

Ancient Indian Economic Wisdom and Its Application in Modern Economics

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ABSTRACT

Humanity has always sought ways to understand and manage economic activity — how goods are produced, how wealth is distributed, how markets function, and how societies achieve prosperity. In modern economic science, economists trace the roots of systematic thought to European thinkers like Adam Smith, David Ricardo, and John Maynard Keynes. Yet long before these figures, ancient civilizations had developed sophisticated reflections on economic life. In the Indian subcontinent, economic thinking was deeply woven into social, ethical, and spiritual life. Economic principles were not isolated academic abstractions; they were embedded within wider philosophical frameworks of human well-being, societal duty, justice, and sustainable living. The ancient Indian intellectual inheritance, often grouped under the broader Indian Knowledge System (IKS), includes teachings from the Vedas, Upanishads, Dharmasāstras, and especially the treatise Arthashastra, attributed to Chanakya (Kautilya), which articulated economic policy, statecraft, and administration in surprising detail. These texts provide timeless insights that prefigure many modern economic concepts and can offer valuable perspectives for contemporary economic policy and theory. This article explores how ancient Indian economic wisdom resonates with and can be applied to modern economics — particularly in areas like governance, fiscal policy, welfare, sustainable development, ethical economics, and the role of institutions.

Keywords: Ancient Indian, Economic, Wisdom, Modern Economics

Research by Sushma Shukla emphasizes that Chanakya, in his social and economic analysis, discussed ideas such as economic growth, fair taxation, and welfare — anticipating several concerns of modern economics. Similarly, Praveen A. Kashyap's article underscores the relevance of the Arthashastra's ideas on mixed economies, trade, polity, and administration for modern economic thought and policy.

Other scholars like Raghubar Prasad Singh show how Indian Knowledge Systems shaped economic ethos through concepts like Dharma (ethical duty), Artha (wealth generation), Swadeshi (local production and consumption), and Aparigraha (non-accumulation), which frame economic life within ethical and community-oriented values.

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REVIEW OF LITERATURE

Academic interest in ancient Indian economic thought has grown, particularly in the last few decades, recognizing that economic ideas existed long before the classical economics tradition centered on Europe. Satish Y. Deodhar's work highlights that Indian texts like the Vedas contained economic thought centuries before Greek philosophical writings, which are often credited as the starting point of economic theory in the West. Deodhar argues that Kautilya's economic policies exemplify ancient and pragmatic application of economic principles that align with modern economic concepts.

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Contemporary works (such as *Dharmanomics* by Sriram Balasubramanian) also explore building modern economic frameworks rooted in ancient principles, such as embedding Dharma into sustainable economic models.

This literature reveals a growing recognition that ancient Indian economic thought was not only advanced for its time but also contains insights that resonate with or enrich contemporary economic discourse.

Objectives

The objectives of this research paper are:

1. To identify core principles of economic thought in ancient Indian literature, with special focus on the Arthashastra and Vedic texts.
2. To analyze the relevance of these ancient principles to modern economic theories and practices.
- 3.. To assess how Indian economic wisdom can contribute to contemporary economic policy, particularly in areas of sustainable development, mixed economies, taxation, welfare policies, and ethical governance.
4. To highlight the gaps and limitations in applying ancient wisdom directly in modern economics, and propose ways to adapt timeless insights to current socio-economic contexts.

METHODOLOGY

This study employs a qualitative, interdisciplinary approach involving:

Textual analysis of ancient Indian economic literature — examining translated primary sources like the Arthashastra and Vedic literature, and documented secondary interpretations by historians and economists.

Comparative analysis — contrasting ancient principles with doctrines in modern economic frameworks (such as welfare economics, public finance, and institutional economics).

Review of secondary research — synthesizing findings from academic papers, articles, and scholarly works that address both ancient Indian economic thought and its modern relevance.

Interpretive synthesis — interpreting ancient economic wisdom through a contemporary lens to identify thematic parallels and potential applications in current economic policy making.

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The methodology acknowledges constraints, such as translation challenges, contextual differences between ancient and modern economies, and the risk of anachronistic interpretation.

FINDINGS

1. Economic Governance and Mixed Economy

The Arthashastra outlines a comprehensive economic system where both the state and private enterprises play key roles. It recommends state involvement in key industries, regulation of markets, protection of consumers, and encouragement of trade, all under a structured legal system.

This resembles modern mixed economy models where governments regulate markets, provide public goods, and intervene when necessary to protect societal welfare — blending welfare state principles with private enterprise.

2. Welfare and Ethical Economics

Ancient Indian economic thought was welfare-oriented, emphasizing equitable distribution of resources, protection of citizens against starvation, and justice in economic relations. Wages were to be fair and determined by justice, and the state was responsible for maintaining welfare infrastructure.

This aligns with modern welfare economics, which focuses on maximizing social welfare and reducing inequality.

3. Taxation and Public Finance

Chanakya's Arthashastra describes a sophisticated taxation system, where revenue is derived from land, trade, customs, mining, and fines, aiming for fairness and sustainability.

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Modern public finance similarly emphasizes progressive taxation and balancing state revenue with economic incentives.

4. Trade, Market Regulation, and Institutional Frameworks

Trade and commerce are highlighted as vital for economic prosperity. Standards for weights and measures, market supervision, and state intervention reflect early understanding of market regulation and institutional economics, where institutions shape economic outcomes.

Modern economics also stresses strong institutions — from financial regulators to competition authorities — to ensure fair markets.

5. Sustainable Development and Ethical Responsibility

Ancient thought often linked ethical conduct to economic behaviour. Concepts such as Dharma informed economic duties and discouraged exploitation. Modern sustainability discourse similarly emphasizes ethical responsibility toward resources, inclusive growth, and long-term prosperity rather than short-term gain.

6. Indian Knowledge Systems and Contemporary Policy

Recent discourse shows Indian knowledge frameworks informing modern policies, such as integrating local knowledge in sustainable development, support for MSMEs, and blending local enterprise with global trade.

LIMITATIONS

While ancient Indian economic wisdom offers profound insights, several limitations prevent direct application to modern economics:

Historical Context Differences — Ancient economies were largely agrarian, localized, and embedded in social hierarchies very different from complex global markets today.

Translation and Interpretation Challenges — Ancient Sanskrit texts require careful interpretation; meanings can shift with context and translator bias.

Normative vs. Positive — Many ancient principles are normative (prescriptive) rooted in ethical or spiritual values, while modern economics often strives for more measurable, positive analysis.

Absence of Certain Modern Concepts — Concepts like monetary policy via central banking or digital finance were absent and require modern adaptation.

These limitations mean that while ancient principles can inspire modern approaches, they cannot be adopted wholesale without contextual adaptation and empirical grounding.

CONCLUSION

Ancient Indian economic wisdom, especially as articulated in texts like the Arthashastra and embedded in broader Indian Knowledge Systems, offers economic insights that resonate with contemporary concepts such as mixed economies, welfare frameworks, ethical governance, and sustainable development. While separated by millennia, these ancient reflections reveal a sophisticated grasp of economic life centered not only on wealth creation but on justice, societal duty, and long-term prosperity. Contemporary economists and policymakers stand to benefit by engaging with this rich intellectual heritage — not by literal adoption, but by adaptation, bringing forward holistic, people-centered perspectives that enrich modern economic theory and practice.

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Conflict of Interest

The author declared no conflict of interest.

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