somebody to earn more wealth. Gandhiji wanted that rich persons should be used for self and for the welfare of poor.

### **Philosophy of Wants:**

According to Prof. Mehta, There are two universally accepted facts emerged in the reference of wants-

- i. Satisfaction of want removes the sadness, and
- ii. The process of satisfying one want creates new want. This is the state of changing non-living wants into the living wants. The following two titles present the Prof. Mehta's philosophy of want.

#### **1. Live and Non-Live Wants:**

According to Prof. Mehta when a want is satisfied we certainly get satisfaction. This is the process of removal the sadness of getting the happiness. It becomes possible because when the want is not satisfied we are not happy which is an action of mind. According to Prof. Mehta, this is the live want.

There are some wants which are felt by us but sadness is not removed because these wants are not present in the live state of mind. These are non-live wants which come into existence when live state of mind is completed. According to

Mehta the sudden satisfaction of non-live wants give happiness. A person never heard about film and never seen it then to see the film is not his live want. The man never feels sadness in the absence of the film. But, however, the person sees the film he gets happiness. Thus satisfaction of non-live want gives the positive contribution. But when a non-live want is satisfied it again comes in front of us as a live want. Thus both types of wants should be included under the wantlessness.

#### **2. Rich and Poor wants:**

It is said that an average poor person is not equally happy as an average rich person. So we show pity on the poor person. Prof. Mehta rejects this fact. According to him there is no any scientific justice of the negative relation between distribution of mercy and wealth. In other words, there is no scientific or justified base of saying that a poor person should be shown mercy. According to Prof. Mehta a poor person has less wants in comparison to a rich person and he is capable to satisfy his less wants with the help of less income. He has his few wants unsatisfied. On the other side, wants of poor persons are more which remain unsatisfied and thus rich person remains unhappy. This is the cause of sadness of the rich person although it is true that the satisfied wants of a poor person are less than a rich person but intensity of his wants is high.

Prof . Mehta really compares the living standard of rich and poor. According to him both poor and rich do not have the wants in the same number. Rich persons have higher living standard even though they have many wants unsatisfied (because they have a large number of wants) and thus they feel sadness. The wants of the poor class are in the non-live state and thus they are not the cause of sadness.

In this reference Prof. Mehta says that for both poor and rich marginal utility of wealth is not equal. It is more for the poor than rich in all circumstances. The level of happiness of poor

person is higher than that of the rich person. But it does not mean that the poor should be taxed more than the rich. The tax burden should be more of the rich. Two facts are responsible for it.

- i. Marginal utility of wealth for rich is comparatively less and
- ii. After tax the intensity of unsatisfied wants for rich person is in comparison to that of the poor person.

According to Prof. Mehta, tax should be determined according to the quantity of sacrifice and thus above both facts say that rich persons should be taxed more. In this way Prof. Mehta propounded the theory of tax determination to achieve maximum social welfare and to establish the social justice. This is the philosophical interpretation of wants according to Prof. Mehta.

Prof. Mehta says that the real happiness lies not in increasing the desires or wants but it is in reducing them. People have limited resources which are not sufficient to satisfy all wants. When wants or desires are not satisfied we get unhappiness. So, maximum happiness can be obtained by reducing the wants. According to Prof. Mehta the cause of sadness is the continuous occurrence of wants. When wants become zero, human being will not face sadness and thus real happiness will be experienced and there will be balance in mind.

Mehta says that the main objective of Economics is to show the path of approaching the state of wantlessness. The ultimate aim of human behavior is to get happiness. To understand this thought properly it is necessary to understand the difference between satisfaction and happiness. Satisfaction is that experience which is obtained after the completion of want or desire but there is no happiness. So according to Mehta, the wantless state is the happiness when mind is under the perfect balance. The objective of Economics is to achieve this happiness.

Maximum happiness is in reducing the wants and not in increasing them.

In this contest Mehta suggests that people should reduce their wants slowly and should sacrifice those wants which can not be satisfied. As result, people will be having only those wants which can be satisfied. Thus wants should be limited according to the availability of resources. This is the first step to get fulfilled the ultimate objective and to approach the state of wantlessness. The ultimate objective is the state in which no want is experienced and people should make efforts slowly to achieve this objective.

### **Pure and Applied Economics:**

Prof. Mehta presents Economics as pure Economics and applied Economics. In words of Mehta, it will be sufficient to say that under pure science we study the general theories while under applied science we verify and test these theories under the given circumstances. Because the subject matter of Economics is the study of human behavior, the pure Economics studies the theories governed by the human behavior. Pure Economics studies the human behavior under the definite approach of "scarcity of resources". In applied Economics we observe that how these theories are applied in the specific area of human activities.

According to Mehta, under pure Economics we find ourselves more in the area of welfare while under applied Economics we find ourselves in the area of world. Thus it can be said that under pure Economics mind plays the important role. The study of applied Economics aims to achieve the ultimate goal and it should be so. It uses the general theories and observes how the work is done under certain applied areas.

According to Prof. Mehta, to achieve ultimate goal is the state of wantlessness and this goal indicates the happiness. The objective of

applied Economics is to achieve this goal and pure Economics is the source of achieving this goal. Study of both pure and applied Economics is necessary to achieve this ultimate goal. Thus according to Prof. Mehta "Pure Economics includes the theories and applied Economics includes the laws."

### **Micro Economics and Macro Economics:**

According to Prof. Mehta, there are many units in a society. Economics science is associated with the behavior of these units. In view of Mehta, technically laws of consumption and production are studied in Economics. If an economist has the full knowledge of the behavior of a person and has the full information about atmosphere then the economist can tell that how much work will be done by a person, how much production the person will do, how much will be sold by the person, how much will be bought, how much will be saved and how much will be consumed, etc.

Under the above description the study of behavior of one unit is known as micro economics. It is known as micro economics because one unit is so small in comparison to the group of all the units and this one unit informs about that situation in which one unit is in the equilibrium. The simultaneous study of all units comes under macro economics.

According to Prof. Mehta, people live in society so Economics can not ignore the study of macro Economics. Thus Economics must study all the individuals.

### **Static, Developmental & Dynamic Economics**

The analysis of these concepts is as below :

#### **1. Static Economics :**

By the state of equilibrium we decide that what will be the share of each factor of production, what will be the price of all the produced goods and how much of the goods and services will be consumed. When we expect the

equilibrium condition under price system and we study that condition it is known as static Economics. This study is related with point of time.

#### **2. Dynamic Economics :**

When primary data do not change, the last situation can be achieved by the process of adjustments and if we want we can choose that path which can give the complete equilibrium. This study is known as the dynamic Economics under which the process of time based adjustment is described. This study is related with period of time.

#### **3. Developmental Economics:**

Under developmental Economics we study the situation of equilibrium achieved continuously in the given period of time. This situation of equilibrium is to achieve the last situation of disequilibrium which is achieved at the end of the time period. Thus the development Economics of Prof. Mehta is same as the dynamic Economics of Tinbergen.

#### **4. Measurement of Utility:**

According to Prof. Mehta Economics is a science. So we should analyse the quantitative nature of utility. He emphasized the quantitative measurement of utility and presented the below given facts about measurement of utility:-

- i. Utility is a spiritual concept.
- ii. Utility is not constant and changes time to time.
- iii. Satisfaction can be measured by money. It is wrong to say that utility can not be measured.

According to Prof. Mehta utility can be measured either by cardinal approach (approach of Marshall) or by ordinal approach (approach of Hicks and Allen).

### **Welfare Economics :**

According to Prof. Mehta Economics of

welfare is actually the Economics of social welfare. Group of individuals is the society so social welfare is certainly related with individual welfare. Social welfare lives in the mind of individuals. Human welfare is the quantity of satisfaction in the given time which is measured by the happiness the human being enjoys. Social welfare is a mental and psychological concept and due to this it does not have any subjective measurement but social welfare in a situation can be compared with social welfare in another situation and thus we can say that in which situation social welfare is more. The policy makers require this type of knowledge which is very important for them.

### **Rent :**

Prof. Mehta does not consider rent as income. According to him, rent is a surplus over the cost. In his view when a factor of production has only one specific use, it gets some surplus over the cost or price. According to him it is impossible that a factor is absolutely put in only a specific use. So it is necessary to understand the difference between specificness and over specificness. This difference is associated with a factor of production being specific or overspecific.

### **Profit :**

According to Prof. Mehta, profit is a return on risk bearing capacity of an entrepreneur. It can be achieved in only dynamic situation. Profit can be achieved only against risk bearing capacity or abnormal or unexpected situation, not in static position. Profit is generated in short-term or long-term period of dynamic situation and it is always uncertain and unexpected.

### **Interest :**

Prof. Mehta defines the interest as earnings of the capital which is determined by its marginal productivity. The earning of capital is determined by the productivity of last unit of capital invested.

The amount of capital is determined by available supply of capital, available supply is determined by cost of capital formation or cost of waiting and cost of sacrificing of time preference.

### **Public Finance :**

Along with the definition of public finance Prof. Mehta discussed its each part. This analysis is as given below:

#### **1. Definition of Public Finance:**

According to Prof. Mehta, public finance is related with the financial relations of any public institution. Mehta clears that public means the state. Public finance studies the financial resources of the state and its uses.

#### **2. Public Revenue or Income:**

According to Prof. Mehta income is a mean while Public good is an end. Public revenue is required for public expenditure. Public expenditure is certainly beneficial for the society and public revenue reduces the consumption of people. So, if it increases the welfare then this work of the State is justified. Prof. Mehta classifies public revenue in 4 parts – (i) Tax, (ii) Fee, (iii) Duties, and (iv) Others, e.g. gifts, fine, etc.

#### **3. Public Expenditure:**

According to Prof. Mehta, the place of public expenditure in public finance is same as the place of consumption in the study of Economics. It is a source in terms of services provided to society by the state. State uses its income as expenditure in the same way as a person uses the income. Prof. Mehta classifies public expenditure in two parts:

##### **(a) Constant Expenditure:**

It is that expenditure which is not reduced when people reduce the consumption of the public services and is not increased when public increase the consumption of the public service. Its best example is the expenditure on defence which

is not determined on the basis of the individual consumption.

#### **(b) Variable Expenditure:**

It is that expenditure which is affected and determined by consumption of public service by people. If more of the public service is consumed the expenditure increases and if the consumption of public service is reduced the public expenditure is also reduced. Expenditure on postal services, civil courts, public enterprises are the examples of the variable expenditure.

#### **4. Public Debt :**

According to Prof. Mehta, when a person takes debt it becomes the habit. The person does so without any consideration of the economic condition. The state also goes through this type of exercise which is known as the public debt. Government takes loans and it becomes its habit which is a serious danger.

According to Prof. Mehta, public debt of a nation affects its economy in two ways-

- (a) When government takes debt for income generation, the public adjusts its budget. When public is taxed by the government, public reduces own expenditure and pays tax but when the same amount is collected as debt by the government the public generally does not reduce own expenditure and uses the old and present savings for issuing the debt. This is the first and urgent effect of public debt.
- (b) The second effect of public debt is far reaching. This effect depends on the fact that in which use the public debt is put. If public debt is used in the productive works, the effect of public expenditure is possibly beneficial.

#### **Limitations of Mehta's Approach**

Thoughts of Prof. Mehta seem to be favourable according to the approach of Indian

culture and civilization. However, his approach has been criticized in the materialistic era. These criticisms are:

1. The acceptance of Prof. Mehta's approach ends the existence of Economics. If all persons minimize wants and reach in the state of wantlessness, there will be no economic activity in the economy. Thus, Economics will end due to absence of economic activities.
2. Mehta's thoughts are based on imagination – it is not under control of a simple person to get complete freedom from wants. In the normal life, a person never thinks that the maximum happiness is achieved by reducing wants. A person thinks that sadness and happiness are the two necessary aspects of life.
3. Prof. Mehta considers Economics as a normative science which is not correct because Economics is both positive science and normative science.
4. It is a great mistake of Prof. Mehta to consider desire and want same. Both desire and want have the different meaning. For a sick person medicine is want whether the person has the desire to take medicine or not.
5. Definition of Economics given by Prof. Mehta is not itself a definition but it describes the religious statement. It is not possible for a practical and social person to achieve the state of wantlessness.

#### **Important Points :**

- Prof. Mehta is the supporter and propounder of Indian theoretical Economics. His thinking is original and according to the Indian traditions.
- True happiness lies in reduction of wants and not in increasing wants. There is a very big gap between human wants and want



satisfying resources. Mental disequilibrium is the result of this gap.

- Root cause of sadness is the want. There is sadness when there are unsatisfied wants and the process of removal of this sadness creates satisfaction.
- State of wantlessness is not the state of actionlessness.
- According to Prof. Mehta, wants are of two types- live wants and non-live wants. The wants, when unsatisfied, give sadness are live wants and there are some wants at present, to which we have feeling, but sadness is not removed, are the non-live wants.
- Wants of a poor person are less than wants of a rich person. A poor person satisfies less wants with the less income. Rich person has more wants and some of these wants remain unsatisfied and this is the cause of sadness of the rich person.
- The main objective of Economics is to show the path which leads the state of wantlessness. Ultimate objective of human behavior is to get happiness.
- Theories are included in pure Economics and laws are included in applied economics.
- Study of behavior of one unit is Micro Economics while study of all units is Macro economics.
- Static Economics relates with point of time while dynamic Economics relates with period of time.
- Prof. Mehta emphasizes the quantitative measurement of utility and utility can be measured by money.
- Rent is surplus over the cost. Higher the specifness of a factor more the surplus over cost and thus the rent.

- Rent is the result of the specifness of a factor.
- Profit is the return to the entrepreneur for bearing the risk. Profit is earned in the dynamic situation.

## Questions For Exercise

### Objective Type Questions :

1. According to Prof. Mehta person gets true happiness.  
(a) By increasing wants  
(b) By keeping wants constant  
(c) By keeping wants at minimum  
(d) None of the above ( )
2. According to Prof. Mehta, when is the human mind in balance ?  
(a) In wantless state  
(b) In less wants state  
(c) In more wants state  
(d) By satisfying some wants ( )
3. According to Prof. Mehta, which is the economic problem ?  
(a) Problem of choice  
(b) Keeping wants minimum  
(c) Resource mobilization to satisfy wants  
(d) Increase in wealth ( )
4. According to Prof. Mehta the study of behavior of one unit is known as –  
(a) Micro economics  
(b) Macro economics  
(c) Welfare economics  
(d) Developmental economics ( )
5. According to Prof. Mehta the study of economics relating with period of time is known as-

- (a) Micro economics
- (b) Welfare economics
- (c) Macro economics
- (d) None of the above ( )

6. According to Prof. Mehta which is not a property of utility ?

- (a) Utility is related with object.
- (b) Utility is not constant
- (c) Utility is measured with help of money
- (d) Utility can not be measured ( )

### Very Short Answer Questions:

1. What is the main cause of sadness ?
2. What are the live wants according to Prof. Mehta ?
3. According to Prof. Mehta how should the taxes be determined ?
4. According to Prof. Mehta which unsatisfied wants are responsible for sadness ?
5. According to Prof. Mehta which unsatisfied wants are responsible for sadness ?
6. What is welfare according to Prof. Mehta ?
7. According to Prof. Mehta how is interest determined ?

### Short Answer Questions:

1. Show the main point of the wantlessness approach of Prof. Mehta.
2. Explain the state of wantlessness of Prof. Mehta in reference of the Gandhian trustiship principle.
3. According to Prof. Mehta explain the difference between wants of rich and poor persons.
4. Explain the difference between pure economics and applied economics according to Prof. Mehta.

### Essay Type Questions:

1. Critically describe the wantlessness approach of Prof. Mehta.
2. Explain the definition of Economics given by Prof. Mehta and explain his approach of wantlessness.
3. Explain the live and non-live wants according to Prof. Mehta.
4. Explain the thoughts of Prof. Mehta about pure and applied Economics.
5. Explain thoughts of Prof. Mehta on Micro and Macro Economics.
6. Write the thoughts of Prof. Mehta on profit, interest and rent.
7. Explain Prof. Mehta's thoughts on public finance.

### Answer to objective Type Questions:

(1) c (2) a (3) b (4) a (5) d (6) d

### Book for Reference :

1. J.K. Mehta: Advanced Economic Theory
2. J.K. Mehta: Lecturers on Modern Economics
3. J.K. Mehta: Fundamentals of Economics.