

**Danda Niti of the Arthashastra of Kautilya**  
*by Potluri Rao In Seattle ©2018 (CC BY 4.0)*

Danda Niti is the logic of international trade in creation of Wealth of Nations (Adam Smith). Danda Niti, articulated in the Arthashastra of Kautilya, created the second urban civilization on the subcontinent, the Maurya dynasty. The Indus Valley was the first urban civilization. Kautilya did not invent Danda Niti; it existed long before him. He gave it a logical structure. The resulting economic prosperity from international trade practically eliminated war and created the golden age of the Gupta empire.

Around 800 BCE (Upanishads), after the Mahabharata war, there was an intellectual and political shakeup and a new social order was born. The subcontinent consisted of numerous small democratic republics. They were agrarian and flourished as small clusters that could be covered in a day on horseback.

Each cluster had an elected administrator called the Rajan. A council (Samiti) of elders set rules of social behavior. Samiti was the highest legal authority. Each cluster was an autonomous nation. Each Rajan was elected and removed by the Samiti. Each cluster had its own rules of social behavior. No two clusters had the same rules.

Several clusters formed into defense pacts called Federations. A Federation was a council of Rajan of its member clusters. The head of a Federation, called a Chakravarti, was elected and removed by its council, called the Samanta Rajan.

The administrative roles of the Rajan and the Chakravarti were different. The Chakravarti was in charge of collective defense of a Federation. The Rajan was in charge of civil administration of a cluster.

All matters of dispute inside a cluster were settled by its Samiti of elders. Each cluster had its own customs of acceptable social behavior. Decisions in a cluster were made by its people, not by the Rajan. Decisions in a Federation were made by its Samanta Rajan, not by the Chakravarti. Clusters and Federations were democratic republics.

By 500 BCE the people recognized the importance of trade between Clusters (Nations) in the creation of wealth. Comparative advantage, Specialization, and Trade produced wealth. There was a need for an administrative structure (Danda) to facilitate safe trade between clusters. Danda evolved by trial and error as a new administrative system in charge of trade between clusters. Chakravarti was the Department of Defense and Danda was the Department of Trade of a Federation.

Safe trade required standardized Rules (Niti) of the Department of Trade (Danda) acceptable to all clusters. Danda Niti was the Trade Rules (Contract Law) approved by all member clusters of a Federation. Danda Niti was outside the control of any Samiti of a cluster. It was based solely on the logic of International (Federal) trade.

Danda required enforcement powers to make sure that trade contracts between clusters were respected. The word Danda was derived from the Power of State. It had jurisdiction over all of its member clusters with the full force of Power of State.

Danda had power to make rules (Niti) of trade (Contract Law). It had no jurisdiction over internal civil disputes of any cluster. It was financed by a trade tax called Toll (Customs duty). It was an objective and independent Power of State. It evolved to create wealth by facilitating safe trade between clusters of a Federation.

Safe trade between clusters (Nations) was possible only with a Danda Niti (Contract Law). The Arthashastra codified the Contract Law prevalent at the time of Kautilya. The Maurya dynasty took over the administrative functions of Danda and became the largest commercial empire of that time.

War was an expensive form of plunder. Trade generated more wealth than war for the same expense. Trade was possible only with a Danda Niti (Contract Law), coupled with an enforceable Power of State. Economic prosperity resulting from Danda Niti was easily grasped. Danda Niti, in various forms, spread from the Mediterranean to the Bay of Bengal. There was a commercial revolution akin to the industrial revolution. It was the golden age of peace and prosperity generated by International Trade.

Danda of Kautilya was an independent administrative branch of the Maurya Dynasty with reciprocal diplomatic contracts with other countries. The Silk Road was the main corridor of commerce. In folklore, Kautilya was known as the Finance Minister.

Danda, Department of Trade, issued passports for identification. Passports were checked at all border crossings. Customs duty, a trade tax, was collected on all merchandise at border crossings. Danda guaranteed safe passage of all merchandise and collection of monies between clusters. Danda police patrolled trade routes to protect merchandise from highway robbery. In the event of a loss due to its negligence, Danda compensated merchants in full. All merchandise was insured.

Danda invented a banking system. Danda transported money between clusters under military escort. Merchants deposited money in one cluster and withdrew in another to

avoid highway robbery. Danda issued currency (coins) that were accepted at face value in all clusters under its control. Customs duty was used only to provide safe trade.

Danda inspected all merchandise for quality and weight to eliminate fraud. Weights and measures were standardized and certified. A citizen of one cluster could engage in a trade contract with a citizen of another cluster with full confidence that Danda would enforce terms of the contract. Danda eliminated cheating in trade contracts. Danda punished violators of trade agreements with the full force of Power of State.

Danda was a trade insurance company with enforcement powers. Customs duty was the insurance premium. Danda Niti was the Contract Law.

Federal Courts were established to settle trade disputes between clusters. Evidence admissible in a Federal Court was codified. The rights of prosecutors and defense were clearly expressed.

The power of Samiti of a cluster did not extend beyond its borders. Each cluster was an autonomous Nation with its own customs. An acceptable custom in one cluster might be forbidden in another. Citizens of one cluster could not be judged by customs of another cluster. When two clusters were involved in a trade dispute, then the case was judged by a Federal Court. Federal Courts dealt only with trade disputes between parties who paid customs duty to Danda.

Danda Niti was the Contract Law used by Federal Courts. It was Case Law. Only a Federal Court, based on legal Precedence, could modify it. It evolved out of necessity over centuries. Kautilya codified the existing law to make it accessible to all.

Kingship became hereditary to ensure the continuity of Power of State, Danda. Dynastic rule was born. Federation became a dynasty. Individual clusters did not have anything to do with Trade Law. They did not lose their autonomy and elected their own Rajan.

Danda Niti and Federal Courts created economic prosperity. Clusters were assigned to different Federal Courts, called Districts. Cosmopolitan cities with citizens of different Clusters, engaged in commerce, emerged. Each Federal Court, called a District, became an Urban Center. The second urban civilization was born.

Trade required a basic education of reading, writing, and arithmetic. It was the responsibility of Guilds, not that of Danda, to educate the labor force. Guilds invented the concept of Monastery, in the pattern of Taxila. Children went to a monastery to get free basic education in the local dialect. Basic education was required for a job in the

labor force. They had to read and write trade contracts, keep records of commercial transactions, do inventory control, and prepare budgets. They were highly educated in law, commerce, and trade conducted in the local dialect. Guilds sponsored educational facilities and apprenticeships to train the skilled labor force.

The Bikshu, the teacher in a monastery, wore distinct robes to be easily recognized and was well regarded. Monasteries were supported by the community. It became a tradition to offer daily alms to a Bikshu. That was his meager salary. Monasteries were open to all and education was in the local dialect.

Monasteries were community supported public schools in public shelters for children. A monastery was usually under the shade of a tree and closed during the rainy season. Anyone who had enough education to teach children enlisted to become a teacher. Often, senior children taught junior children in the same monastery. For higher education, people went to Taxila, the monastery for adults.

Brahmin and their exclusive Vedic schools, in Sanskrit, of no relevance to trade were scorned. Sanskrit was functionally useless in the marketplace. Brahmin were functionally illiterate. They were unemployable in productive sectors. They were the untouchables.

An educated labor force, middle class, fueled economic growth and produced urban revolution. Monasteries were a synonym for free basic education for all.

Siddhartha (500 BCE) supplied the theoretical connection between the urban revolution and free basic education. Siddhartha was a Rajan Rishi who mastered logic. He invented a form of logic called Deductive Reasoning. It was the foundation of modern symbolic logic. He made Monastery his trademark. It was the new paradigm to end human misery with free basic education, the passport to prosperity. The concept of Monastery, free basic education, spread like wild fire from the Levant to China along the Silk Road. Siddhartha had nothing to do with Buddhism. His biography in Brahmin Puranas is pure fiction.

The second urbanization was different from the first urbanization of the Indus Valley. The first urbanization was a product of agricultural surplus spent on cultural enrichment. The second urbanization was a vehicle to advance trade and focused on wealth accumulation.

Arab roaming bandits (600 CE) found wealth concentrated in urban centers an easy target to loot. The Gupta empire lost its Power of State (Danda) with the collapse of the

empire. Trade was annihilated by roaming bandits. Without Danda, plundering was less expensive than trade. War as a means of wealth accumulation reemerged. Muslim rule left the second urbanization in ruins. Muslims ransacked the subcontinent.

There was no trade without Danda. The subcontinent economy reverted to agrarian. The displaced urban community of trade went home to stay with their families. Large joint families living on agriculture were the new civilization.

Before Muslim occupation, Hindu clusters had two separate laws: (1) Centralized trade law (Danda Niti), and (2) Decentralized social law, unwritten law set by Samiti of each cluster. No two clusters had the same social law.

Social rules of some clusters were recorded in various Smriti, and also in Jain and Buddha literature. A preferred practice in one cluster was forbidden in another. Even two neighboring clusters had opposite customs (see Jataka 536). Diversity was not an exception, it was the rule. The variance between Hindu clusters was enormous.

In contrast to Hindu, Brahmin had the exact opposite behavior. They migrated from Persia, lived in segregated enclaves, and had their own law book, the Yajur Veda. All Brahmin followed the same law book to preserve their heritage. All Brahmin, no matter where they lived, behaved like they all belonged to the same cluster with roots in Persia. To them, diversity was the exception. The variance of Brahmin between clusters was zero.

Brahmin were alien and Hindu were native. A simple Analysis of Variance test, clustering, proves that Brahmin were not native to India. All Brahmin had the same social law, Dharmashastra. Brahmin had zero variance. They were aliens residing in a foreign land in need of an identity. It is the natural behavior of all migrant minority ethnic communities all over the world. Brahmin were Persia, not Hindu.

Hindu had Arthashastra. They never had Dharmashastra. They had only localized customs. Dharmashastra was written law; Hindu customs were unwritten law. Hindu customs varied over ten miles. No two clusters had the same customs. A survey of British court records around 1800 found that Hindu never heard of Dharmashastra. Brahmin had Dharmashastra. They never had Arthashastra.

The fact that the Arthashastra was lost until it was discovered accidentally in 1905 is proof positive that Brahmin never had Arthashastra.

Hindus did not have a common social law. British courts realized that Hindus never had Dharmashastra and wanted to be judged by local customs, as they were used to for thousands of years. Customs changed from court to court and each court had to have its own laws that applied to its local Hindu people.

Hindu had common Trade Law but no common Social Law. Brahmin had common Social Law but no Trade Law. Brahmin were the exact opposite of Hindu.

The need for common social law for all Hindu clusters emanated from the British Rule. The British wanted separate laws for Muslims and Hindus. Muslim rule did not have the same problem because they imposed the same Persian Sharia Law on all. Brahmin Law was rejected by the British because it was not Hindu Law. After systematic research ordered by Governor General Cornwallis, the Mitakshara and its local variations were accepted as a first approximation to a Hindu Common Law.

The first urbanization of the Indus Valley was founded on agricultural surplus. Climatic change in monsoon patterns eliminated the surplus and urbanization was abandoned. The same Hindu of the Indus Valley created the second urban civilization.

The Indus Valley civilization was built with baked bricks of exceptional mathematical precision. They had basic education of reading, writing, and arithmetic. They maintained records of transactions. They used accurate measuring instruments. Their geometry was enviable. Their engineering of water channels is unparalleled. They were interrupted by nature. They did not vanish. Their skills did not perish. They relocated and changed their product line to adapt to nature. Hindu clusters had common Contract Law and also common technical know-how. Guilds sponsored technical skills.

Unlike Hindus, Brahmin lacked intellect and critical thinking skills. Brahmin were a closed society of closed minds. Brahmin education was the exact opposite of Hindu education. Brahmin were ignorant of production, commerce, trade, and logic. Sanskrit was functionally useless in the marketplace. Brahmin had no marketable skills. They were unemployable. The Brahmin version of Hindu history is like a blind man describing an elephant.

The Arthashastra of Kautilya gives us valuable archeological information on Hindu history. Hindu was a location. Hindu was a secular country. Hindu was a way of peaceful communal living. It was a highly advanced civilization of highly educated people. Their education was of a different kind. They had no need for God or Religion.

Hindu believed in compassion. They were honest and hard-working people. They did not steal property from others. They respected the rights of other people. Peaceful coexistence of clusters was the essence of Hindu civilization.

Centralized Danda Niti was the Hindu trade law. It was Case Law, based on legal precedence. Decentralized Hindu clusters maintained social order through locally established customs by a Samiti of elders, based on unanimous consent. The Hindu Law consisted of a centralized trade law and decentralized social law.

Each Hindu cluster was a self-governing autonomous democratic republic. There was no reason for any two clusters to have the same social rules. A preferred custom in one cluster might be forbidden in another. Clusters respected the rights of other clusters to have their own social rules. They did not impose their will on others. They believed in fair trade.

Hindu urban centers had people from different clusters living together for commerce and evolved their own rules based on mutual respect. Free basic education for all in the local dialect was provided by community-supported monasteries. Guilds sponsored technical training centers for skilled labor. They were highly educated in their own way.

Hindu were skilled technicians and engineers who manufactured quality merchandise for commerce. They developed precision tools that required sophisticated mathematical calculations. They were entrepreneurs who took risk in business decisions. Their engineering projects required needs assessment, planning, logistical support, budgeting, supply networks, human resource management, supervision, and administration. They were educated in Science, Technology, Engineering, Mathematics, Business Administration, and Contract Law. They did not waste their valuable time memorizing functionally useless Sanskrit grammar. Brahmin were functionally illiterate.

Hindu Civilization was a victim of Natural Selection of evolution. It is lost.

Mahatma Gandhi tried to reintroduce the Hindu concept of Samiti of elders of ancient times under the slogan “Gram Swaraj” for self-governed villages, without success.

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