

State and Statecraft in Kautilya's Arthashastra

A paper presented at the Fall Semester Mini-Conference organized by the Workshop in Political Theory and Policy Analysis, Indiana University, Bloomington, December 11 & 13, 1993.

Aseem Prakash
Joint Ph.D Program in Public Policy
Department of Political Science
&
School of Public and Environmental Affairs
Indiana University
Bloomington.

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Abstract

Kautilya's Arthashastra (4th century B.C.) is one of the most influential treatise in Political Science in the Indian Civilization. This work deals with virtually all aspects of governance in a monarchical state. In the Indian philosophy, the objective of every being is the pursuit of *dharma*. State, a human artifact, is constituted to get the human race out of the state of nature. State enables the citizens to follow their *respective dharma* and to enjoy private property rights. King is viewed as a protector of *dharma*, but not the sole interpreter of it. There is separation between secular and ecclesiastical power. State has many autonomous associations and guilds in its jurisdiction and the ensuing polycentric arrangements checks the rise of absolute power. Arthashastra visualizes a huge bureaucratic structure, a complex tax structure, and an intricate intelligence system.

Introduction

Republican form of governments were well established in ancient India. At the time of the invasion of Alexander of Macedonia (4th century B.C.), there existed a large number of independent *Ganas* (republics) like *Agrasrenies* in the Indus valley, *Kamboj* in the west, *Panchals* in the north etc (Sen, 1920:Ch.3; Ghoshal, 1923:2).² Kautilya, the author of Arthashastra, was a product of this era.³ He played the main role in defeating the forces of Alexander. Kautilya believed that the Alexander's successful conquest of (a part of) India was due to the absence of a strong centralized Indian empire. He was determined not to let history repeat itself. Hence the Mauryan empire, which he was instrumental in founding, was (relatively) centralized and very different from the then prevailing republican systems. His treatise - Arthashastra, therefore, deals only with the governance in a monarchical state.

I am indebted to Prof. Thrainn Eggertsson for reading through the script and giving useful suggestions.

² A typical republic had a representative assembly for deliberation and decision making. There were elaborate codified rules on how to conduct the proceedings, move resolutions, and oppose resolutions in the assembly. The size of the assembly varied across republics - *Sakas* had an assembly of five hundred representatives while *Yaudheyas* had an assembly of five thousand representatives (Rao, 1958:29).

³ Kautilya was a professor of Political Science in the famous *Gurukul* (university) of Takshashila (now in Afghanistan). He was also the teacher (and subsequently the Chief Minister) of Chandragupta Maurya, the founder of the Mauryan Empire.

Many Occidental scholars have argued that the Hindu⁴ philosophy is anti-thetical to the concept of a state. Max Muller (1859:31) has observed that

" the Hindus were a nation of philosophers. Their struggles were the struggles of thought, their past, the problem of creation, their future, the problem of existence. . . .It might therefore be justly said that India has no place in the political history of the world ".

Prof. Bloomfield has also argued in the same vein :

" from the beginning of India's history, religious institutions controlled the character and development of its people to an extent unknown elsewhere ... there is no provision in such a scheme for the interests of the state and the development of the race ".⁵

Max Weber saw an absence of 'rational practical ethic' in Hinduism. He believed that the rational natural science could not develop in India since the Hindu civilization devalued the empirical world (Chaturvedi, 1984:49).⁶

The term 'Hindu' is not found in the ancient Indian texts - what is mentioned is 'Aryan'. 'Hindu' came into use with the invasion of the Muslims (8th century A.D.) who described the people living on the east of the river *Sindhu* (Indus) as 'Hindus'. Hence in this paper I shall use the term 'Vedic Civilization' (the *Vedas* were the accepted basis of knowledge) or the 'Dharmic Civilization' (the main governing principle in a life of an Aryan was the pursuit of *dharmā*) instead of 'Hindu Civilization'. I am not using the term 'Aryan Civilization' because of the negative connotations associated with it in the Occident.

Chaturvedi (1984:52-3) has argued that a *Dharmic* civilization is a secular civilization. This is because *dharmā* is a secular (non-religious) concept - its view of man and the world is not derived from anything outside the world but from the inherent nature of the man.

⁵ Willoughby draws a contrast between the Hindus and Jews on one hand and the Greeks on the other :

" Instead of projecting themselves in the sphere of religion, like the people of India and Judea, . . . Greeks took their stand in the realm of thought ...they attempted to conceive the world in the light of reason ".

⁶ Max Weber's inquiry was directed towards exploring the role of religion in preventing the capitalist development to take place in India. He believed that the central objective of the Hindu religion is towards salvation. Thus knowledge was focussed towards understanding the 'significance' of the world and the life. Such knowledge cannot be established by means of empirical science. Hence natural science based on empirical world was devalued and this resulted in the lack of the spirit of Capitalism (Weber, 1958:330-31).

For a rebuttal to Max Weber's thesis on Hinduism, see Chaturvedi (1984).

Vedic philosophy gives emphasis to both the material and the spiritual aspects of the human being. The path of *pravriti* (enjoyment) and that of *nivriti* (renunciation) are seen to complement each other (Ghoshal, 1923:7). 'Rational sciences' such as Mathematics were well developed in ancient India - the concept of '*shunya*' (zero) and the decimal system were invented by the '*buddhijivi*' (those who make a living from the use of brain power - intellectuals) of the Vedic civilization.

The rationality ethic is the basis of many ancient *dharmic* texts. Treatise like the Arthashastra advocate the application of reason to statecraft to such an extent that many Occidental scholars have called Kautilya as the "Machiavelli of India".⁸

I am indebted to Prof. Audun Sandberg for encouraging me to consider the work of Max Weber for the purpose of this paper.

A provoking account of 'East through the eyes of the West' is found in Arthur Koestler's *The Lotus and the Robot*. Koestler (1960:281) has observed that

" our cherished habit of contrasting the contemplative and spiritual East with the crude materialism of the West is based on a fallacy. The contrast is not between spirituality and materialism, but between two basically different philosophies

⁷ In *Manusamhita* II (224) (the text given by the law giver - Manu) it is observed that

" (some declare that) the chief good consists in (the acquisition of) spiritual merit and wealth, (others place it) in (the gratification of) desire and (the acquisition of) wealth, (others) in (the acquisition of) spiritual merit alone, and (others say that the acquisition of) wealth alone is the chief good here (below); but the (correct) decision is that it is the aggregate of (these) three "

Kautilya emphasized the 'Doctrine of *Trivarga*' (three goals). According to him

" Every man was required to strive to satisfy his spiritual needs by fulfilling his religious and moral duties (*Dharma*); his material needs by acquiring the necessities of life, property, wealth and power (*Artha*); his instinctive desires by following the dictates of love (*Kama*). In later times, *Moksha* (deliverance from the cycle of death - rebirth) was added as a fourth and highest aim of life " (Rao, 1958:112).

In a period prior to that of Kautilya, the doctrine of *Trivarga*, came under severe intellectual attack from the *Charvaka* school of materialistic thinkers who belittled the Vedic moral code and preached hedonism. However, the renunciation doctrines like Buddhism and Jainism as well as the Vedic counter-attack did manage to intellectually subdue this school (Verma, [1954] 1974:66).

⁸ Rao (1958:15-18) has argued that Kautilya's contribution is similar to that of Aristotle's than of Machiavelli's. Both Aristotle (in *Politics*) and Kautilya (in *Arthashastra*) have outlined their respective conceptions of a 'state'. Interestingly, both the masters belong to the same era and both were teachers of the two clashing titans - Aristotle of Alexander and Kautilya of Chandragupta.

Origin of Arthasastra

Kautilya was from '*kutil gotra*⁹, hence the name Kautilya. Since he was born at Chanaka and his father's name was also Chanaka, he came to be known as Chanakya (Rao, 1958:3).¹⁰ Kautilya's Arthasastra is a compendium of and commentary on the then existing texts on polity and statecraft.¹¹ Kautilya presented them in a coherent and systematic manner and refined them on the basis of his enormous experience as the Chief Minister in the court of Chandragupta Maurya.¹²

There is a controversy regarding the authorship of Arthasastra. Many Occidental scholars have argued that Kautilya could not have authored it as many of the concepts in the treatise were practiced only in the later epochs. It has been suggested that Kautilya is merely a pseudo name for a later author(s) who belonged to the school of thought associated with Kautilya.¹³ These contentions are disputed by Indian scholars who point out that many of the concepts used by Kautilya are infact associated with only the fourth century B.C. (Shamasastri, [1915]

⁹ *Gotra* is a sub division of a *varna*. It signifies a common ancestry - in case of Brahmins, many a times the gotra is associated with an ancient sage. Weber (1958:10) has defined *gotra* as "members of an ancient well-known Brahmin sib".

¹⁰ Kautilya/ Chanakya is also known by the name of Vishnugupta.

¹¹ In the opening lines of Arthasastra, Kautilya (Book 1, Ch. 1) notes that

" this Arthasastra is made as a compendium of almost all the Arthasastra, which, in view of acquisition and maintenance of earth, have been composed by ancient teachers ".

¹² Chandragupta Maurya founded the Mauryan empire in 321 B.C. He had defeated the two greatest powers of the era - Alexander of Macedonia and King Nanda of Magadh - the largest Indian empire. Chandragupta's son, Bindusara, and grandson, Ashoka, are well known for their huge and benign empires. Ashoka's empire was probably the truest manifestation of Kautilya's conception of an ideal empire.

¹³ Traumann (1971) has used mathematical programming to study the authorship of Arthasistra. His proposition (validated by previous research) is that the basic style (e.g. the average length of the sentence, the frequency of occurrence of compound words, the frequency of use of simple participles etc) of an author remains constant throughout the text even if the author has spent years to write the text. On the basis of intricate mathematical analysis, Traumann has concluded that Arthasastra has been authored by at least three persons.

1967:viii-xiv; Rao, 1958:14-15).

Framework of Arthasastra

Arthasastra means the science (*sastra*) of wealth/earth/polity (*artha*). This treatise is divided into sixteen books dealing with virtually every topic concerned with the running of a state - taxation, law, diplomacy, military strategy, economics, bureaucracy etc. Arthasastra advocates rational ethic to the conduct of the affairs of the state. The emphasis is on codification of law and uniformity of law throughout the empire.

The basis of good governance is knowledge and Arthasastra classifies knowledge into four categories (Kautilya: Book 1, Ch. 2,3 & 4; Ghoshal, 1923:128-31).

1. *Anvikasi* (philosophy). This is considered to be the "lamp of all sciences".
2. *Trayi* (the three *Vedas* - *Sama*, *Rig* and *Yajur*). These texts establish the four classes (*varnas*)¹⁵ and the four orders (*ashrams*).¹⁶

¹⁴ For example, the use of *yukta* to refer to a period of five years ; characterizing the month of *Sravana* rather than *Ashada* as the start of the rainy season (Jaiswal).

¹⁵ The Vedic society, as conceived by Manu, is divided horizontally into four *varnas* - *Brahmin* (intellectual), *Kshatriya* (warrior), *Vaishya* (trader and agriculturist), and *Shudra* (artisan and the worker). *Varna* system constitutes a division of labor at the societal level. The membership to the *varna* is not fixed. In case a person changes his/her occupation, his/her *varna* can change. For example, Chandragupta Maurya was not a *Kshatriya* by birth. He was a herdsman which in contemporary India would be classified as a 'backward caste'. He became a *Kshatriya* subsequent to his ascendancy to the throne.

Over the course of time, since professions became hereditary, *varna* system became ossified and degenerated into a caste system. However castes could move upwards in the *varna* hierarchy. In contemporary India, there have been many cases where lower castes have moved up in the social hierarchy by adopting customs of the upper castes, although the professions of these castes have remained the same. This has been termed as the process of 'sanskritization' (Srinivas, 1966:1-46). For example, many castes belonging to farming communities are now considered to be *brahmins* as they have adopted customs like vegetarianism which are identified with the *brahmins*.

Though the *Brahmin* occupied the top rung of the social hierarchy, the monarch belonged to the *Kshatriya* caste. This is an interesting example of social engineering where polycentricity in power relationship is created to keep a check on the emergence of absolutism. The *varna* system institutionalized the separation of the ecclesiastical power from the secular power - a phenomenon which took place in Western Europe only with the Papal Revolution (1075 -1122 A.D.) (Berman, 1983:83).

3. *Varta* (economics, specifically agriculture, cattle breeding, and trade).
4. *Dandanfti* (science of government and politics).

Concept of the State

The institution of state is created to enable the individual to practise his/her *dharma*¹⁷ and thus move towards the emancipation from the cycle of death-rebirth. The condition of *arajat* (lawlessness) was viewed with distaste as it militated against the practicing of *dharma*. There is reference in many ancient Vedic texts to *Matsya-Nyaya* (Law of the Fish) which prevails in the state of nature.¹⁸ Such a state is characterized by the absence of *dharma* and *mamatava* (private property rights).¹⁹

The four *ashrams* (orders) are *Brahmacharya* (studenthood, emphasis is on abstinence and on acquiring knowledge), *Grihastya* (married life, emphasis is on *bhog* (enjoyment) of material pleasures), *Vanaprastha* (retiring to woods for meditation), and *Sanyas* (asceticism).

Vedic philosophy does not encourage asceticism for anyone of any age. Kautilya, a firm believer in the *ashram* system, was opposed to such pseudo-asceticism. Arthashastra prescribes strict penalties for citizens who take up *sanyas* (asceticism) without sufficiently providing for their families. Kautilya's distaste for Buddhism was for the same reason - Buddhism encouraged asceticism for people of all ages. Kautilya believed that this was socially destabilizing as if every one became a monk then who shall run the society (Rao, 1958:21-22).

¹⁷ Texts have highlighted five different aspects of *dharma*. These are a) religion, a category of theology, b) virtue, a category of ethics, c) law, a category of jurisprudence, d) justice, and e) duty. In political texts, especially the Arthashastra, *dharma* has been interpreted in terms of law, justice and duty. Thus according to the doctrine of *dharma*, state is a law giving, justice dispensing, and duty enforcing institution (Sarkar, 1922:206).

The ancient text of Mahabharata speaks of ten embodiment of *dharma* : *yasa* (fame), *satya* (truth), *dama* (self-control), *shaucha* (cleanliness), *arjava* (simplicity), *hri* (endurance), *acapalam* (resoluteness of character), *dana* (giving and sharing), *tapas* (austerities), *brahmacharya* (continence) (Chaturvedi, 1984:54-5).

¹⁸ There is a reference to '*matsya ny'aya*' in many ancient texts including the *Mahabharata* (6th century B.C.), the *Ramanaya* (predates *Mahabharata*), and *Manusamhita* (predates *Ramanaya*).

Confucius civilization, in contrast to the Vedic Civilization, views law and order to be an intrinsic part of nature and not a creation of the human entity. Thus if anarchy exists, it is attributed to violation of filial piety (a natural law) by human beings (Yang, 1987:16).

¹⁹ Vedic civilization sanctified individual property rights. The King was not even the notional owner of land. He was a protector of land for which he had the right to levy taxes. This conceptualization of the relationship between the King and the citizen is in contrast to the belief system in the Confucius civilization where the emperor was the notional owner of the land. Hence in the Confucius civilization, the tillers of land didn't pay tax - they paid a rent to the King (Yang, 1987:11).

State, which wields the instruments of coercion (*danda*), is constituted to get the society out of this quagmire²⁰ Thus the state enables two things - the practice of *dharma* and the *bhog* (enjoyment) of private property rights.²¹

The Vedic state can be viewed as "qualified monism" in which the autonomy and the diversity of the various social groups residing within the boundaries of the state was recognized (Rao 1958:75)²² Citizens had multiple loyalties - to the state as well as

Manu has observed -" *Durlabho hi suchirnarah* ", that is, rare is a man pure or sinless". The famous philosopher Kamandanka argued for the necessity of *danda* as " men are by nature subject to passions and are covetous of another's wealth and wives " (Sarkar, 1922:199).

Hobbes ([1651] 62:3) has also emphasized the importance of coercive power in the establishment of and for proper functioning of a society -" for covenants without swords are but words and no strength to secure man at all ". The question is, do we always need an external authority to wield the 'sword' or are the human communities capable of evolving and sustaining such capabilities themselves ? Kautilya would have argued for the necessity of both the internal and the external sword - to be used for different purposes. The legitimacy for both the swords, in the Vedic conception, would come from the same principle - the pursuit of *dharma*.

The Vedic civilization sought to tackle the free rider problem through the institution of '*danda*'. Kautilya realized that the moral imperative - *dharma*, alone could not prevent free riding. Hence a system of coercion and sanctions -*danda*, needs to be in operation. The Weberian concept of a state as a seat of legitimized violence matches well with the Vedic conception - the seat of legitimized *danda*.

²¹ The causal nexus between the state of nature (*matsya nyaya*) and breakdown of a social order, as described in the ancient epic of *Mahabharata*, is as follows :

" then foolishness or stupidity (*moha*) seized their minds. Their intelligence thus being eclipsed, the sense of justice (*dharma*) was lost. Cupidity or temptation (*lobha*) overpowered them next. Thus arose the desire (*kama*) for possessing things not possessed. And this led to their being subjugated by an affection (*raga*) under which they began to ignore the distinction between what should and what should not be done. Consequently there appeared sexual license, libertinism in speech and diet, and indifference to morals. When such a revolution set in among men, *Brahman* (the idea of Godhead) disappeared, and with it, law (*dharma*)" (Sarkar, 1922:197).

Dharma and not religion, was the basis of legitimization of the state. Vedic religion (if it can be called a religion) advocates pantheism. It is not uncommon to find that X is worshipped as a deity in area # 1, but X is viewed as an *asura* (man/woman pursuing wrong goals; this not equivalent to a devil) in area #2. When the deities are not only numerous but also in opposition to each other, it becomes difficult to mobilize people in the name of religion. *Dharma*, on the other hand, has an appeal across deities. Its non-contestable character therefore served as an useful attribute for the legitimization of the state.

²² Guild have been referred to by various names in the Arthashastra. Some of these are *Sreni*, *Kula*, *Puga*, *Gana*, and *Sangha* (Rao, 1958:60).

to the guild/association. These associations were knit together on the basis of two principles - military imperative (strength in unity) and the principle of *dharma* (Rao, 1958:58). These bodies had well specified rules of governance and a code of conduct. They zealously guarded their autonomy and the King could not trample on their customs and traditions. To ensure that the King and the associations do not overstep their respective limits, the Superintendent of Accounts had to codify the history, the customs, and the traditions of every association (Rao, 1958:66). However, the relationship between the individual body and the state was not of competition or of turf protection. Both the bodies had a role to play in enabling the citizen to follow his *dharma*.²⁴ Interestingly, there was a Department of Commissioners (*Pradeshtarah*) to protect the interest of the individual in the association (Rao, 1958:74). Thus there was a mechanism to protect the individual from the larger association (tyranny of the majority) and the association from the State (tyranny of the Leviathan).

The King was looked upon an embodiment of virtue, a protector of *dharma*. He too was governed by his *dharma* as any other citizen was. Thus if any actions of the King went against the prevailing notion of *dharma*, associations and/or the individual citizens were free to question him. King was not the sole interpreter of *dharma*. Infact there was no specific institution (like the ecclesiastical courts) vested with the authority of interpreting *dharma*. Every individual was deemed competent to interpret

Tocqueville ([1848] 1969:287-301) has viewed religion to be the first political institution of the United States. I would view the guilds and associations to be the first political institutions of the Vedic society.

²³ Ostrom's (1991:Ch. 9) concept of 'polycentricity' is similar to this arrangement. Ostrom rightly underlines the role of a polycentric order in preserving self-governance and therefore checking absolutism and centralization. Both Ostrom and the Vedic school believe that polycentricity is a human artifact. The main philosophical difference between Ostrom approach and the Vedic approach is that for Ostrom individual is the basic unit of analysis (ibid:227). In the Vedic philosophy there exists no clash between the individual and the cosmos - every living entity is a part of the 'universal spirit - *Brahman*. Hence 'methodological individualism' is not critical for polycentric political arrangements in the Vedic philosophy.

However, reliance on *dharma* assumes away co-ordination costs and transaction costs - somewhat in the spirit of the Walrasian model of general equilibrium ! (I owe this point to Prof. Thrainn Eggertsson).

²⁴ It is difficult to characterize the Vedic state as being a federation or a confederation of guilds/associations (I am using these terms as per Ostrom, 1991:72). Guilds were a social entity and not merely a professional or political entity. An individual citizen could be a member of more than one of such associations. Hence I am not inclined to interpret that the Vedic state came into being as a consequence of these associations entering into a covenantal relationship with each other and with the central authority.

it. This was an important factor in ensuring the non-religious character of the Vedic state.

Elements of the State and the Role of the King

Arthashastra conceptualizes the state to have seven elements (saptanga),(Kautilya:Book 6, Ch. 1; Sarkar, 1922:167-9; Verma, [1954] 74:80; Rao, 1958:82).

1. *Swami* (Monarch)
2. *Amatya* (Officials)
3. *Janapada* (Population and Territory)
4. *Durga* (Fort)
5. *Kosa* (Treasury)
6. *Bala* (Military)²⁶
7. *Surhit* (Ally)

King derived his power from three sources - *Prabhushakti* (the power of the army and the treasury), *Mantashakti* (advice of wise men, specifically the Council of Ministers) and *Utsahshakti* (charisma). *Mantashakti* was rated as the most potent source followed by the *prabhushakti* and *utsahshakti*. Clearly Kautilya believed in the importance of institutions (Council of Ministers) and not of an individual (King) in

The Vedic conception of a King is different from the Hobbesian conception of a 'Leviathan'. According to Hobbes

" men confer all their power and strength upon one man, or upon one assembly of men, that may reduce all their wills, by plurality of voices, unto one will ... and the multitude so united in one person is called the commonwealth ... this is the generation of that great leviathan...of that mortal god, to which we owe under the immortal god, our peace and defense" (Hobbes, [1651] 1962:132).

The Vedic King was not an absolute monarch - he was certainly not a 'mortal god'. He was a protector of *dharma* but not the sole interpreter of it. He governed on the basis of the advice of the Council of Ministers. Further, the numerous autonomous associations which constitute his kingdom, were also an effective check on his power.

Confucian tradition views the King in yet another light - the emperor heads a family - the society. Thus emperor - citizen relationship is conceptualized by invoking filial piety (Yang, 1987:23).

Kautilya had organized a huge standing army financed directly by the treasury. I would argue that organization of a standing army is a major factor in centralizing the state apparatus. When the King is dependent of the subunits or the guilds for the army manpower, he has share power with them. Kautilya, a believer in centralization, realized that a strong standing army was a pre requisite for a strong monarchial state.

influencing the destiny of the state.²⁷

Next to the King came the *Mantri Parishad* (Council of Minister). King was enjoined to discuss each and every matter with the *Parishad* as it represented the distilled wisdom of the society. *Parishad* had two levels - the Inner cabinet and the Outer cabinet. The Inner cabinet had four members - The Chief Minister, The Chief Priest, the Military Commander and the Crown Prince. The Crown Prince was included to ensure smooth succession and to maintain continuity in case of emergencies. The membership of the Outer cabinet was not fixed in number. Invariably the heads of the prominent guilds were co-opted in this body. This gave a representative character of the *Parishad* (Rao: 1958:86-7).

Kautilya glorified the State and viewed the office Kingship to be the embodiment of all legal and moral authority associated with the institution of the state (Rao, 1958:50). The King was an intrinsic part of the social order and by the nature of his office, a defender of that order. However King was to regard himself as an agent of the people and had to abide by his *dharma* as laid out in the *Sastras*. The institution of the Kingship was sacred but not the person who happens to hold it (Sarkar, 1922:174).²⁸

Duties of the Kings

Kautilya did not subscribe to the theory of 'Divine Origin of the Monarch'. King was not the vicar of the god.²⁹ Monarchy, in his view, was a human institution and therefore manned by a human being. However the king was expected to be more than a mere human being since he was the protector of the *dharma* of the whole

I will also interpret this as a manifestation of the *brahmin* in Kautilya - emphasis on the power of the intellect (a *brahmin* quality) rather than on the charisma of the King (a *kshatriya* quality).

²⁸ Kautilya (Book 1, 16) has described the following ideal for the King :

*Prajasukhe sukham rajnah, Prajanam ca hite hitam
Natmapriyam hitam rajanah, Prajanam tu priyam hitam*

" The monarch should seek happiness in the happiness of his citizens, his welfare is in their welfare, his good is not in what pleases him but in what pleases the citizens ".

²⁹ Since Vedic belief system encourages pantheism, it was not possible for the King to claim to be the vicar of the millions of gods and goddesses, many of which are in conflict with each other. This also implies that the King could not gain legitimacy by claiming to be the 'protector of the religion' - he could only make a claim to be a protector of the moral order - to enable the individual to follow his *dharma*.

society. He had to observe an exemplary conduct himself.³⁰ He had no private life and all his actions were subject to public scrutiny (Rao, 1958:122).

The King had to follow a his *rayja dharma*. This included a thorough knowledge of the four branches of knowledge (Ghoshal,1923:139). The King was expected to display *Atma vrata* (self-control) and for this he had to abandon the 'six enemies - *kama* (lust), *krodha* (anger), *lobha* (greed), *mana* (vanity), *mada* (haughtiness), and *harsha* (overjoy) (Kautilya:Book 1, Ch. 7; Rao, 1958:56). Clearly Kautilya expected very high standards from the rulers. This is in contrast to the realistic model of the citizen on which he based so many of his laws.

The King had a fairly regimented daily routine. His day and night was divided into eight *nalikas* (one and half hours) each. The King was assigned specific tasks for the specific *nalika*.³¹

Taxation

Kautilya visualized a '*dharmic* social contract' between the King and the citizens. Taxes were levied for maintenance of the social order and for the state run welfare apparatus.³² In case of aggression by an outside agency, the *janapads* (districts) could ask for tax remission as the King had failed in his duty to protect the citizens (Rao, 1958:213).

Kautilya realized the critical role of the tax system for ensuring the economic well-being of the society. The hallmark of his tax system was 'certainty' - of time, of rate and of the mode of payment (Rao, 1958:213). Stability in the tax regime was an important factor in ensuring active trade and commerce in the Mauryan empire. This in turn strengthened the revenue base of the state and enabled it to maintain a huge standing army and the welfare apparatus.

There is ancient Vedic saying -" *Yatha Raja Thafa Praja* " - the character of the King determines the character of the citizens.

³¹ Schedule during the day : 1st *Nalika* - attend book of accounts, 2nd - attend to public grievances, 3rd - bathe & dine, 4th - oversee the bureaucracy, 5th - meet ministers, 6th - see the intelligence reports, 7th - inspect horses, elephants & chariots , 8th - military affairs.

Schedule during the night : 1st - receive spies, 2nd - bathe & dine, 3rd - harem, 4th & 5th - sleep, 6th - plan his day, 7th - administrative matters, 8th - consult the priest, astrologer and the Chief Minister (Kautilya:Book 1, Ch. 19).

Sukra, the famous philosopher, viewed the King's position to be one of the *dasyatva* (servitude) - "the ruler has been made by *Brahma* (the highest god) a servant of the people. His revenue is the remuneration for his services. He is sovereign or the master solely in order that he may protect" (Sarkar, 1922:175-6).

State was overzealous in collection of taxes and tapped virtually every source. Citizens paid a toll-tax. Farmers (household as the unit of assessment) had to pay one sixth of the produce as the land tax. There was a land census at periodic intervals and land records were scrupulously maintained. This data base enabled the assessment of the taxable capacity of the household. Traders had to pay one tenth the value of the merchandize as tax. There was an entry tax to enter the fort, tax on use of roads and waterways, and for getting a passport. Even the hermits living in the forest had to part with one sixth of the grain gleaned by them as they too needed the protection of the King (Ghoshal, 1923:133-4). Service industry was also taxed - actors, dancers, soothsayers, prostitutes, and auctioneers were subjected to taxation. Pilgrims had to pay a *Yatra Vetna* (pilgrimage tax). Citizens had to pay a tax (*Pranaya Kriya*) for the acts of benevolence (Rao, 1958:209-210).

System of law

Kautilya did not view law to be an expression of the free will of the people. Thus sovereignty - the authority to make laws, did not vest with citizens. Laws were derived from four sources - *dharma* (sacred law), *vyavhara* (evidence), *charita* (history and custom), and *rajasasana* (edicts of the King). In case of conflict amongst the various laws, *dharma* was supreme. The ordering of the other laws was case specific (Kautilya:Book 3, Ch. 1).³³

Rajasasana ordered the relationship between the three major social groupings - the citizen, the association, and the state. The constitutional rules at the state level were specified in the *rajasasana* but the constitutional rules at the level of the association were to be decided by the members of the association. The collective choice and the operational level rules of the association were also decided by the members of the association though the state did promulgate laws to safeguard the individual member from the tyranny of the majority in the association.

Arthashastra outlines a system of civil, criminal, and mercantile law. For example the following were codified : a procedure for interrogation, torture, and trial, the rights of the accused, what constitutes permissible evidence, a procedure for autopsy in case of death in suspicious circumstances, what constitutes defamation and procedure for claiming damages, valid and invalid contracts (Kautilya, Book 4, Ch. 7 & 8).

What was supreme in the Vedic society - citizens or the state/king ? My answer would be neither. What was supreme was *dharma*.

Filial piety was the basis of ordering relationship in the Confucian society. I will argue that *dharma* played a similar role in the Vedic society.

³⁴ I am using the concept of constitutional, collective, and operational rules as per Ostrom E (1990:50-55).

Bureaucracy

Kautilya had organized a huge and intricate network of bureaucracy to manage the Mauryan empire. This also reflected the centralized character of the state. Bureaucracy had thirty divisions each headed by *Adhyakshas* (Chiefs). Reporting relationships were clearly specified.

Kautilya had visualized the necessity of state provision of public goods which strengthened trade and commerce. The bureaucracy was involved in the provision of three of such goods - the 'quality control machinery', the system of currency, and the system of 'weights and measures'. Quality control was a revolutionary concept for that era. This suggests that Mauryan empire had an active trading sector and the buyers (domestic and exports) were discerning. As a mark of quality, merchandise had to be marked with the *Abhigyan Mudra* (state stamp) in *sindura* (vermillion). Counterfeiting was strictly punished (Rao, 1958:218).

Bureaucrats received a fixed pay and were also eligible for state subsidized housing (Rao, 1958:220).³⁵ This is an example of Kautilya's deep understanding of statecraft as even in later centuries (in other empires), officials were expected to compensate themselves by retaining a part of revenue extracted from the people (a kind of ad-valorem compensation). The ad-valorem arrangement provided an incentive for the official to squeeze the tax payer as much as possible (a short term on the part of the bureaucrat) as the bureaucratic tenure was not hereditary. Kautilya, given his experience as a Chief Minister, probably realized the peril of such an (ad valorem) arrangement and created a fixed pay compensation structure for the bureaucracy.³⁶

Huge bureaucracy invariably result in a principal-agent problem. Kautilya sought to tackle this issue through three means - elaborately monitored standard operating

Bureaucrats and other officials received fixed annual salaries in the following order (1\$=28 panas approximately) : Ministers, Chief Priest, Crown Prince, Mother of the King, Queen, Commander-in-Chief - 48,000 panas, Collector General, Commanders 24,000 panas, Other Princes, Chief Constable 12, 000 panas, Commissioner of the city 12,000 panas, Superintendents of the departments 9,000 panas, Accountants 500 panas etc. (Kautilya:Book 5, Ch. 3; Rao, 1958:221).

I am propounding a Douglass Northian (1981:16-17) argument that the structure of property rights determines what percentage of gains of innovation are retained by the innovator, hence influence the incentive to innovate, and hence influence economic growth of the society. The ad valorem compensation (given a short time frame of the bureaucrat and given the cost of tax collection for the bureaucrat equals the marginal tax extraction - bureaucrat's marginal revenue, only when the tax payer has reached the subsistence level) would encourage the 'rational' bureaucrat to squeeze the tax payer as much as possible. In such a situation, the tax payer (peasant; trader, manufacturer etc) would have little incentive to innovate and generate a surplus as anything above subsistence would be mopped up by the bureaucrat.

procedures (SOPs), spies/intelligence organization, and decentralization of authority. SOPs minimized the room for subjective interpretation of the rules by the bureaucrats. The superiors carefully monitored the performance of the officials under their control.³⁷ However this system of close monitoring must have resulted in enormous transaction costs. It was therefore supplemented by the intelligence organization which kept a watch on the corrupt practices of the officials. The exploits of the spies in catching corrupt officials were given wide publicity and this made the officials careful in their dealings with the citizens. Another measure to keep a check on the bureaucracy was decentralized-polycentric political arrangements which resulted in empowering of the local guilds. Thus the bureaucrats had to reckon with an effective local power center who were aware of the royal edicts and prevented the bureaucrat from substituting his/her objective function for the royal edict. It is interesting that Kautilya did not take recourse to ideology to discipline the bureaucracy. Probably he realized that if a bureaucrat is violating the SOPs he/she is already going against his *dharma*. If a socially sanctified belief system as that of a *dharma* could not discipline the bureaucrat, how could a ruler given ideology (for the glory of the Mauryan empire) work ?³⁸

System of Spies

Kautilya was a product of the age of intrigue. He defeated Alexander of Macedonia and the Nanda king (most powerful Indian empire of that era) on the basis of military prowess and political craft. According to Kautilya, the King has to guard against intrigues from internal and external sources. Internal sources include the inner cabinet, the autonomous associations/ guilds, religious orders and the personality of the king himself (*atma-dosa*). External sources refers to hostile foreign powers.

The intelligence apparatus was very elaborate and had infiltrated virtually every institution and profession - especially the institutions of mass participation like religion. Spies could be under the following guises - *kapatika chhatra* (fraudulent discipline), *udasthita* (recluse), *grihapalka* (householder), *vaidehaka* (merchant), *tapas* (an ascetic practicing austerities), *satri* (a classmate), *tikshna* (a firebrand), *rasada* (a poisoner) and a *bhikshuki* (a mendicant woman) (Kautilya, Book 1, Ch. 11).

Kautilya lists forty kinds of misappropriation of funds by the bureaucrats. The informant giving information on corruption was entitled one sixth of the amount as a reward. There is also a fascinating description of how the departmental supervisors should check whether expenditures have been incurred for the desired end - including the heads (labor, capital and material) of the expenditure. (Arthashastra: Book 2, Chapters 8 & 9).

³⁸ A concise and interesting discussion on the agency problem in large bureaucracies is provided in Eggertsson (1990:333-340).

Monks and the *sanghas* (association of monks) were actively used for the purpose of gathering intelligence. Kautilya even suggested that to assassinate a rival King, weapons may be kept inside an idol and be used when the King comes for worship. Thus Kautilya did not hesitate to use the institution of religion for the purpose of statecraft. For him, the most important condition for the practice of *dharma* was not the institution of religion but the institution of the state.

Intelligence operations were greatly aided by the maintenance of a 'national citizen register' and a system of passport and visa. Register was updated by regularly conducted censuses and by the compulsory registration of the births and deaths (Rao, 1958:209).

Conclusion

Arthashastra is a very comprehensive treatise on the governance in a monarchical Vedic state. Kautilya had a rational approach to governance and statecraft. He conceptualized the state and the office of the kingship to be human artifacts. Also his model of the human being was very realistic. However he expected super human qualities from a 'human' King. Chandragupta, Bindusar and Ashoka matched this ideal but their successors could not. Clearly the system of checks and balances amongst the king, the associations and the citizens worked well as long as the King wanted it to work.

The ideal society of the Arthashastra did last for a couple of centuries. However the successful Muslims invasion in the 8th century indicated a serious (military) deficiency in the 'Hindu' society. The vision of Kautilya was a creation of a strong and prosperous Vedic order so the foreigner invasions (like that of Alexander) could be repulsed. The success of the Muslim invasion suggested that either the governance by the 'Hindu' Kings was not according to the tenets of the Arthashastra or the Arthashastra philosophy itself had become antiquated. Probably both were true. Kings had certainly deviated from the Vedic ideal of a '*dharmic* king' - the 'servant' of the people and the protector of the *dharmic* order. *Varna* system had degenerated into a caste system. The rational and *dharmic* order of the Arthashastra had been reduced to only a shadow of its past glory. Muslim invasion probably found an easy target in a moribund order.

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