

**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. Danda Niti, articulated in the Arthashastra of Kautilya, created an unprecedented economic prosperity and social stability during the time of the Maurya dynasty. Kautilya did not invent Danda Niti; he gave it a logical structure.

Around 2,000 BCE, people in India lived in numerous social clusters with open borders. They were democratic republics. They were compassionate and lived in peace.

Each cluster had an elected administrator called the Rajan. A Samiti of elders set rules of social behavior. Each cluster had its own rules that evolved naturally, customs, and traditions. No two clusters had the same rules. Each cluster was an autonomous nation.

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 by its council, called the Samanta Rajan.

The administrative roles of the Rajan and the Chakravarti were different. The Chakravarti was in charge of the 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. 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.

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 naturally as an administrative system in charge of trade between clusters. 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. It was the logic of international (federal) trade.

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

Danda had the 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 naturally 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.

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. It was the golden age of peace and prosperity generated by international (federal) trade.

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. 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 it in another to avoid highway robbery.

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 the terms of the contract. Danda eliminated cheating in trade contracts. Danda punished violators of trade agreements with the full force of the power of the state. Functionally, Danda was a trade insurance company. Customs duty was the insurance premium.

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 the Samiti of elders 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 naturally over centuries. Kautilya codified the existing law to make it accessible to all.

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, a district, became an urban center.

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. Children went to a monastery to get free basic education. Basic education was required for a job in the labor force.

Monasteries were community-supported public schools for children. They had no fixed syllabus, campus, or timeline. Anyone who had enough education and spare time enlisted to become a tutor. It was the pastime of retirees. Often, senior children taught junior children in the same monastery. It was a community project of great pride to educate children to become successful in life. It was practical knowledge of technical skills transmitted from one generation to the next.

An educated middle-class labor force fueled economic growth.

Around 500 CE, the Gupta empire lost its Power of State (Danda) with the collapse of the empire. Arab roaming bandits (600 CE) found wealth concentrated in urban centers an easy target to loot. Trade was annihilated by the Arab roaming bandits. War as a means of wealth accumulation emerged. 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.

The Arthashastra of Kautilya gives us valuable archeological information on Hindu cultures that are now lost.

Hindus were compassionate and cared for each other. They were honest and hardworking people. They respected other people's rights and property. Peaceful coexistence of clusters was the essence of Hindu cultures.

The Hindu Law consisted of a centralized trade law (Arthashastra) and a decentralized social law of local customs and traditions. 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. Peace and prosperity through fair trade was their political philosophy.

Hindus were skilled technicians and engineers who manufactured quality merchandise for commerce. They were entrepreneurs who took risks 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.

According to the archeological evidence, based on DNA samples, the advanced logic-based Hindu cultures existed in Peninsular India for over 60,000 years.

Unfortunately, the Greeks and Muslims who occupied India only recently deliberately and totally destroyed the ancient Hindu cultures.

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