

Beyond Realism: Kautilya's Arthashastra and the Birth of the Intelligent State

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Abstract—This article argues that Kautilya's *Arthashastra* – an ancient Indian treatise on statecraft – contains strategic and administrative principles that resonate with many aspects of modern politics. We show that concepts like the Mandala theory of interstate relations, rigorous legal-punitive order (*dandaniti*), administrative welfare (*niti*), systematic espionage, and detailed economic regulation in *Arthashastra* have clear analogues today. For example, Kautilya's Mandala ("Circle of States") – where immediate neighbors are seen as potential enemies and farther states as allies – anticipates a realist balance-of-power logic in contemporary foreign policy. Similarly, his four diplomatic stratagems (*sama*, *dāna*, *bheda*, *daṇḍa*) resemble modern tools of negotiation, aid, divide-and-rule, and coercion. Kautilya's systematic spy network parallels modern intelligence agencies, while his demand that "in the happiness of his subjects lies his happiness" foreshadows ideas of social welfare and citizen-centric governance. We develop these parallels through primary sources and recent scholarship, and propose how modern states might glean lessons from Kautilya's realism. We also point out limitations: much of *Arthashastra* is authoritarian and context-bound, raising ethical tensions with modern values. In sum, by rigorously comparing classical *Arthashastra* concepts with today's policy domains, this study reveals underexplored insights for foreign policy, domestic administration, intelligence, and economic governance, and highlights fresh avenues for research.

Index Terms—Kautilya; Arthashastra; Adaptive Governance; Intelligent State; Information Governance; Strategic Learning; Public Administration; Policy Feedback; State Capacity; Governance Systems.

I. INTRODUCTION AND HISTORICAL CONTEXT

Kautilya's *Arthashastra* (Science of Wealth/Statecraft) is an ancient Indian Sanskrit treatise on governance, attributed to Chanakya (a.k.a. Kautilya or Viṣṇugupta). Composed in or around the 4th century BCE (traditionally under Chandragupta Maurya's regime), it provides a comprehensive manual of statecraft covering administration, military strategy, law, economics, and foreign policy. Modern critical editions (notably R. P. Kangle's 1960 critical edition) and English translations (e.g. R. Shamasastri 1915; L. N. Rangarajan 1992; P. Olivelle 2022) have made the text widely accessible. Scholars note that the surviving *Arthashastra* manuscripts likely reflect layered composition from about the 1st century BCE to 1st century CE. Yet even if it is a redaction, *Arthashastra* forms a coherent body of knowledge on political realism and governance. As one recent symposium observes, *Arthashastra* is "a pragmatic manual for action" whose "subject matter underscores [Kautilya's] place in the realist tradition".

Kautilya is widely recognized as an early proponent of realpolitik. For instance, Boesche calls him "the first great political realist", and scholars emphasize that *Arthashastra* anticipates concepts central to modern Realism in IR. The text's rediscovery in the 20th century had significant impact: after Shamasastri's 1915 translation it influenced Indian intellectuals (Nehru studied it; Indira Gandhi credited it during her tenure) and, more recently, spurred a wave of scholarship re-evaluating IR theory from a non-Western perspective. Today, *Arthashastra* is examined not just as historical curiosity but as a living strategic tradition with lessons for contemporary statecraft.

Core *Arthashastra* Concepts and Modern Analogues

Classical Concept	Modern Analogue	Commentary & Sources
Mandala Theory (circle of states)	Balance-of-power and alliance patterns	A king's <i>antar-raṣṭras</i> (neighboring states) are natural enemies; the neighbors of neighbors are natural allies. This “enemy-of-my-enemy-is-my-friend” logic anticipates realist diplomacy. Modern foreign policy often follows this pattern of concentric circles of influence (e.g. India's regional diplomacy).
Four Upayas (<i>sama</i> , <i>dāna</i> , <i>bheda</i> , <i>daṇḍa</i>)	Modern diplomatic tools (conciliation, aid/bribery, divide- and-rule, coercion)	Kautilya prescribes four strategies to manage others: negotiation (<i>sama</i>), concession or inducements (<i>dana</i>), sowing dissension (<i>bheda</i>), and force/punishment (<i>daṇḍa</i>). These roughly map to modern diplomacy (summit talks, foreign aid, proxy strategies, and sanctions or military force). For example, recent Indo-Pacific alliances echo <i>bheda</i> (cultivating competitors of rivals). (We note that direct one-to-one mapping is heuristic; see e.g. Banerjee 2024.)
Dandaniti (Law & punishment)	Criminal justice, rule of law, policing	<i>Arthashastra</i> details a strict criminal code and judiciary, with proportional punishments (fines, prisons, corporal punishment, death) calibrated by offense. This emphasis on impartial enforcement (“ <i>daṇḍa</i> ”) resembles the modern state's role as ultimate enforcer of laws. However, unlike modern rights-based justice, Kautilya's <i>dandaniti</i> is unflinchingly utilitarian – even torture is condoned for state security. (This points to ethical tensions discussed below.)
Niti (Ethics/administrative duty)	Good governance norms; welfare state ideals	Kautilya repeatedly emphasizes that a ruler's duty is to ensure subjects' welfare. He famously states, “ <i>In the happiness of his subjects lies his happiness; in their welfare his welfare</i> ”, adding that “whatever pleases himself he shall not consider good, but whatever pleases his subjects he shall consider as good.” This almost proto-welfare state notion – that the king's legitimacy rests on caring for citizens – contrasts with his realist leanings. Modern parallels include public service ethics, social welfare programs, and “citizen-centric” governance, although in democratic form (see welfare discussion below).
Espionage system	National intelligence services and surveillance	Kautilya institutionalized spying as core to statecraft. <i>Arthashastra</i> lists categories of spies (disguised as ascetics, merchants, even poisoners or seductresses) and mandates a network for gathering covert intelligence. This sophisticated system resembles today's intelligence agencies and surveillance apparatus. Like modern states, ancient India used spies for both foreign and domestic security. Recent analysis confirms “continuity” in principle – information-based administration, covert ops, multidimensional surveillance.
Economic regulation and finance	Regulatory state and fiscal policy	Kautilya's economic policy is hands-on. He enumerates seven revenue sources (tax, trade, property, fines, etc.), prescribes fair taxation, audits, anti-corruption measures, and regulates markets. He outlawed hoarding and price-fixing, and ran state monopolies in key sectors (minting, mining, liquor). In modern terms, this parallels government oversight of taxation, budgets,

		anti-monopoly regulation, and public investment. The aim is stability and growth: “The Arthashastra serves as a valuable historical document... emphasizing the balance between state management and the welfare of the people”.
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Each pairing above is elaborated below. We ground the discussion in primary sources (citing *Arthashastra* where possible) and recent scholarship to trace how Kautilyan thinking maps to contemporary issues. We also highlight novel interpretations beyond standard readings. (Where we speculate or extend beyond available sources, we flag this accordingly.)

II. MANDALA THEORY AND MODERN FOREIGN POLICY

A central *Arthashastra* concept is the mandala or “circle of states” (sometimes “Rajamandala”). Kautilya explains that a king’s immediate neighbors (territories sharing a border) are presumed rivals (natural enemies), while the neighbors of those enemies may become allies. In effect, the ruler (the *vijigishu*, or would-be conqueror) sits at the center of concentric rings: ring 1 (enemies), ring 2 (potential allies), with neutral or powerful states on the periphery whose stance can sway balances. This leads to the oft-quoted dictum: “*the enemy of my enemy is my friend*”. Kautilya further codifies relations in his “six states” categorization (self, ally, neutral, etc.) and prescribes how to treat each (via the four *upayas*).

Modern parallels are striking. The mandala is essentially an early model of balance-of-power diplomacy: states form shifting alignments to check immediate threats. For example, in South Asia India historically viewed neighboring Pakistan or China as *ari* (enemies) and sought to ally with third parties (e.g. Afghanistan, the USSR) against them – a mandala dynamic noted in 1971. More recently, “Act East” and “Quadrilateral security dialogue” reflect India’s attempts to cultivate distant powers (Japan, Australia) to balance China, echoing Kautilya’s advice. Scholars explicitly connect mandala to contemporary strategy: one study argues Mandala theory “can be taken as an articulation of modern version of BOP [balance-of-power]”, while others show how Nehru’s non-alignment and Indira Gandhi’s neighborhood policy reflected mandala logic.

A novel insight is to see mandala thinking beyond immediate neighborhood. Traditionally it’s applied to south Asian geopolitics, but *Arthashastra*’s pattern (enemy-at-door, friend-of-enemy beyond) can inform any regional contest. For instance, one could analogize the Middle East’s complex alliances as a mandala of sorts, or view cyber-space in concentric terms (regional security, then extended digital realms). These analogies are speculative, but illustrate that the circle-of-states idea is essentially a general realist heuristic. In sum, modern foreign policy’s balance-of-power systems owe much to Kautilya’s insight into *vijigishu*-centric diplomacy. (We caution that *Arthashastra* assumes an autocratic center – democracies still behave similarly under realism, but ethical framing differs.)

III. COALITION-BUILDING AND THE FOUR UPAYAS

Closely related is Kautilya’s famous recipe for achieving political ends via four methods: *sama* (conciliation/negotiate), *dāna* (giving gifts or concessions), *bheda* (fomenting dissension among opponents), and *daṇḍa* (coercion or force). In modern terms, these map to diplomacy, foreign aid/bribery, divide-and-rule tactics (or psychological operations), and sanctions or military pressure. For example, offering favorable trade deals to one country (*sama/dana*), using intelligence to stir unrest in a rival’s camp (*bheda*), or overt sanctions (*daṇḍa*) are clear analogues. Although current scholarship seldom emphasizes this taxonomy, it is essentially a classical playbook for grand strategy. Contemporary IR could benefit from re-examining these *upayas* as a systematic frame for non-war competition, especially in hybrid warfare contexts. (This is a speculative extension: no modern author directly applies all four, but the parallels are unmistakable.)

IV. DOMESTIC GOVERNANCE: WELFARE AND LAW

While often viewed as Machiavellian, *Arthashastra* also contains a surprisingly progressive notion of

rulers' duties. Kautilya mandates that the king personally tend to all classes of subjects – from priests to farmers, from women to the destitute – in a precisely ordered schedule. The famous verse “*In the happiness of his subjects lies his happiness; in their welfare his welfare*” encapsulates a *citizen-first* philosophy. This is akin to the social contract idea: a ruler's legitimacy stems from public good. In practice, *Arthashastra* prescribes many public goods: building roads, wells, schools, hospitals; supporting agriculture; fair measurement standards; and even animal welfare. These prefigure aspects of a welfare state. Modern policymakers can draw from this ethos, for instance by emphasizing that state resources must balance growth with citizen well-being.

At the same time, Kautilya expects strict law-and-order. His *dandaniti* (punishment policy) envisions a professional justice system where even minor offenses (theft, fraud) carry calibrated fines or corporal punishments, and severe crimes (treason, assassination) can invoke death. Public administration is centralized but meritocratic: officials are to be competent and monitored. This resembles modern bureaucracy combined with an unforgiving penal code. Notably, Kautilya acknowledges corruption as inevitable and prescribes audits and anti-graft fines, anticipating modern transparency initiatives (with far less success). The dual emphasis on welfare *and* rigid order suggests a strong state model: the modern analogue might be a “developmental authoritarianism” or a welfare state with high surveillance.

Critically, there are stark differences. Kautilya's welfare concern extends only insofar as it serves state stability (and subject to caste and patriarchal norms). He forbids ministers from bribery with one hand, yet another part of *Arthashastra* counsels kings to use spies in women's quarters – a deeply misogynistic measure. Democratic values like privacy and due process are alien to him. Thus, any modern application must be heavily qualified. For example, *Arthashastra* can inspire public finance balanced with social services, but its advocacy of torture or secret police has no place in open societies. These tensions are addressed in the critique section below.

Economic Policy and Public Finance

In the economic realm, Kautilya's *Arthashastra* is one of history's earliest political-economy treatises. It

outlines fiscal policy and regulation in detail. The state claims several revenue streams: taxes on land, trade, professions, fines, etc., plus profits from crown property and state-run industries (mining, salt, armaments). Kautilya insists on a “uniform and stable system of taxation” to avoid economic shocks. He advocates fair (though not minimal) taxation, with exemptions during famine. Crucially, the state actively regulates markets: it maintains price controls, prohibits hoarding or conspiracy among merchants, and sets quality standards (e.g. weights and measures). In trade, he advises promoting exports of local goods and understanding foreign markets, much like modern export-promotion strategies.

This approach parallels today's regulatory state and fiscal policy: authorities set tax rates to balance budgets, create welfare programs, regulate industries (antitrust laws), and intervene during crises. For instance, Kautilya's principle of preventing market exploitation to safeguard the “weak and vulnerable sections” can be read as a precursor to consumer protection laws. His focus on a diversified economy (agriculture, trade, and manufacturing) resembles modern development planning. Academics note that *Arthashastra* is a “valuable historical document” offering guidance for modern public finance – its emphasis on treasury management and auditing is strikingly modern. Today's public administrators might glean practical insight (e.g., the virtue of matching budgets to income) even if methods differ.

At the same time, Kautilya's economic policy is fundamentally mercantilist: the state's welfare often trumps private profit. He allows monopolies and heavy regulation (for example, in salt and liquor) to maximize revenue. Critics can argue this stifles innovation. Thus, while modern states uphold private enterprise, Kautilya's model reminds us that without sound regulation and equitable taxation, social welfare suffers. An innovative interpretation is to view Kautilya's model as an early “mixed economy” blueprint: market incentives (trade, entrepreneurship encouragement) coexists with strong government oversight and welfare spending.

V. INTELLIGENCE AND SURVEILLANCE

A standout feature of *Arthashastra* is its codified espionage: three chapters (VII-IX) are devoted to spies. Kautilya enshrines intelligence as a pillar of

governance: “*A king without intelligence is blind*”. He prescribes an elaborate spy network that penetrates foreign and domestic realms. Spies could pose as ascetics, merchants, poisoners or even mendicant women. They report on enemy plans (foreign policy, troop movements) and internal plots (disloyal ministers, conspiracies). Punishment, promotion, or negotiation strategies are chosen based on these reports.

Comparatively, modern states operate intelligence agencies (CIA, MI6, RAW, NSA, etc.) that play an analogous role. Scholars explicitly draw this line: one 2026 study notes a “certain continuity” between ancient and modern systems in fundamental principles – information-driven administration and covert operations. Both emphasize technology-enabled surveillance now, but the core logic is Kautilyan. In fact, *Arthashastra* was arguably “the world’s first systematic spy state”.

Policy implication: contemporary security planners might learn from the scope Kautilya gives spies: he integrates intelligence into every level of policy, not just wartime. Modern analogies could include proactive cyber espionage or comprehensive data analysis in governance. An innovative speculation is that Kautilya’s inclusivity of “informers” (even disgruntled citizens) could inspire modern crowdsourced intelligence or whistleblower protections, albeit ethically and legally constraining. Yet critical caution is due: Kautilya’s means (e.g. planting false information) would violate modern norms. A balanced view is to adopt the *idea* of rigorous intelligence while upholding oversight and rights.

VI. PUBLIC ADMINISTRATION AND COALITION-BUILDING

Kautilya outlines a structured bureaucracy: the king is advised to have six ministries (foreign affairs, home, treasury, agriculture, trade, justice) and a large cadre of officials and spies, all appointed by merit and subject to review. This early form of a civil service, with emphasis on training and discipline, foreshadows aspects of modern public administration. For example, the idea that ministers must be personally accountable (the king hears

petitions himself) resembles modern concepts of transparency and accessibility. Kautilya also highlights ‘coalition-building’ within the court: appointing allies to key posts to secure loyalty, akin to coalition governments today. These administrative rules underscore the timeless notion that efficient, stable governance requires organization, accountability, and inclusivity of stakeholders.

Another parallel is conflict resolution: apart from the four upāyas mentioned earlier, *Arthashastra* advises temporary truces, inter-dynastic marriages, and shared rule arrangements as tools. These could be likened to modern diplomatic instruments such as neutrality treaties, joint military exercises, or peace-keeping arrangements. Such analogies are largely unexplored in scholarship. We suggest, for instance, that Kautilya’s support for vassal kings (subject allies) resembles modern federal or client state relationships, with strings of tribute or alignment conditions. This viewpoint prompts new questions: might ideas from *Arthashastra* inform international institution-building? For example, his detailed negotiations could inspire algorithmic game-theoretic modeling of alliances. These ideas are speculative but hint at fruitful research directions.

VII. POLICY IMPLICATIONS AND RECOMMENDATIONS

If modern policymakers were to draw on Kautilya, we would recommend a selective integration of its pragmatic insights, tempered by democratic and ethical values. For foreign policy, the lesson is clear: continual strategic assessment of neighbors and flexible alliances – akin to mandala thinking – can enhance state security. Governments might institutionalize “strategic foresight cells” that apply such templates to forecast geopolitical shifts. In intelligence, Kautilya’s emphasis on multi-channel information suggests investing in diverse domestic intelligence (police, economic, cyber) coordinated centrally. Economically, his model advises balance: encourage trade and entrepreneurship and enforce competition and anti-corruption – a lesson still relevant to regulators and finance ministries. In public administration, Kautilya reminds us that rulers should be visible, accessible, and active – echoing modern mandates for public officials to engage with

citizens' needs (as he says, never keep petitioners waiting).

However, we stress two policy caveats. First, ethics: many Kautilyan strategies (spying on citizens, torture, bribery as diplomacy) violate contemporary norms. We do *not* endorse these methods. Rather, understanding them is useful for predicting adversaries' behavior (if authoritarian neighbors act Kautilya-like, states must prepare accordingly). We also note the *Arthashastra* lacks any concept of individual rights or pluralism; thus its "welfare" is paternalistic, not liberal. Any modern application must reinterpret "*welfare*" as public goods provision within a human rights framework.

Second, context: The *Arthashastra* assumes a centralized, hierarchical state with a divine king. In contrast, today's democracies, international law, and global norms mean that some Kautilyan advice is outdated. For example, *Arthashastra* would condone a king bribing an election – we obviously reject that. Thus, our recommendations are to treat Kautilya as one among many strategic thinkers, valuable for realpolitik insights, but constrained by modern legal and ethical systems. Training diplomats or officers in *Arthashastra* could be insightful, as long as it's framed historically and critically.

VIII. CRITIQUES AND LIMITATIONS

Scholars rightly caution against over-applying *Arthashastra*. Its Realpolitik bias – glorifying power over ideals – can conflict with modern aspirations of justice and equality. For instance, its *matsya-nyāya* ("law of the fish" – the strong devour the weak) implies a brutal anarchy in international relations that few states officially endorse today. Moreover, Kautilya shows little sympathy for civil liberties or gender equity. He accepts, for example, secret espionage on women's private lives and rigid caste hierarchies, which are anathema to contemporary values.

Another limitation is the textual debate: if *Arthashastra* is indeed a composite from multiple periods, attributing a coherent "Kautilyan policy" is tricky. Some sections might reflect different eras' needs. Hence modern readers must be cautious: what is ascribed to Kautilya may be later accretions. We try to cite broad principles rather than single verses, but textual uncertainty is a caveat.

Finally, empirical applicability is uncertain. India's use of Kautilya in practice has been mixed: Indira's 1971 actions fit *Arthashastra*, but as [43] notes, Nehru's idealism also drew from it in a reinterpretive way. The "Kautilya" label is sometimes invoked rhetorically (e.g. Modi's *neighbourhood first* aligns with mandala), but policy is influenced by many factors beyond ancient texts. Therefore, we stress that *Arthashastra* should inspire thought rather than dictate policy. Any recommendation here is inherently speculative – hence our delineation between solidly sourced claims and conjectural implications.

IX. RESEARCH GAPS AND FUTURE DIRECTIONS

Despite renewed interest, several areas remain underexplored. For example, how might *Arthashastra*'s economic regulation inform digital economy policies? Kautilya has no conception of technology, but his emphasis on trade balance and state control could analogize to modern issues like data privacy, digital currencies, or AI governance – fertile ground for new scholarship. Similarly, comparative studies of *Arthashastra* with non-Western classics (Sun Tzu, Islamic or African political texts) could yield insights on convergence/divergence of old-world statecraft.

The role of ethics in Kautilya's realism is another open question. While we noted his welfare verses, the interplay of *niti* (ethics) and *danḍa* (punishment) deserves deeper study: did Kautilya conceive of any moral limits to state action, or was everything justified by outcome? In practice, can modern "good governance" frameworks find any roots in *Arthashastra* beyond paternalism? These questions call for interdisciplinary work (political theory, ethics, South Asian studies).

Finally, there is scope for quantitative and computational analysis. Could one, for instance, encode *Arthashastra*'s ally/enemy rules into an agent-based model of regional politics, and compare outcomes with real data? Or perform a network analysis of Kautilya's caste of informants vs. modern intelligence networks? Such methods are nascent in political science but align well with Kautilya's systematic style.

X. CONCLUSION

Kautilya's *Arthashastra* offers a surprisingly rich trove of ideas that resonate across millennia. From its core thesis that statecraft is a science of power and welfare combined, to its detailed prescriptions for diplomacy, economy, and governance, it reads like an ancient handbook of political realism with surprising humane overtones. Our comparative analysis shows that many *Arthashastra* concepts – the mandala of states, the king's welfare tied to his people, the need for intelligence networks, and rigorous economic management – have clear echoes in modern foreign and domestic policy.

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