

Subject: Invitation_University Lecture_Prof. Balbir Sihag 27 Oct 2014 at 3.30 pm

University of Delhi

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“Kautilya’s Proactive and Pragmatic Approach to National Security”

by

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University of Massachusetts, Lowell

On

27 October, 2014 at 3.30 pm at the Conference Centre

(Opposite Botany Department, University of Delhi, North Campus)

Kautilya's Proactive and Pragmatic Approach to National Security

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“An inscription states that the 11th century Javanese king named Erlangga subverted his enemy's power "by the application of the means taught by" the author of *The Arthashastra*, the most famous of all Indian treaties on the policies of a successful *mandala* manager. The *Arthashastra* also contains many precepts useful for a would-be conqueror.” (Wolters cites the inscription translated by B.R. Chatterji, *History of Indonesia*, p. 183, verse 29).

Introduction to Kautilya and his Arthashastra

Vishnugupta Chanakya (son of Chanaka) Kautilya was a king-maker as well as a maker of his age. He was a very sophisticated thinker. He was ethical, secular, foresighted, far-sighted and wise. He wholeheartedly embraced and promoted secular values, such as non-violence, compassion, tolerance, freedom from malice, truthfulness and honesty. He had a grand vision of building an empire encompassing the whole of Indian-subcontinent, prosperous (freedom from wants), secure against foreign threats, crime-free (freedom from fear), internally stable, and based on these secular virtues. There was a big gap between Kautilya's ideal economy and the one he inherited from Nanda Dynasty. His goal was to write a theoretical treatise for transforming the actual economy into the ideal economy and sustaining it. Kautilya's genius lay in developing a conceptual framework and anticipating the various problems, which might arise in the transformation and devising appropriate policies to resolve them.

Kautilya: The True Founder of Economics

The following table lists some of the concepts innovated and used by Kautilya. It also provides the time-periods of their re-emergence.

Table 1: Concepts Developed and Used by Kautilya

Re-emerged during the period	Concepts Originated and applied by Kautilya
1700-1850	Gains from trade, diversification, Division of labor, Inter-temporal choice, labor theory of property, Law of diminishing returns, moral hazard, regulation of monopoly, sources of economic growth, Duipit Curve, principles of taxation
1850-1900	Distinction short-run and long run, Efficiency Wages, externality, , Demand-Supply Apparatus, Opportunity cost, Producer Surplus
1900-1970	Principal-agent problem, Bounded Rationality, Liquidity, Mean-Variance approach, non-cooperative game
1970-Present	Asymmetric information, piece-wise Linear income Tax, Loss-aversion, information economics, Self-protection, self-insurance, Time Inconsistency, Systemic risk

On the other hand, Adam Smith did not innovate a single concept in economics. Barber (1967, p17) observes, “Little of the content of *The Wealth of Nations* can be regarded as original to Smith himself. Most of the book's arguments had in one form or another been in circulation for some time.”

Adam Smith came to be accepted as the founder of economics based on the arguments that (i) he was the first one to write a treatise on economics, and (ii) he synthesized brilliantly the existing ideas. It is

shown in Chapters 3-20 Sihag (2014) that Kautilya was the first economist who accomplished all these feats and more two thousand years earlier than Adam Smith. Kautilya carved out economics as a separate discipline whereas Smith did not. Kautilya's *Arthashastra* is much more sophisticated, both in method and content than Adam Smith's *The Wealth of Nations*. Also, it may be noted that Kautilya's *Arthashastra* deals with both an inquiry into the sources of economic growth and how to engineer it. Adam Smith's *Wealth of Nations* is confined only to an inquiry. Additionally, Kautilya's *Arthashastra* is a manual on promoting *Yogakshema*-the peaceful enjoyment of prosperity- of all the people.

Some of Kautilya's Insights: (a) Ego is the biggest hurdle in the acquisition of knowledge (Kautilya wrote that 'learn even from a child'). (b) An ounce of ethics is better than a ton of laws. Ethical anchoring could be more effective in preventing crimes and systemic risk than a heap of rules and regulations. (c) Principles are only as good as the people who practice them, and policies are only as good as the people who formulate and implement them. (d) Material incentives should complement and not substitute moral incentives so that there is no crowding- out. (e) Education should include ethical education also. Secular values, such as non-violence, honesty, truthfulness, compassion and tolerance do not violate the separation between religion and state. (f) Market failure is bad, government failure is worse but moral failure is the worst since moral failure is true cause for other failures. (g) Ethics and foresightedness could improve governance and bring sustainable prosperity for the whole of humanity. (h) Sound organizational design could complement the ethics-based approach by enhancing specialization and reducing the scope for conflict of interest situations. (i) Wisdom is the most valuable asset.

Kautilya as a One-Man Planning Commission and More

Kautilya's *Arthashastra* is comprehensive, coherent, concise and consistent. It consists of three fully developed but inter-dependent parts.

(a) Principles and policies related to economic growth, taxation, international trade, efficient, clean and caring governance, moral and material incentives to elicit effort and preventive and remedial measures to deal with famines.

(b) Administration of justice, minimization of legal errors, formulation of ethical and efficient laws, labour theory of property, regulation of monopolies and monopsonies, protection of privacy, laws against sexual harassment and child labour.

(c) All aspects of national security: energetic, enthusiastic, well trained and equipped soldiers, most qualified and loyal advisers, strong public support, setting-up an intelligence and analysis wing, negotiating a favourable treaty, military tactics and strategy, and diet of soldiers to enhance their endurance.

Menace of Foreign Rule: Kautilya believed that poverty was death while living and no country could ever prosper under a foreign rule. That is, Sovereignty was a pre-requisite to prosperity. He (p 175) explained menace of foreign rule as: "A foreign king, on the other hand, is one who has seized the kingdom from a legitimate king still alive; because it does not belong to him, he impoverishes it by extravagance, carries off its wealth or sells it. If the country becomes too difficult for him to handle, he abandons it and goes away." (8.2)." He (p 132) added, "Harassment by the enemy's army not only affects the whole country but also ruins it by plunder, slaughter, burning and destruction (8.4)."

Kautilya's Proactive (not reactive) Approach to National Security

Foresightedness as a Critical Requirement for Proactive Approach: Kautilya's predecessors had emphasized the importance of foresightedness and wrote stories to instill this component of wisdom into young minds. Kautilya raised the importance of foresightedness to the level of national security. According to him, the king as well as his advisers should have the 'ability to foresee things'. He described some desirable attributes of a king. He (pp 119-120) wrote, "He should be just in rewarding and punishing. He should have the foresight to avail himself of the opportunities (by choosing) the right time, place and type of action (6.1)." Similarly, he (p 120) described, "A councilor or minister of the highest

rank should be a native of the state, born in a high family and controllable [by the king]. He should have been trained in all the arts and have logical ability to foresee things (1.9).”

If a ruler was not foresighted, he would not see any threats and would be caught unprepared to handle any calamity. Kautilya identified three sources of potential threats (also called systemic risk):

- (a) An aggression
- (b) Moral decay
- (c) A drought

He suggested undertaking proactive measures to reduce the probability of an attack and if attacked making sure remedial measures were in place to minimize the loss. He (p 116) wrote, “In the interests of the prosperity of the country, a king should be diligent in foreseeing the possibility of calamities, try to avert them before they arise, overcome those which happen, remove all obstructions to economic activity and prevent loss of revenue to the state (8.4).” Although, he did not use current jargons but his phrase ‘try to avert them before they arise’ is called self-protection by Ehrlich and Becker (1972) and similarly, his phrase ‘overcome those which happen’ is termed as self-insurance by them. These concepts have been found useful in many contexts and almost a small cottage industry has sprung around them. It shows that Kautilya was way ahead of his times.

At that time there was no such thing as live and let live and to some extent it holds even today. A weaker nation always faced a threat of an aggression. Kautilya also understood that a stronger nation was in a better position to extract extra gains from treaties/negotiations and in making claims on common resources. He understood that national security was not any abstract concept and a nation needed to compare its strength to that of its potential adversary. The following power equation is discernible in his statements:

$$P = A (J, H) (K)^\lambda (E L_m)^{(1-\lambda)} \quad (1)$$

$$RP_1 = P_1 / P_2 \quad (2)$$

According to Kautilya, a country was vulnerable so long as RP_1 was < 1 .

Where P_1 and P_2 = powers of king one and king two respectively, A = efficiency parameter, H = experience and analytical skills of the advisers in utilizing the information made available through intelligence, K = horses, elephants, chariots and armaments, E = enthusiasm and training, L_m = military strength, J = level of public support for a just and kind-hearted king and RP_1 = relative power of nation one. Kautilya believed that H was the most important factor in enhancing national security.

He suggested the division of responsibilities for allowing the gains from specialization. He discussed both necessary and sufficient conditions to achieve the optimum level of each component. For example, the qualifications of an adviser were necessary but not sufficient in eliciting optimum effort. Keeping that in view, he suggested moral and material incentives to achieve the optimum level.

Table 1: Kautilya’s Comprehensive Approach to National Security

Division of Responsibilities	Factors Relevant to National Security	Desired Attributes	Appropriate incentives	Feasibility
Why to do, that is, undertaking cost-benefit analysis	King (Prime Minister/President)	Ethical, Far-sighted, Foresighted	Moral Duty and Enlightened self-interest	Unlikely, No such requirement to become President or Prime Minister
	Advisers	Far-sighted,	Moral and	Yes

		Foresighted	Material	
How to do (implementation)	Chief of defense	Knowledgeable about use of weapons, expertise in strategy and tactics	Moral and Material	Yes
	Military	Trained and Enthusiastic	Moral, Material and fairness in awards	Yes
	Scientists/engineers	Understanding of both Theoretical and Applied Knowledge	Moral and Performance-based compensation	Yes
Information	Intelligence	Knowledgeable, uncompromising	Special training and material and moral incentives	Yes
	Armament	Self-sufficiency in producing armaments that provide an edge over a potential adversary	Providing appropriate incentives to scientists, engineers and manufacturers	Yes
Support	Public	Unwavering	Prosperity and Fairness	Yes

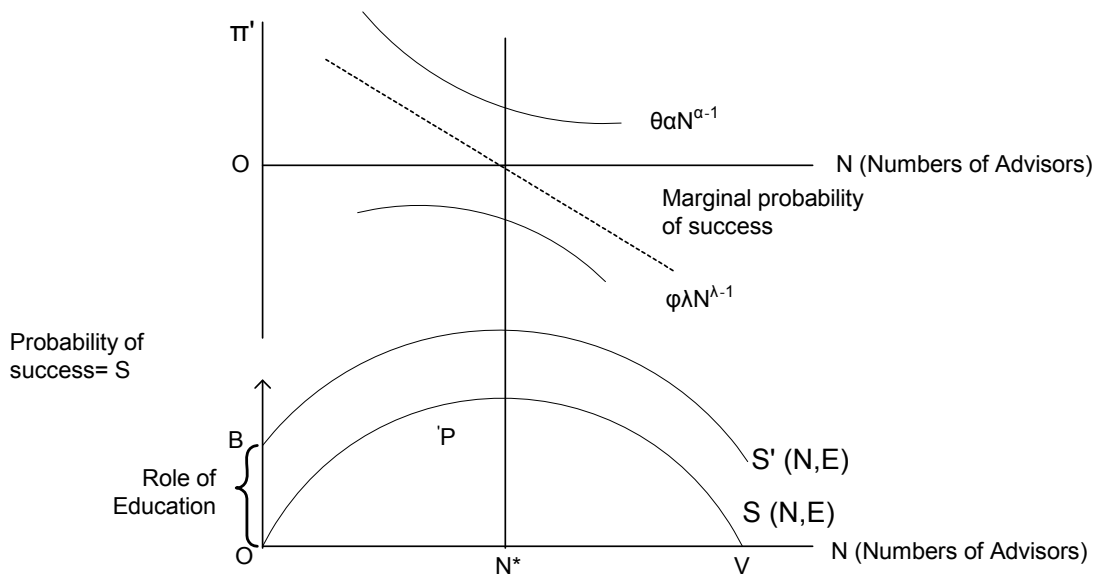
Role of Advisers

Then he proceeded to justify why the power of good counsel and judgment was more important than the power of might. He argued, “Some teachers hold might to be more important than the power of good counsel and judgment. [They argue:] however good a king’s analysis and judgment, he thinks but empty thoughts if he has no power. Just as a drought dries out the planted seeds, good judgment without power produces no fruit.

Kautilya disagrees. The power of good counsel, [good analysis and good judgment] is superior [to sheer military strength]. Intelligence and [knowledge of] the science of politics are the two eyes [of a king]. Using these, a king can, with a little effort, arrive at the best judgment on the means, [the four methods of conciliation, sowing dissention, etc.] as well as the various tricks, stratagems, clandestine practices and occult means [described in this treatise] to overwhelm even kings who are mighty and energetic.”

He concluded, “Thus, the three components of power, —enthusiasm, military might and the power of counsel—are in ascending order of importance. Hence, a king who is superior, as compared to his enemy, in an item later in the list, outmanoeuvres his adversary (9.1).”

According to Kautilya, as the number of advisers increased, the king received better council which increased the probability of success of a task but the problem of secrecy might become serious and hurt its chances of success. The above discussion may be captured by the following figure:



The broken line in the upper figure represents the marginal probability of success curve. $S(N, O)$ and $S'(N, E)$ in the lower figure represent the probability of success curves. Point B represents Bharadvaja's views, point V represents Vishalaksha's suggestion and point P represents Parasara's suggestion.

According to Kautilya, a king's own education shifted the probability of success function, $S(N, O)$ upwards to $S'(N, E)$ by enhancing his ability to process information and draw inferences and also by reducing his irrationality by developing controls over emotions such as anger (i.e., it reduces imperfection in rationality).

Kautilya did not leave it there. Equally important question was: How to finance the expenditure on defense? He suggested: (i) growth in income, (ii) prevention of tax evasion and (iii) spending tax revenue on productive economic activities/projects.

Kautilya on Link between Prosperity and National Security

Poverty Removal: According to Kautilya, public support and tax revenue depended on prosperity. He (p 159) explained, "When a people are impoverished, they become greedy; when they are greedy, they become disaffected; when disaffected, they either go to the enemy or kill their ruler themselves (7.5)." He recommended, "Therefore, the king shall not act in such a manner as would cause impoverishment, greed or disaffection among the people; if however, they do appear, he shall immediately take remedial measures (7.5)."

Tax Revenue: He (p 121) wrote, "The wealth of the state shall be one acquired lawfully either by inheritance or by the king's efforts (6.10)." That meant that tax revenue was the only source for building infrastructure, raising an army and acquisition of armament and taking care of the poor and sick. He (p 252) stated, "All state activities depend first on the Treasury. Therefore, a King shall devote his best attention to it. A King with a depleted Treasury eats into the very vitality of the citizens and the country." He paid attention not only to growth in income but also to (i) prevention of tax evasion and (ii) spending tax revenue on productive economic activities/projects.

Kautilya's Tax Policy: Kautilya believed in expanding the tax base by increasing the productive capacity of the economy rather than by raising the tax rate to raise tax revenue. Thus, he argued that an increase in income was the best way to increase tax revenue.

Preventing Tax Evasion: Through ethical anchoring, effective enforcement and treating tax evasion as a criminal offense.

Productive Use of Tax Revenue: Kautilya (p 149) suggested, "Hence the king shall be ever active in the management of the economy. The root of wealth is economic activity and lack of it brings material distress. In the absence of fruitful economic activity, both current prosperity and future growth are in danger of destruction. A king can achieve the desired objectives and abundance of riches by undertaking productive economic activity (1.19)."

Food Security and National Security: Kautilya argued, "Famine, on the other hand, affects the whole country and deprives the people of their livelihood (8.4)." He explained that a drought affected an economy in two ways. First, according to him, a supply shock created unemployment, a decrease in current output and a decrease in tax revenue. Secondly, a decline in tax revenue would result in lower investment in public infrastructure and thus adversely affecting the growth in future income. Also lower tax revenue implied a lower spending on defense.

Kautilya's Pragmatic Approach to National Security

According to Kautilya, a ruler should behave like a father, kind and compassionate towards his own people and try to create an ethical environment. However, in the case of national security, a ruler should pursue national interest and not be swayed by any emotions/idealism. Essentially, end should justify the means.

Table 2: Kautilya's Context-specific Approaches

Compassionate towards own People	Merciless and unscrupulous towards Enemy
<p>(a) "In the happiness of his subjects lies his happiness; in their welfare his welfare. He shall not consider as good only that which pleases him but treat as beneficial to him whatever pleases his subjects (1.19)."</p> <p>(b) He (p 128) wrote, "Whenever danger threatens, the king shall protect all those afflicted like a father [protects his children] (4.3)."</p> <p>(c) He (p 180) added, "He shall, however, treat leniently, like a father [would treat his son], those whose exemptions have ceased to be effective (2.1)."</p> <p>(d) Kautilya (p 182) suggested, "King shall maintain, at state expense, children, the old, the destitute, those suffering from adversity, childless women and the children of the destitute women (2.1)."</p> <p>(e) Kautilya (p 128) believed, "It is the duty of the king to protect the people from all calamities (4.3)."</p>	<p>Kautilya (p 541) stressed, "An enemy's destruction shall be brought about even at the cost of great losses in men, material and wealth (7.13)." Not just repelling but destroying the enemy.</p> <p>End justified the means</p> <p>Kautilya (p 636) labeled some emotions as 'obstacles' to achieving the gains from campaigns. The emotions included in this list were: "Passion, anger, timidity, compassion leading to aversion to fighting, recoiling from awarding deserved punishment, baseness, haughtiness, a forgiving nature, thinking of the next world, being too pious, meanness, abjectness, jealousy, contempt for what one has, wickedness, distrust, fear, negligence, inability to withstand harsh climate and faith in the auspiciousness of stars and days (9.4)."</p>