

Kautilya on State Administration

¹ Ramanathan Srinivasan

D.Litt Scholar, Faculty of Management, Kumaun University, Nainital -263001

Abstract- The Arthashastra of Kautilya is the earliest comprehensive economic treatise in the world's literature, which is more than 2 millennia old. It covers a broad range of topics in politics and economics. Almost all of The Arthashastra fifteen volumes deal with politics; just six of them also cover economics in depth. It's the first complete history of economics dating back to antiquity that's been made accessible to modern readers. To increase the 'GDP' of a state and its administration, Kautilya lays forth a number of conditions in this book. To Kautilya, a state meant safeguarding the rights of all living things, whether they be human or animal, as well as the environment. He had a grand vision of bringing together riches and power science with human and environmental ethics. He had a super vision and as a result, The Arthashastra addresses every facet of running a kingdom, including the administration of people. This paper will focus on some important prescriptions of Arthashastra, which may keep relevance in the present-day business management

Keywords – Corporate governance, Kautilya, statecraft, The Arthashastra

INTRODUCTION

The Arthashastra of Kautilya is a comprehensive book on statecraft that explains the structure, dynamics of groups, organisations, and standards. Numerous literatures on politics and diplomacy by several masters and many dharma shastras were studied to improve the performance or efficacy of the state and to examine the rules and tactics for governing the state, which led to composition of the Arthashastra. Arthashastra performs a good job of explaining systems, roles, and responsibilities, as well as leadership ideals expected of those in positions of power. As the name implies, the subject matter of Arthashastra is the science of extending one's empire or territory. It is also the study of material gains, although this does not correlate to economics, as has been discovered recently. Arthashastra relied on variables such as time and place. Arthashastra favoured a ruler who dispensed justice and equity in equal measure².

¹ Kumar, N. Siva and Rao, U.S., 1996. Guidelines for Values Based Management in KautilyasArthshastra. Journal of Business Ethics,

² Aradhana Parmar, Atma Ram & Sons Techniques of Statecraft-A Study of KautilyaArthashastra. 1987 edition, Delhi.

It elevated education and accentuated many of a leader's best traits. When it comes to maintaining society, Kautilya in Arthashastra encourages every major virtue, despite its relentless pursuit of kingdom development and prosperity as well as allegiance to its monarch.

Management has permeated every aspect of society, from the family to the workplace and even into government. When a group of people join together for a common goal, management principles take hold via effective administration of resources, finances, and strategic planning. A systematic approach to carrying out operations in any human endeavour is referred to as management³.

Holistic concepts aside, let us adhere to the lessons from Chanakya, perhaps the first-ever management guru. Also known as Kautilya, this Indian scholar is well known for his seminal work, the Arthashastra, for long treasured as the ruler's guide for economics and policy and also greatly regarded by organizations for corporate strategy and management.

Although it was written more than two thousand years ago, the relevance of the Arthashastra, a text from the Vedic period, has endured throughout the ages. Arthashastra is a testament to India's once-impressive intellectual might.

RELATED LITERATURE

Sharma, A., et al.⁴ In his article, he discusses the teachings of Kautilya specifically related to architecture and planning of cities as compiled in his book "Arthashastra". Kautilya's *The Arthashastra* is an all-inclusive tool which covers a wide range of topics like "governance, politics, military warfare, law, accounting systems, taxation, economic policies, civil rules, internal and foreign trade", etc. Kautilya's Arthashastra provides an awareness to the art of statecraft and the political wisdom. This is one of the main geopolitical treatises, including timeless themes. The significance and use of such tactics and notions may be valuable to the modern world. Creation, function, and development of territory depend mainly on good governance (promotion of the welfare of the subjects) as well as on a good economy (attainment of wealth).

³ R P Kangle, The KautilyaArthashastra, Page 20-22, Volume III, first edition, reprint in 2000 by Motilal BanarsiDass Publishers Private Limited, Delhi

⁴ Sharma, A., Kapur, S.H., & Dogra, S. (2020). Kautilya'sArthashastra: A Timeless Way of Planning. International Journal of Architectural Heritage, 3, 5-10.

Kumar N. Siva et al.⁵ This study claims that Kautilya's *The Arthashastra* offers a comprehensive foundation for implementing value-based management practices. The goal of their article was to provide a paradigm for ethical, moral, and value-based management based on the principles laid forth in Kautilya's *The Arthashastra*. The researchers' model is made up of three parts. To begin, organisational philosophy identifies the fundamental reason for the organization's existence, which should be to promote the well-being of all stakeholders and members of the community. The value-based leadership is the second part. According to the study, Kautilya advocated on a leadership who was ethical and spiritual, who supported the welfare of the people at all times, in all locations, and at any cost. The company's culture is the third factor to consider. While the leader should be virtuous and righteous, it was modelled after Kautilya's view that other members of an organisation should be as well. Those who are righteous and reward others for their good deeds were included in the model. In addition, the model expounded on the policies necessary to achieve the organization's goals. Kautilya's method recognised numerous "organisational philosophy and cultural components, stakeholders' policies and feedback on performance ineffective practise of value-based management", according to the report.

The notion of Yoga-Kshema was discovered to be the only thing that made the Arthashastra special (social welfare). According to the study, Kautilya's Arthashastra offers guidance on how to put value-based management into effect even in the modern day. It focuses on Kautilya's *The Arthashastra*, a famous Indian management book, for its value-based management principles. Guidance is provided in minute detail for each component of the overall structure, including instructions for organisational vision, potential of leadership, internal corporate ethos, achievement of corporate purpose and frequent stakeholder input. It demonstrates that the Arthashastra of Kautilya provides a comprehensive foundation for implementing value-based management principles.

KAUTILYA ON ECONOMICS

(i) According to Kautilya, economics is the foundational study, and as such, it merits special attention. A healthy economy is a prerequisite for a healthy political system. Dharma and karma are both dependent on artha. This is what Kautilya states. Because economic power is the cornerstone to all other sorts of power, Kautilya understood completely that the monarch could

⁵ Kumar, N. Siva and Rao, U.S., 1996. Guidelines for Values Based Management in KautilyasArthshastra. Journal of Business Ethics,

not be challenged legally if he had control over the purse and was economically self-sufficient. Due to his deep understanding of politics, he campaigned for the Mauryan political system's economy with such clarity that he may be considered a precursor to many famous economists throughout history. After financial independence was established, the monarch could rule by sword and empire consolidation should be achievable, according to Kautilya's profoundly materialistic viewpoint. This Kautilyan prescription still holds true in today's Indian economy. Since independence, we have prioritised politics above economics, and as a result, the economy has grown slowly, and there has been little real progress in addressing the root causes of poverty, unemployment, and inequity. Since the 1991 reforms, we've learned that if public welfare is to be improved, economics must take precedence over politics. Since then, growth has unquestionably intensified.

China, like many other countries, prioritised business above politics and is now the world's largest economy. In the same way that South-East Asian countries have grown miraculously, they convey the same lesson that Kautilya advised thousands of years ago.

(ii) Kautilya advocated for a wider tax base when it came to state finances. Any activity that generates revenue should be taxed. Even agricultural revenue was subject to taxation in the Kautilyan economy since farming was the majority vocation. Agriculture is still the most common kind of employment in India, even now. However, it is taxed at a low rate. This is a serious oversight that must be addressed. Water tax was an idea that Kautilya introduced. Both the reduction in water loss and the generation of income for the government are important reasons for implementing this policy in modern times.

The Indian government has been confronted with the issue of fiscal imbalances. In the modern Indian economic system, the prescription of broadening the tax net to raise more income is still relevant for eliminating such deficits. Taxing agriculture is a good start, but it should be expanded to encompass many other services that generate great profits. Revenue from various sources may be easily and quickly mobilised to satisfy the spending needs of various government agencies. But don't forget that Kautilya was an opponent of high tax rates. These facts are well-known to modern-day public finance authors. This is shown by the Laffer curve. This reality has been openly acknowledged in India's New Economic Policy. The first stage towards building a welfare state, according to Kautilya's prescription, is to generate surplus budgets.

(iii) The Arthashastra teaches us that budget should attempt to align spending with income rather than the other way around. Budgets now begin with projections of spending; going forward, they should begin with revenue predictions.

(iv) Kautilya warns against spending frenzy, and he advises his followers, the administrators, to do all in their power to keep spending on a tight leash. This is of utmost importance in the current Indian economic environment. When it comes to cutting public spending, the administration has done very little.

(v) Public borrowing and deficit finance are completely absent from Kautilya's discourse. Misuse of these tools is to blame for the current plight of state finances. Attempts to implement a Keynesian strategy of deficit financing have failed miserably. As a result, Kautilya's advice to keep spending under control is still relevant today.

KAUTILYA ON AGRICULTURE, LIVESTOCK, MINES

(vi) Agribusiness, cattle farming, minor industries, commerce, and services are all major sources of job creation for Kautilya, who sees the state's role as fostering the development of mass-consumption commodities. Especially now that the administration is scrambling to find a quick fix for the unemployment issue, this is relevant. While manufacturing has virtually reached a standstill, there is significant potential for creating jobs in the informal sector via agriculture, agricultural-related activities, small scale companies, and services.

(vii) Kautilya recommended supplying farmland with irrigation facilities. It's still relevant in today's Indian economy since rainfall is still used to irrigate over 60% of the country's arable land. In order to boost agriculture output throughout the nation and maintain steady development, irrigation is essential. State governments should prioritise irrigation provision in agriculture as a primary priority.

(viii) As far as forestry is concerned, Kautilya stressed the need of giving sufficient attention to afforestation. He recommended that desirable tree species be grown in monoculture in order to improve the country's forest reserve. The preservation of both ancient and young woods was seen as crucial. In the wood and elephant forest, anybody caught starting a fire would be thrown into the flames. He made recommendations on how to keep recreational woodlands in good shape. The Arthashastra placed a high value on wildlife preservation. Environmentalists support social forestry as well. In order to promote forest resources, the Superintendent of Forests had to engage forest residents directly. He was tasked with ensuring that things made from forest products, whether for daily use or defense, were produced properly. Because they provide us with several essential goods, help to maintain ecological balance, and provide enjoyable

recreational activities, forests will continue to be vital in the future. Deforestation has been the norm in India over time, resulting in a rise in the issue of forest pollution. Since it may improve the availability of fire wood for residential use, small timber for rural housing, fodder for livestock and minor forest products for local enterprises, a social forestry project becomes significant in this context.

Additionally, it may enhance the landscape's natural attractiveness by reclaiming wastelands and improving the environment's ability to withstand unfavourable climate changes. There are hundreds of hectares of degraded land in modern India where social forestry may be recreated. People slaughter wild animals for their tusks, skins, and other parts, upsetting the natural balance. He thus prescribes forest protection, which is highly relevant in today's Indian economy. he says as a result, efforts to expand the forest must be undertaken. From the perspective of long-term development and defence, efforts should be undertaken to coordinate forest policy, forest research, and tree planting. Rapid industrialization and urbanisation in a developing country like India have increased demand for forest products for industry and commerce. The central government's 'Vana Mahotsava' campaign and 'Plant More Trees' tagline should be seen in this light.

(ix) Kautilya recommended that sufficient attention be directed to mineral development. An economy's ability to industrialise depends on its access to mineral resources. As a result, mineral supplies are unpredictable since they are held in reserve by the government of a nation. As a result, it is critical to make good use of available mineral resources. According to Kautilya, mines are the source of treasury, and treasury is where the government gets its authority, and the earth's adornment is treasury, which may be obtained via treasury and the Army. According to Kautilya, the Superintendent of Mines must be well-versed in the chemistry and physics of mercury distillation and condensation, as well as gem testing. The Superintendent of Mines was aided by mineralogy experts and outfitted with miners and necessary instruments to investigate mines that appeared to have been previously exploited or that may have been discovered recently on plains or mountain slopes, both of which contained mineral ores whose richness could be determined by weight, depth of colour, and piercing smell and taste. It's not because coal and petroleum weren't given to us by nature that India is now experiencing a scarcity; rather, it's because we haven't developed means for economically exploiting resources in sufficient quantities. Today, it is essential that mines be managed properly. It is critical that mining operations use highly trained technical people. The extraction of minerals, their

purification, and their conversion into completed or semi-finished goods for domestic consumption or export are all based on a solid mineral strategy.

(x) For the protection of cattle riches or livestock, especially cows, Kautilya has recommended. If someone kills a cow, Kautilya says that person must die. Following this salutation and walking all around them, he instructed the King to enter his court. Today, the cow and her offspring play an important role in agriculture, milk products, fuel, and transportation because of their availability. Indian rivers of milk and curd, as the saying goes, are now dry. There is a shortage of milk because Indian cattle are malnourished, and the government cannot keep up with the demand. Denmark, Australia, Japan, and the United Kingdom are just a few nations that provide school-going children with free milk, but India does not have this option due to a scarcity of milk. Raising milk production requires a white revolution. The livestock industry requires further focus. Kautilya's prescription is still relevant today in light of livestock's capacity to contribute to national revenue and jobs.

(xi) The lack of responsibility and transparency in the working of many public sector units is the primary cause for the growth of loss-making public sector units, as recognised by Kautilya. Some of the Arthashastra's regulations and corporate governance's core concepts bear striking resemblance.

(xii) Kautilya advocated for a state-controlled labour market. This is important in order to prevent the exploitation of workers. He also recommended ending child labour and enforcing harsh penalties against those who abuse female workers in the workplace. Each and every one of his prescriptions still holds water today. Profit-maximizing private sector companies physically abuse their employees. As a result, government regulation is required. Many businesses have adopted child labour as the new standard. Until then, children should be enrolled in schools to further their education. This seems to be an impossibility without sufficient governmental involvement. The issue of sexual harassment and assault against women in the workplace is a widespread one. It must be dealt with by the implementation of a system of harsh penalties.

(xiii) When it comes to building a strong state and protecting people from starvation, Kautilya argues that amassing riches is critical. Since development cannot occur without the accumulation of wealth, this still remains true today. In the absence of growth, facing both natural and artificial calamities becomes difficult.

KAUTILYA ON PRICING, COMMERCE & TRADE POLICY

(xiv) For price determination, Kautilyan pricing policy is an administered price policy where prices of commodities are permitted to be established by the free competition between supply and demand for products and services except in extraordinary conditions and for particular important commodities. If necessary, the government may step in and regulate the commercial practices of dealers who set prohibitive and extortionate prices and take advantage of the public. When this occurs, Kautilya asks the Superintendent of Commerce to enforce the pricing policy in order to preserve the welfare of the customer. Prices had to be set in such a way that both producers and purchasers' interests were safeguarded. In the core Indian worldview of harmony and balance, Kautilyan pricing policy was born. Because activities related with profit and wealth creation naturally involve the unbalancing factor of greed, price regulation is required to achieve this balance. Prices set by dealers and producers would engender discord unless they were limited by the state's hegemonic authority. It's particularly pertinent in the current Indian economic climate, where the government has mostly retreated. In the private sector, prices for even basic necessities like food and medication are sky-high. The government must reexamine this scenario in light of the well-being of the general public and begin regulating the pricing of vital items.

(xv) Kautilya had an in-built supply management model that included price regulation as well as frequent monitoring, avoidance of cartelization, and the use of standard weights and measures to ensure consistency in transactions and the accumulation of buffer stock. All of these factors play an important role in reducing the current global inflationary pressures.

(xvi) Kautilya mandates to traders/merchants' certain profit margins. It's possible that none of this applies right now. There has to be some control on corporate profiteering. Profiteering has the potential to widen the gap between rich and poor. The MRTP Act, as well as the new Competition Act, both aim to do just that. Such legislation must be executed in a transparent manner.

(xvii) Kautilya's view that economic crimes obstruct the pursuit of economic well-being is still commonly held today. There are a slew of laws and guidelines in place to keep economic crimes under control.

(xviii) Kautilya recommends stockpiling food reserves to prepare for natural disasters. This still holds today. There is, in fact, a buffer stock mechanism in place. However, it is mismanaged. Because of this, people starve to death while millions of tonnes of food grains sit

idle in Food Corporation of India's storage facilities. The federal government must reexamine its buffer stock management practices.

(xix) When it came to dealing with disasters, Kautilya had many ideas, such as steps the government might take to combat starvation or drought, as well as measures that individuals could do to combat the fire. In today's world of escalating natural and human-made disasters, everyone must have a basic understanding of disaster management. Education or a government-sponsored program may be used to provide this kind of instruction.

(xx) The fair-trade movement was important to Kautilya. He made an effort to infuse the business with a sense of ethics. Today, many businesses operate under the guiding principle of "profit at any cost." This is especially true. Many firms have adopted practices including hoarding, black marketing, profiteering, and more recently, insider trading. Government, non-government organisations, trade associations, and consumer groups working together might go a long way toward resolving this issue.

According to Kautilya's thoughts on international commerce, he understood that even in this age of glorified business and trade, there is no self-regulating system that would guarantee that a country benefits from international trade if certain protections and policy measures are not in place.

(xxi) To encourage exports and imports, Kautilya advocated providing incentives. In general, he supports an outward-looking trade strategy, but he does not rule out the use of protectionist policy when circumstances warrant it. This recommendation still holds water in today's corporate climate. Export promotion may help close deficits and restore a healthy balance of payments. To this end, the government should take all appropriate measures to ensure success. Through a variety of programmes, the federal government has sought to boost exports. However, the outcomes have been less than positive thus far.

When it comes to such policies, the Reserve Bank of India and the Ministry of Commerce need to work together properly. At the same time, imports that are critical to our prosperity, such as technology, should be promoted since they also assist to increase exports. It is possible to limit critical imports, as well as exports of those items that might generate domestic inflation. The meanings of harassment and trade barriers may have changed. Anti-dumping measures, for example, or the need to deal with cartelization or unfavourable trade conditions in specific industries, all show that protections are still necessary even in today's world, and those in charge of implementing them should be held accountable. Kautilya understood that the terms of commerce depended on a variety of non-economic elements as well. When exporting or importing, merchants have to consider the political and strategic ramifications. The current

development of free trade agreements highlights this fact since trade treaties and agreements have a distinct political component.

CONCLUSION

Today's globe is beset by myriad economic, social, and political issues. To evaluate these issues and find a permanent solution, several theories (explaining the reasons and providing solutions), as well as policies, have been proposed. Many of these issues, however, remain and have taken on a more severe shape than they did before. To put it another way, the economic challenges have become worse because of the deteriorating availability of resources. The world urgently needs better and more scientific understanding of these resources. *The Arthashastra* will provide a lot of helpful insights in all spheres concerning the maintenance of the state. Statecraft has been widely portrayed in this voluminous book.

REFERENCES

1. Anil M Naik in his article "Arthashastra- Lessons for Management Theory And Practice <http://www.esamskriti.com/essay-chapters/Arthashastra-Lessons-forManagement-Theory>
2. Aradhana Parmar, Atma Ram & Sons Techniques of Statecraft-A Study of KautilyaArthashastra. 1987 edition, Delhi.
3. Arnaud, D. and LeBon, T. (2000), "Towards wise decision-making 2: the emotions", Practical Philosophy: The Journal of the Society for Philosophy in Practice, Vol. 3 No. 3, p. 3.
4. Bhattacharya, A. K. 1989. Modern Accounting Concepts in Kautilya'sArthasāstra. Calcutta, India: Firma KLM Private Limited.
5. D. Shahi, "Kautilya'sArthasāstra: A Philosophical Reconstruction," Kautilya and Non-Western IR Theory, pp. 13–56, Sep. 2018.
6. Jha, K. N. and Jha, L. K. (1997) Chanakya: The Pioneer Economist, APH Publishing
7. Jha, K. N. and Jha, L. K. (1998) "Chanakya: The Pioneer Economist of the World", International Journal of Social Economics 25, 267-282.
8. Kangle, R. P. "The KautilyaArthashastra", University of Bombay, Part-III, 1965,
9. Kangle, R. P. 1960. The KautilyaArthasāstra, Part I, A Critical Sanskrit Edition with a Glossary, Second Edition, 1997 Reprinting, Bombay: University of Bombay 1969.
10. Kangle, R. P. 1963. The KautilyaArthasāstra, Part II, An English Translation with Critical and Explanatory Notes, Second Edition, 1997 Reprinting, Bombay: University of Bombay 1972.
11. Kangle, R. P. 1965. The KautilyaArthasāstra, Part III, A Study, 1997 Reprinting, Bombay: University of Bombay 1965.
12. Kumar, N. Siva and Rao, U.S., 1996. Guidelines for Values Based Management in KautilyasArthshastra. Journal of Business Ethics,
13. L N Rangarajan, Kautilya-The Arthashastra, Penguin Books, Delhi, 1992, edition, pages 21-22

14. Thanawala, K. (1997) "Kautilya's Arthashastra: A Neglected Work in the History of Economic Thought". Pp. 43-58 in B. B. Price (ed.) Ancient Economic Thought, Vol.1, Routledge, London and New York.

AUTHOR(S) BIOGRAPHY



Dr S. Ramanathan, Academician & Columnist has 4 decades plus of exposure spanning both corporate and academia with four doctorates in varied disciplines vide Subject Communication (Mgt), Political Science, Open Distance Education and History obtained from the reputed State Universities. He has served in various revered Educational Institutions, holding senior responsible positions in the arena of Management Studies. He is known well as an author, teacher, columnist along with as a debater. As a Columnist, he has contributed 500 Plus columns in the last 2 ½ decades, covering the varied subjects like Time Management, Stress Management, Public Speaking, Art of listening, body language, facing interviews, leadership acumen, conducting interviews, etiquette to quote a few and the column on to the world of Research, in an English evening daily from Chennai