

The Concept of Artha in Kautilyan Economics Versus Mainstream Western Economic Theory: A Comparative Deep Study

Ramanathan Srinivasan¹ & P. S. Aithal²

¹ Emeritus Professor, Poornaprajna Institute of Management, Udupi - 576101, India,
Orchid ID: 0009-0003-9896-9943; E-mail: drsramnath2k21@outlook.com

² Professor, Poornaprajna Institute of Management, Udupi - 576101, India,
Orchid ID: 0000-0002-4691-8736; E-mail: psaithal@gmail.com

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¹ Emeritus Professor, Poornaprajna Institute of Management, Udupi - 576101, India, Orchid ID: 0009-0003-9896-9943; E-mail: drsramnath2k21@outlook.com

² Professor, Poornaprajna Institute of Management, Udupi - 576101, India, Orchid ID: 0000-0002-4691-8736; E-mail: psaithal@gmail.com

ABSTRACT

Purpose: *This research paper undertakes a rigorous comparative investigation of the concept of Artha as articulated in Kautilya's Arthashastra and the foundational principles of mainstream Western economic thought, tracing their divergences and convergences across six analytical dimensions: philosophical foundations, taxation and public finance, labour and wages, trade regulation and pricing, governance structures, and environmental and resource management.*

Methodology: *In this paper, the exploratory qualitative research method is used. The relevant information is collected using keyword-based search in Google search engine, Google Scholar search engine, and AI-driven GPTs. This information is analysed and interpreted as per the objectives of the paper.*

Analysis/ Results: *The paper argues that these two traditions, separated by geography, culture, and more than two millennia of independent development, nevertheless arrive at several structurally similar practical conclusions — on progressive taxation, infrastructure investment, anti-monopoly regulation, and worker welfare — while diverging fundamentally on the question of whether economic activity is embedded in a moral and social framework or constitutes an autonomous domain governed by self-interest and price signals.*

Drawing on classical primary sources, modern translations, and contemporary scholarly literature, the paper situates the Arthashastra within the broader tradition of Indian political economy (including the Purusharthas framework and Dharma-Artha complementarity), traces the philosophical trajectory of Western economic thought from Adam Smith through neoclassical economics to contemporary heterodox critiques, and identifies the specific points of divergence and convergence between the two traditions. Attention is paid to the 2026 Economic Survey of India's citation of the Arthashastra as an early model of economic statecraft, which signals a renewed policy-level interest in integrating Kautilyan insights into contemporary economic governance.

Originality/ Values: *The paper concludes that the Kautilyan framework's most distinctive and enduring contribution lies not in its specific policy prescriptions — many of which have been independently approximated by Western policy evolution — but in its insistence on the moral embeddedness of economic activity within a larger framework of human flourishing (Purusharthas) and civilisational welfare (Lokasamgraha). As contemporary mainstream economics increasingly grapples with the inadequacies of the homo economicus model and the failures of purely market-driven approaches to address inequality, environmental degradation, and social cohesion, the Kautilyan tradition offers a philosophically rich alternative architecture that rewards serious scholarly engagement.*

Type of Paper: *Exploratory Research.*

Keywords: Artha, Arthashastra, Kautilya, Western Economics, Comparative Economic Thought, Purusharthas, Political Economy, Progressive Taxation, Dharmic Commerce, Indian Knowledge Systems, Homo Economicus, Market Economics

1. INTRODUCTION :

The global discourse on economic theory has, for the past two centuries, been conducted predominantly within a framework shaped by Western intellectual traditions — from Adam Smith's *Wealth of Nations* (1776) [1] through David Ricardo's theory of comparative advantage, John Stuart Mill's political economy, and Alfred Marshall's neoclassical synthesis, to the Keynesian revolution, the monetarist counter-revolution, and the emergence of behavioural economics as a critique of the rational agent model. This intellectual genealogy, while internally diverse and persistently contested, shares a set of foundational assumptions that distinguish it sharply from the economic frameworks embedded in non-Western traditions.

Western economic thought traces a continuous intellectual lineage spanning two centuries, originating with Adam Smith's *Wealth of Nations* (1776) [1], which established free markets, the division of labour, and price-driven resource allocation as the foundations of national prosperity. Ricardo's *Principles* (1817) [2] shifted focus toward income distribution and introduced the theory of comparative advantage, which Mill subsequently formalised and Marshall later incorporated into the neoclassical synthesis — a framework that combined marginalist demand theory with classical cost-of-production analysis to produce the supply-and-demand architecture that defines mainstream economics to this day. The Keynesian revolution of the 1930s challenged the neoclassical assumption of self-equilibrating markets by demonstrating that aggregate demand failures could produce prolonged unemployment, legitimising active government intervention — an approach that delivered unprecedented post-war prosperity until the stagflation of the 1970s enabled Friedman's monetarist counter-revolution to reassert the primacy of monetary discipline, price stability, and market efficiency over fiscal activism. Behavioural economics, emerging from Kahneman and Tversky's *Prospect Theory* (1979) [3] and Thaler's subsequent work [4], mounted the most recent internal challenge by replacing the fiction of the perfectly rational *homo economicus* with a cognitively limited, bias-prone agent — yet without displacing the neoclassical normative ideal of rational choice, remaining a reform of the tradition rather than a repudiation of it. Despite their considerable internal conflicts, all these schools share foundational meta-assumptions: the autonomous individual as the primary unit of analysis, the separation of economics from ethics and cosmology, and the market as the default legitimate mechanism of allocation. These assumptions, far from being universal, are historically and culturally specific to the Western Enlightenment tradition. Non-Western frameworks — Kautilya's *Arthashastra*, which embedded *artha* (material welfare) within *dharma* (ethical order) and envisioned a mixed economy governed by statecraft and moral obligation [5]; Islamic jurisprudential economics, in which concepts such as *zakat*, *riba*, and *gharar* shaped exchange within a divine normative framework; and Confucian political economy, which subordinated commercial accumulation to family, community, and state — all operated from fundamentally different premises, treating the economy not as an autonomous domain of individual utility maximisation but as an expression of moral, cosmic, and social order. The global dominance of Western economic theory, accelerated by colonialism, the professionalisation of academic economics, and the institutional architecture of Bretton Woods, has meant that these alternative frameworks have been systematically marginalised in mainstream policy and pedagogy. Recovering them is not an antiquarian project but an intellectual necessity — a prerequisite for building economic frameworks capable of reflecting the civilisational diversity of the contemporary world and addressing the limitations that the Western tradition, for all its analytical sophistication, has been unable to resolve from within its own foundational assumptions [6].

Among these non-Western traditions, Kautilya's *Arthashastra* occupies a position of exceptional significance. Composed over 2,300 years ago during the Mauryan period — with the most authoritative scholarly consensus dating its composition to between 350 and 275 BCE, with possible later additions — the *Arthashastra* presents a comprehensive treatise on statecraft, political economy, governance, and commercial regulation that rivals the *Wealth of Nations* in scope, exceeds it in detail, and surpasses it by approximately two millennia. The rediscovery of the *Arthashastra* in 1905 by R. Shamasastri [7], and its subsequent translation and scholarly analysis, has made it possible to assess the Kautilyan economic framework in its own right and in comparison with the Western tradition [8].

The relevance of this comparison is not merely antiquarian. India's 2026 Economic Survey explicitly cited the *Arthashastra* as an early model of economic statecraft, demonstrating how economic instruments like trade regulation and taxation can strengthen state capacity. This official acknowledgement signals a growing policy-level interest in recovering Kautilyan insights for

contemporary economic governance — an interest that requires, as its intellectual foundation, a rigorous comparative assessment of what the Kautilyan framework offers that the Western tradition does not, and vice versa [9].

This paper examines the philosophical foundations of both traditions, focusing on their respective definitions of wealth, the role of ethics in economic life, and the tension between social harmony and individual prosperity as economic goals. It also compares their taxation and public finance frameworks, noting both anticipations and divergences. It addresses labour, wages, and social security and examines trade regulation, pricing mechanisms, and market competition. Further, it analyses governance structures and development models and addresses environmental and resource management. Finally, it provides a critical evaluation of the comparative exercise, and concludes with implications for contemporary economic policy and management education.

2. REVIEW OF LITERATURE :

Table 1: Review of literature based on the Keyword: “Artha in Kautilyan Economics Versus Mainstream Western Economic Theory”

S. No.	Area	Focus/Outcome	Reference
1	A Western Perspective on Kautilya's 'Arthashastra.'	Arthashastra presents a remarkably advanced understanding of economics, governance, taxation, public finance, and social welfare that was far ahead of its time, even preceding many ideas later seen in modern economic thought. Kautilya emphasized that the king's primary duty was the welfare and happiness of the people through good governance, efficient administration, support for agriculture, trade, industry, infrastructure, and social security. Although rooted in the Mauryan period, many of his economic and administrative principles remain relevant in contemporary public policy and governance.	Tisdell, C. A. (2003). [10]
2	The Pre-Kautilyan Period: a sustainable model through ancient economic ideas and practice	Recent studies highlight Kautilya as a pioneer of economic policy long before Western scholars. Drawing from ancient Vedic and Puranic knowledge reflected in Arthashastra, this paper proposes a five-pillar sustainable economic model focused on Dharma, governance, wealth creation, market sustainability, and institutional capacity, aligning closely with both Kautilyan principles and modern economic policy trends.	Deodhar, S., & Balasubramanian, S. (2020). [11]
3	Kautilyan economics: an analysis and interpretation	Kautilya, through his work Arthashastra, presented a practical and realistic approach to statecraft focused on acquiring and preserving wealth and strengthening the monarchy. He challenged several traditional Hindu beliefs by prioritizing state interests over religious considerations, supporting equal civic responsibilities, reducing caste-based privileges, and recognizing the role of lower social groups in governance and society.	Sarkar, S. (2000). [12]
4	The Ancient Indian Economic Thought & the Concept of Welfare State	Although modern economics is often traced to The Wealth of Nations by Adam Smith, ancient Indian thinkers, especially Kautilya, had already developed advanced economic and political ideas through the Arthashastra. The	Jain, H. (2019). [13]

		text highlights governance, ethics, welfare, and economic management, demonstrating that many principles of economics are universal and remain relevant even in modern times.	
5	Kautilya's model of sustainable development	This paper explores Kautilya's concept of sustainable development as presented in Arthashastra, highlighting its relevance to modern global challenges. It presents sustainability as a balanced integration of idealism and realism, emphasizing collective welfare, social responsibility, accountability, and institution-building as the foundation for long-term human development.	Bhalachandran, G. (2011). [14]
6	The economic function in the Hindu worldview: its perennial social relevance	This paper conceptually examines the Hindu perspective on economics by linking cultural, ethical, and spiritual values with socio-economic systems. It argues that the long-term sustainability of India's social and economic structures stems from the enduring principles of Hindu philosophy, emphasizing a holistic relationship between culture, morality, and economic development.	Chakraborty, S. K., & Chakraborty, D. (2007). [15]
7	Kautilya's Mandala Theory and Its Relevance for Modern International Relations	This paper examines the modern relevance of Kautilya's Mandala Theory in International Relations, showing how it anticipated realist concepts such as self-help, anarchy, security dilemmas, and shifting alliances. It also highlights the ethical dimension of Rajdharma and connects Kautilya's strategic thinking to India's present-day multi-alignment, Indo-Pacific strategy, and neighborhood-first diplomacy.	Sardana, R. (2026). [16]
8	Alternative Economic Systems: Modern Versus Ancient	This chapter critically explores modern and ancient economic systems to identify alternatives that can address the limitations of current post-growth models. By integrating the strengths of both traditional and contemporary approaches, it proposes the development of a more sustainable, balanced, and equitable economic framework.	Reddy, V. R., & Behera, B. (2025). [17]
9	Free Markets, Hindu Ethics and Human Flourishing	This paper explores the relationship between free markets, ethics, and human wellbeing from a Hindu perspective by examining Hindu philosophy and the views of Kautilya and Mahatma Gandhi. It argues that while markets can support human flourishing, excessively free markets may negatively affect ethics, social harmony, and overall wellbeing.	Dutt, A. K. (2026). [18]
10	Kautilya's Arthashastra and Economic Development	Arthashastra, traditionally associated with Kautilya, provides valuable insights into Mauryan state policy, governance, and political strategy. Written in Sanskrit, the text focuses on practical statecraft, material gain, and administration, emphasizing that rulers could	Campus, H. J. (2025). [19]

		use pragmatic means to achieve political stability and strengthen the state.	
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3. OBJECTIVES OF THE STUDY :

This research paper is guided by the following specific scholarly objectives:

- (1) To provide a comprehensive comparative analysis of the foundational philosophical premises of Kautilyan Artha and mainstream Western economic thought, identifying their respective definitions of wealth, the role they assign to ethics, and the ultimate goals they pursue.
- (2) To examine and compare the taxation and public finance frameworks of the Arthashastra and Western fiscal theory, tracing the independent development of parallel principles (such as progressive taxation and the ability-to-pay criterion) and identifying points of genuine divergence.
- (3) To analyse the Kautilyan and Western approaches to labour, wages, worker welfare, and social security, assessing the extent to which ancient Indian provisions anticipate or diverge from modern labour economics.
- (4) To compare the mechanisms of trade regulation, price control, profit regulation, and market competition in both traditions, with particular attention to the state's role as economic regulator.
- (5) To evaluate the governance and development models embedded in each tradition, including their approaches to infrastructure investment, agriculture, industrialisation, and national economic security.
- (6) To assess the contemporary relevance of the Kautilyan economic framework for Indian and global economic policy, management education, and the integration of Indian Knowledge Systems into mainstream economic discourse.
- (7) To contribute to the growing scholarly literature on comparative economic thought by providing a detailed, evidence-based assessment of the Arthashastra's place in the history of economic ideas.

4. METHODOLOGY :

In this paper, the exploratory qualitative research method is used. The relevant information is collected using keyword-based search in Google search engine, Google Scholar search engine, and AI-driven GPTs. This information is analysed and interpreted as per the objectives of the paper [20-30].

5. PHILOSOPHICAL FOUNDATIONS: WEALTH, ETHICS, AND ECONOMIC PURPOSE :

5.1 Core Definitions of Wealth: Artha versus Capital:

The divergence between Kautilyan and Western economic thought begins at the most fundamental level: the definition of wealth itself. The Sanskrit term Artha is irreducibly polysemous in a way that no single Western economic concept can capture. The Arthashastra itself explains the word through multiple semantic layers — as the source of livelihood, as the earth inhabited by human beings, and as the means of protection and acquisition of that earth. In its broadest philosophical usage, Artha encompasses not only material prosperity but also knowledge, friendship, love, and all forms of human flourishing that enable a person and a community to thrive. This holistic conception treats wealth as a multifaceted resource whose ultimate purpose is the nourishment of individuals and the well-being of the broader social organism.

The Western concept of capital underwent a significant definitional evolution. In its pre-Smithian usage, capital referred simply to money available for investment in business — a relatively narrow financial concept. Adam Smith's transformative contribution in the Wealth of Nations was to reconceptualise capital as encompassing physical assets, machinery, and crucially, human productive capacity — what we now call human capital. This expansion of the capital concept brought Western economics closer to the Kautilyan understanding of wealth as a multidimensional resource, though it retained the fundamentally quantitative and accumulation-oriented orientation that distinguishes Western economic thinking. Modern Western economics defines capital as physical or financial resources used to produce value in an economy, maintaining the focus on tangible, measurable assets that generate returns through market mechanisms.

The philosophical significance of this definitional difference should not be underestimated. When wealth is understood as Artha — encompassing material prosperity within a framework of social welfare, ethical conduct, knowledge, and human relationships — the economic activity of acquiring

and deploying wealth is embedded within a larger project of human and civilisational flourishing. When wealth is defined as capital — measurable, fungible, accumulation-oriented — economic activity becomes analytically separable from moral, social, and cultural considerations, and economic analysis can proceed on purely technical grounds. This is precisely what happened in the development of mainstream Western economics following Smith: the progressive separation of economics from ethics as a disciplinary norm, culminating in the positivist claim that economics can and should be a 'value-free' science.

5.2 The Role of Ethics: Embedded Morality versus Value-Free Analysis:

No dimension of the comparison between Kautilyan and Western economic thought is more consequential than the question of ethics. Ancient Indian economic philosophy maintained, as a foundational premise, that economic goals are inseparably intertwined with moral values and the welfare of society. The four Purusharthas — Dharma (righteous duty), Artha (wealth and prosperity), Kama (desire and pleasure), and Moksha (spiritual liberation) — constitute an integrated framework in which the pursuit of wealth is simultaneously a moral vocation. Kautilya explicitly positioned Artha within this moral architecture: a ruler's right to govern depended on promoting the happiness and prosperity of the people, and commercial activity conducted in violation of Dharma — through fraud, exploitation, or environmental harm — was not merely illegal but cosmically disordered.

Western economics underwent a deliberate disciplinary move toward ethical neutrality in the nineteenth and twentieth centuries. The Smithian foundation of neoclassical economics rests on the concept of homo economicus — the economic agent understood as a rational, self-interested maximiser of utility. This model, as critics from within the Western tradition have noted, does not merely describe human behaviour but prescribes a certain orientation toward economic life as the analytical norm. The assumption that individuals are self-interested and rational effectively exempted collective ethics from economic analysis, treating social welfare as a by-product of individual self-interested exchange (via the invisible hand mechanism) rather than as a prior moral commitment shaping economic institutions. The limitations of this approach have become increasingly apparent in the context of contemporary economic challenges — including growing inequality, environmental degradation, financial instability, and the failure of purely market-based systems to provide adequate social security. Heterodox economists, behavioural economists, and institutional economists have all challenged the homo economicus model from within the Western tradition. The Kautilyan framework suggests a different starting point: not a model of rational self-interest that must then be corrected for by adding moral constraints, but an integrated vision of human economic agency that treats moral duty (Dharma), material prosperity (Artha), human desire (Kama), and spiritual fulfilment (Moksha) as constitutive of the complete economic person from the outset.

5.3 State-Centric versus Market-Centric Approaches to Economic Organisation:

The contrast between Kautilyan state-centrism and Western market-centrism is perhaps the most familiar dimension of the comparison, and it is important to handle it with nuance rather than caricature. Kautilya's political economy is not a command economy in the modern sense; it is better described as a sophisticated mixed economy with significant state intervention directed toward market regulation, consumer protection, and social welfare. The state under the Arthashastra's framework regulates trade, sets up market infrastructure, controls the supply of essential goods, prevents monopolies, and maintains price stability — while simultaneously encouraging private enterprise and protecting property rights. The emphasis is on proactive state intervention as a necessary complement to, not a replacement for, market activity.

Western market economies operate, at their conceptual foundation, on the principle that price signals generated by the interaction of supply and demand are the most efficient mechanism for coordinating economic activity and allocating scarce resources. The invisible hand metaphor captures the theoretical claim that decentralised individual decisions, motivated by self-interest, produce collectively optimal outcomes without requiring central direction. This framework positions the state primarily as a provider of public goods and enforcer of property rights, with market regulation treated as a necessary departure from the ideal rather than a constitutive feature of a well-functioning economy.

The contemporary convergence between these positions is noteworthy. Modern mixed economies blend elements of market coordination with significant state intervention — through regulation, taxation,

social spending, and public investment — in ways that pragmatically approximate the Kautilyan mixed economy more closely than the laissez-faire ideal. Conversely, the Arthashastra's encouragement of private enterprise and its sophisticated understanding of price formation, competition, and market incentives place it closer to market economics than a purely statist reading would suggest. The genuine difference lies in the default: Kautilya's default is a regulated market embedded in a welfare-oriented state, while Western liberal economics' default is a self-regulating market in which state intervention requires justification.

5.4 The Ultimate Aims of Economic Activity: Social Harmony versus Individual Prosperity:

The deepest philosophical difference between the two traditions concerns the ultimate purpose of economic activity. Kautilya's framework treats social harmony and collective welfare — the happiness and prosperity of the people, in his formulation — as the ultimate criterion of economic success. The famous concluding verse of the Arthashastra captures this orientation with crystalline precision: 'In the happiness of his subjects lies the king's happiness; in their welfare his welfare.' This is not a rhetorical flourish but a foundational principle that orients the entire framework of the text.

Western economics, by contrast, centres on individual prosperity as both the means and the measure of economic success. Adam Smith's theoretical framework positions self-interest as the fundamental driver of economic activity, with collective opulence emerging as the aggregate consequence of individual capital accumulation. The most common rational strategy for improving one's condition, in Smith's analysis, is the augmentation of fortune through disciplined saving and capital accumulation. The system's moral legitimacy rests on the theoretical claim that this individual-level pursuit of wealth, when conducted within appropriate institutional constraints, generates the collective prosperity that serves everyone's interests.

It is worth noting that Smith himself — whose moral philosophy in the *Theory of Moral Sentiments* (1759) is considerably richer and more socially embedded than the *Wealth of Nations* alone suggests — was not an advocate of unqualified self-interest. His concept of the 'impartial spectator' as the internal moral regulator of economic conduct has interesting structural parallels with the Arthashastra's framework of Dharma as the moral regulator of commercial activity. The subsequent development of mainstream economics toward a purer homo economicus model represents a selective reading of Smith that discards his moral philosophy in favour of his economic analysis.

6. TAXATION AND PUBLIC FINANCE: ANCIENT FRAMEWORKS AND MODERN PARALLELS :

6.1 The Ability-to-Pay Principle: Independent Convergence:

One of the most striking features of the comparative exercise between Kautilyan and Western fiscal theory is the independent convergence on the ability-to-pay principle as a foundational criterion of just taxation. Modern Western tax theory identifies the ability-to-pay principle — the proposition that tax obligations should reflect the taxpayer's financial circumstances relative to the burden imposed by the tax payment — as one of the core criteria of tax equity, alongside the benefit principle (those who benefit from public goods should pay for them), horizontal equity (equal treatment of equals), and vertical equity (differential treatment of those in different circumstances).

Kautilya's taxation framework embodies a sophisticated synthesis of the ability-to-pay and benefit principles that predates the formal articulation of these concepts in Western fiscal theory by approximately two millennia. His approach — advocating for taxation equitable and commensurate with an individual's ability to pay, cautioning against excessive taxation that could trigger public discontent and economic decline, and insisting that the state must first foster economic growth before expanding the tax burden — reflects a nuanced understanding of the relationship between fiscal policy and economic performance that modern tax economists would recognise as theoretically sophisticated. A particularly insightful provision of the Arthashastra is the warning that the king should levy taxes only on enterprises that are well established, and not on new enterprises or industries. This anticipates, by over two thousand years, the contemporary policy debate about the appropriate tax treatment of startups and early-stage enterprises — a debate that has resulted, in modern tax systems, in various forms of tax relief for early-stage businesses on the grounds that taxing productive capacity before it generates returns is both economically counterproductive and inequitable.

6.2 Progressive Taxation: Kautilya's 2,000-Year Precedence:

The historical priority of the Arthashastra's progressive taxation framework deserves particular emphasis in the context of comparative economic thought. Western scholarship typically credits the United States with the invention of progressive income and wealth taxation in the 1920s and 1930s, with an important precedent in the 1862 Civil War income tax that established two brackets (3% for incomes between 600 and 10,000 dollars, and 5% for incomes above 10,000 dollars). In the broader Western tradition, progressive taxation was theorised by classical economists including John Stuart Mill and was given influential modern treatment by A.C. Pigou and Henry Simons in the early twentieth century.

A.C. Pigou is noted for developing welfare economics and the concept of externalities, while Henry Simons is recognized for his work on economic policy and the importance of limiting monopolistic power to maintain competitive markets.

The Arthashastra's progressive structure, by contrast, was operational over two thousand years earlier. Higher rates of sales taxation applied to the most expensive commodities — gold, silver, diamonds, and pearls — with progressively lower rates on less expensive goods such as grains, dairy products, firewood, and bamboo. A graduated system applied to occupational and income taxation levied on artisans and craftsmen, with the highest rates assigned to the most skilled (and highest earning) workers and the lowest rates to the least skilled. Kautilya further proposed a linear income tax in which a fixed proportion of income was paid to the state — a structure that implicitly embodies proportionality, a first step toward progressivity.

It is important to acknowledge that Kautilya did not articulate the philosophical justification for progression in terms that would be recognised as a theory of marginal utility of income or equal sacrifice — frameworks developed within the Western utilitarian tradition in the nineteenth century. His progressivity was more pragmatic in its justification: higher-value transactions and higher-income individuals could bear greater fiscal burdens without the social and economic disruptions that excessive taxation of lower-income groups would generate. The outcome, however — a graduated system in which the fiscal burden scales with economic capacity — is structurally identical to modern progressive taxation.

6.3 The Laffer Curve Before Laffer: Kautilya's Garden Metaphor:

Among the most vivid and intellectually significant features of the Arthashastra's fiscal framework is its use of organic metaphors to illustrate the principle of sustainable taxation. Kautilya instructed rulers to collect revenue 'just as one plucks fruit from a garden as they ripen' — taking what is ready to harvest without destroying the productive capacity of the plant. The same idea is expressed through the metaphor of the bee, which collects honey without harming the plant: just as a leech, a calf, and a bee draw only small quantities from their respective sources without destroying them, so a king should take from his subjects small amounts of taxation that preserve rather than deplete the economic organism.

This intuition — that excessive taxation is self-defeating because it destroys the productive base from which revenues are drawn — is structurally equivalent to what Western fiscal economists call the Laffer Curve: the proposition, formalised by Arthur Laffer in a 1974 napkin sketch for Dick Cheney and Donald Rumsfeld and subsequently popularised in supply-side economic discourse, that there is an optimal tax rate above which increasing the rate reduces total revenue by discouraging productive activity. The Kautilyan articulation of this principle predates Laffer by approximately 2,300 years, and does so in a more ecologically sophisticated metaphorical framework — one that embeds the insight within a broader understanding of the economic system as a living organism requiring sustainable management rather than extraction.

Kautilya's preference for expanding the tax base over increasing tax rates reinforces this anti-extractive orientation: a wider base with moderate rates distributes the fiscal burden more equitably, prevents the dislocations caused by sectoral over taxation, and promotes the economic growth that ultimately generates more revenue than rate increases would. This supply-side wisdom, while presented in the language of ancient statecraft rather than modern economic theory, reflects an understanding of fiscal policy dynamics that mainstream Western economics only formalised in the late twentieth century.

6.4 Revenue Utilisation and the Welfare State:

The Arthashastra's framework for the utilisation of tax revenues is explicitly oriented toward public welfare, infrastructure development, and the support of vulnerable populations. Kautilya recognised the role of taxation in promoting economic growth and public welfare, advocating for using revenues to build roads, waterways, and ports, to support agriculture, and to provide public goods including grain stores, hospitals, and emergency relief. His public finance system has been described by scholars as anticipating the concept of the welfare state — a system in which the state assumes responsibility for the economic security and well-being of its citizens.

The welfare orientation of Kautilyan fiscal policy is particularly evident in its provisions for disaster relief. In times of famine, epidemic, or war, the Arthashastra instructed rulers to initiate public works programs — irrigation infrastructure, fort construction, grain distribution — while exempting affected populations from their tax obligations. This countercyclical fiscal policy, in which the state expands spending and reduces tax burdens during downturns to sustain aggregate demand and social welfare, anticipates Keynesian macroeconomic policy by over two thousand years.

Western governments' use of tax revenues serves multiple objectives that extend beyond welfare — including infrastructure, defence, debt servicing, and regulatory capacity — and the relative weight assigned to welfare spending versus other priorities has been a persistent site of political contestation throughout the modern period. The Kautilyan framework's explicit prioritisation of people's welfare as the ultimate purpose of public finance provides a philosophical orientation that contemporary debates about the proper scope of government spending would find clarifying, if not always conclusive.

7. LABOUR, WAGES, AND SOCIAL SECURITY :

7.1 Wage Determination: Efficiency-Based versus Market-Based:

The Arthashastra's approach to wage determination reflects the same integrated, state-supervised orientation that characterises its overall economic framework. Kautilya prescribed that wages should be determined through contracts between employers and employees, with settlements conducted in the presence of witnesses to provide legal enforceability and dispute resolution mechanisms. His wage structure was explicitly efficiency-oriented: high officials received substantial compensation specifically to make them efficient in their work and to reduce the incentive for corruption. The Chancellor and Treasurer received 24,000 panas annually — an extraordinarily high figure relative to the 60 panas yearly minimum prescribed for unskilled workers — reflecting the principle that compensation should scale with the skill, responsibility, and strategic importance of the role.

Western market economics relies on the intersection of labour supply and demand to determine wages without requiring state-supervised contracts or predetermined efficiency standards. Wages in competitive labour markets adjust dynamically in response to regional conditions, skill scarcity, and productivity differentials. The minimum wage — a floor below which market wages cannot fall — represents the most common form of state intervention in Western labour markets, justified on welfare grounds as a correction for the monopsony power that employers sometimes exercise in local labour markets.

The comparison reveals an interesting inversion: Kautilyan wages were determined by a combination of contractual negotiation and state prescription, with an efficiency rationale for high compensation of senior officials that anticipates modern executive compensation theory. Western wages are determined primarily by market forces, with state intervention at the floor rather than across the distribution. Neither system fully resolves the tension between market efficiency and distributive justice in wage determination — a tension that remains live in contemporary debates about executive pay, minimum wages, and the declining labour share of national income.

7.2 Worker Rights and the Dignity of Labour:

Kautilya's treatment of worker welfare in the Arthashastra is remarkably comprehensive for a text of its era. The framework covered social order maintenance, livelihood protection, support for vulnerable sections of the population, and — most strikingly — provisions for the welfare of slaves and prisoners that imposed duties of care on their masters and the state. The text held the state responsible for protecting victims of theft, requiring reimbursement from the king's treasury if stolen property was not recovered — a form of state-backed insurance against economic crime that anticipates modern social security systems.

Western labour rights developed primarily during the nineteenth century, as a response to the documented exploitation of industrial workers under early capitalism. The core international labour standards now recognised by the International Labour Organisation — freedom of association, collective bargaining rights, prohibition of forced labour, elimination of child labour, and non-discrimination in employment — represent the codification of claims that workers' movements fought for over a century of industrial labour history. These rights are now embedded in international conventions and domestic labour law across most jurisdictions.

The comparison suggests that Kautilyan worker protections were more paternalistic in their structure — state-imposed duties of care rather than rights claimed by workers themselves — while Western labour rights frameworks are more adversarial in their origin and more procedural in their implementation. Both traditions recognise the state's responsibility for worker welfare, but they conceptualise that responsibility differently: the Arthashastra frames it as a dimension of the ruler's dharmic duty, while Western labour law frames it as the enforcement of rights that workers possess independently of state benevolence.

7.3 Social Security: State Provision versus Mixed Models:

The Arthashastra's social security provisions position the state as a provider of last resort for the most vulnerable members of society — children, the elderly, childless women, and those rendered helpless by circumstance — while assigning primary responsibility for dependent care to the family unit. This two-tier model, combining family-level provision with state safety nets, is structurally similar to the mixed social security models that most modern states have evolved toward, with contributory social insurance programs supplementing family support networks.

The text's provision for recruiting orphaned youth into state service — combining welfare with governance capacity — is an intriguing anticipation of modern active labour market policies, in which social support is linked to skill development and labour market participation rather than being purely passive income replacement. This integration of welfare and productivity considerations reflects the Arthashastra's characteristic refusal to treat social welfare and economic efficiency as necessarily in tension.

7.4 Women in the Workforce: Classical Provisions and Contemporary Realities:

The Arthashastra's provisions regarding women in the workforce deserve attention as a dimension of its labour economics that is often overlooked in comparative analyses. The text records that ancient Indian women worked in spinning, weaving, and agricultural sectors and received payment without delay — an explicit protection against wage arrears that reflects a concern for worker welfare extending across gender. Different caste arrangements governed work conditions, with some upper-caste women working from home while widows and women in other circumstances worked in royal factories under organised labour arrangements.

The contemporary picture of female labour force participation in India is both more complex and more troubling. Female labour force participation declined from 31.2% in 2011-12 to 23.3% in 2017-18 before rising to 41.7% in 2023-24 — but much of this recent increase reflects unpaid family labour in agriculture rather than formal employment gains. The gap between the classical text's explicit provisions for female workers' remuneration and the contemporary reality of women's under-representation in India's formal economy points to the complexity of implementing classical principles in contemporary institutional contexts — and to the importance of distinguishing between normative aspiration and historical practice in engaging with ancient texts.

8. TRADE REGULATION, PRICING, AND MARKET COMPETITION :

8.1 Just Price versus Market Price: The Fundamental Regulatory Divide:

The contrast between the Arthashastra's just price framework and the Western market price mechanism represents one of the sharpest and most consequential divergences between the two traditions. Kautilya's Superintendent of Commerce operated under a formula for the Just Price that decomposed the fair selling price into its constituent components: average cost of production, plus tolls and taxes, plus transport and associated logistics costs, plus an explicitly regulated profit margin. This cost-plus pricing model, enforced by state superintendents with punitive powers over violators, was designed to ensure

that prices reflected the actual economic cost of production and distribution without exploitation — neither profiteering at consumers' expense nor predatory pricing at competitors' expense.

Western market economics rejects the concept of a just price determined by administrative formula in favour of a market-clearing price determined by the interaction of supply and demand. The price mechanism performs what Hayek famously called a knowledge-aggregating function: it synthesises dispersed information about consumers' preferences and producers' costs into a single signal that coordinates economic decisions without requiring any central authority to possess that information.

Friedrich Hayek was an Austrian economist and philosopher advocating free markets, economic liberalism, limited government, and spontaneous social order.

This epistemic argument for market prices — that they encode more information than any administrative authority could command — constitutes the most powerful theoretical defence of market pricing over administered pricing.

The Kautilyan just price formula is not, however, simply ignorant of market forces. By specifying that the profit margin should be a positive component of the just price — rather than being eliminated in the interest of consumers — the Arthashastra acknowledges that producers require an incentive for continuing production. The formula's explicit inclusion of transport costs and taxes as legitimate components of the price recognises the economic realities of supply chains. The difference from market pricing lies in the framework's insistence that these components should be transparent, regulated, and subject to state oversight — an anticipation, in some respects, of modern cost-of-service regulation in natural monopoly industries.

8.2 Profit and Interest Rate Regulation:

The Arthashastra's explicit regulation of profit margins — fixing them at 5% for indigenous commodities and 10% for foreign goods — and its graduated interest rate structure provide detailed evidence of how Kautilyan commercial regulation operated in practice. Violations of the profit margin regulations attracted fines of twelve panas. The interest rate structure was differentiated by risk: 15% per annum for ordinary non-commercial loans, 60% for less risky commercial loans, 120% for risky commercial loans, and a striking 240% for foreign trade loans reflecting the maritime and political risks of long-distance international commerce.

The risk-differentiated interest rate structure is particularly interesting from a Western finance theory perspective. Modern financial economics' core insight — that required returns must compensate for risk, and that riskier assets must offer higher expected returns to attract investment — is here given operational expression in a graduated lending rate system over two thousand years before the formal development of risk-adjusted pricing in Western finance. The Arthashastra's 240% rate for foreign trade financing anticipates the marine insurance and merchant banking innovations of medieval and early modern European commerce, which developed risk-pooling and risk-premium mechanisms for financing long-distance trade under conditions of political and natural uncertainty.

Western financial markets rely on competitive market forces to determine interest rates, with central bank policy rates providing a floor and spreads reflecting credit risk assessments. The deregulation of interest rate ceilings in Western financial systems during the 1970s and 1980s — a move from administered toward market rates — was justified on efficiency grounds. The subsequent experience with credit booms, predatory lending, and financial crises has led to renewed regulatory interest in interest rate caps in specific markets (notably consumer credit and payday lending), suggesting that the Kautilyan intuition about the social costs of unregulated interest rates retains practical relevance.

8.3 Anti-Monopoly and Consumer Protection:

The Arthashastra's provisions against hoarding and profiteering — with fines reaching one thousand panas for violations — constitute an ancient form of competition law and consumer protection regulation that anticipates modern anti-monopoly frameworks by millennia. Kautilya understood that markets left unregulated tend toward monopolistic concentration and that monopolists exploit consumers through price gouging and artificial scarcity. His response was direct state regulation of hoarding and profiteering, with graduated penalties calibrated to the severity of the offence.

Modern competition law in Western jurisdictions — the Sherman Act in the United States (1890), the Treaty of Rome's competition provisions in the European Union (1957), and their many national

equivalents — reflects the same recognition that market concentration harms consumers and must be regulated by the state.

The Sherman Act (1890) prohibited U.S. monopolies; the Treaty of Rome similarly enforces European competition, preventing cartels and abusive market dominance.

The conceptual framework is different: Western competition law typically works through post-hoc enforcement against demonstrated anti-competitive conduct, while the Arthashastra employed preemptive price regulation and supply control. But the animating concern — protecting consumers from exploitation by economically powerful actors — is identical.

9. GOVERNANCE, INFRASTRUCTURE, AND RESOURCE MANAGEMENT :

9.1 Administrative Structures and Economic Governance:

The Arthashastra's governance architecture is characterised by a sophisticated bureaucratic structure in which specialised officials are responsible for specific economic functions — finance, trade regulation, weights and measures, agriculture, mining, and public works — under the ultimate authority of the king. The framework places particular emphasis on the efficiency, accountability, and moral integrity of public officials, recognising that the quality of governance — not merely the quality of policies — determines economic outcomes. Kautilya's insistence that officials should be selected on the basis of character and capability, his elaborate anti-corruption mechanisms, and his advocacy for systematic auditing of state finances reflect an understanding of institutional quality as a foundational determinant of economic performance.

Western democratic governance evolved toward accountability through different mechanisms — electoral accountability, independent judiciary, free press, civil society — that prioritise responsiveness to citizens over the efficiency criteria that dominate the Arthashastra's administrative framework. The contemporary scholarly literature on institutions and economic development, pioneered by Douglas North, Daron Acemoglu, and others, has established that the quality of economic institutions — including property rights, rule of law, and regulatory capacity — is among the strongest predictors of long-run economic growth. This insight aligns with the Kautilyan emphasis on governance quality as a prerequisite for economic performance, even if the specific institutional mechanisms proposed by each tradition differ considerably.

9.2 Infrastructure Investment: State Obligation and Economic Foundation:

The Arthashastra's mandate that the state must provide and maintain economic infrastructure — roads, waterways, ports, irrigation systems, and public granaries — reflects the understanding that private markets cannot be expected to provide the public goods on which commerce depends. Kautilya prescribed the use of all available labour resources — including slaves, prisoners, and hired workers — to plant seeds on royal domains, develop agricultural land, and build the physical infrastructure of the economy. Agricultural scientists (in the modern sense, agronomists and engineers) were employed by the state to advance productive techniques.

Contemporary economic research on infrastructure and growth confirms the Kautilyan intuition: infrastructure investment promotes economic growth through its impact on production costs, the productivity of private inputs, and the returns to private capital, particularly when the initial stock of infrastructure is relatively low. The World Bank's extensive research on infrastructure and development has consistently found that public infrastructure investment generates significant growth multipliers in developing economies — a finding that supports the Arthashastra's emphasis on state-led infrastructure provision as a development strategy.

9.3 Agriculture, Mining, and Economic Diversification:

Kautilya's hierarchy of productive activities — positioning cultivable land as more valuable than mines because agriculture fills both the treasury and the food stores while mining fills only the treasury — reflects a sophisticated understanding of the multiple functions of different sectors in a pre-industrial economy. This agricultural prioritisation is not merely an expression of agrarian romanticism but a pragmatic recognition that food security is the foundational prerequisite of social stability, and that an economy dependent solely on mineral extraction is more vulnerable to external shocks and supply depletion than one with a diversified agricultural base.

The contemporary development economics literature has extensively documented the 'resource curse' — the empirical finding that countries with large endowments of extractable natural resources often grow more slowly and exhibit worse governance than resource-poor countries. This paradox, which has been documented across oil-producing states in the Middle East, sub-Saharan Africa, and Latin America, reflects exactly the dynamic that Kautilya's prioritisation of agriculture over mining implicitly anticipates: the dependence on extractive revenue creates institutional incentives that undermine the diversified productive capacity and civic institutions required for sustainable long-run development.

9.4 National Security as an Economic Foundation:

One of the most striking modern resonances of the Arthashastra's economic framework is its integration of national security and economic policy. Kautilya declared mines as 'the very source from which springs all temporal power for the strength of government' — recognising that a state's capacity to defend itself and project power depends critically on its economic and material resource base. The 2026 Economic Survey of India's citation of the Arthashastra as an early model demonstrating how economic instruments — trade regulation and taxation — can strengthen state power confirms the contemporary relevance of this integration.

Western mainstream economics traditionally treated national security as an externality to be handled by non-economic means — defence spending funded by taxes, with trade and economic policy otherwise governed by market efficiency criteria. The emergence of economic statecraft as a field of policy and scholarship — using trade policy, investment screening, sanctions, and technology controls as instruments of national security strategy — represents a rapprochement between economic policy and security strategy that the Arthashastra had integrated from the outset. The United States' export control regimes, the European Union's foreign investment screening mechanisms, and India's own strategic trade policies all reflect a recognition that economic and security policy cannot be cleanly separated.

10. CRITICAL EVALUATION: CONVERGENCES, DIVERGENCES, AND LIMITATIONS :

10.1 Genuine Convergences and Independent Parallel Development:

The comparative exercise conducted in this paper has revealed a striking pattern of independent convergence between Kautilyan and Western economic frameworks on specific practical conclusions, despite their radically different philosophical premises and institutional contexts. Progressive taxation, the ability-to-pay principle, infrastructure investment, anti-monopoly regulation, countercyclical fiscal policy, and risk-differentiated interest rates all appear in the Arthashastra in forms that are structurally equivalent to their Western counterparts, despite having been developed independently two thousand or more years earlier.

This pattern of independent convergence has important implications for the comparative history of economic ideas. It suggests that certain economic insights are not culturally particular but reflect relatively stable relationships between economic variables — relationships that careful empirical observation and rational analysis can identify regardless of the specific cultural framework within which the inquiry is conducted. The Kautilyan fiscal economist and the modern Western public finance theorist are, at some level, investigating the same economic relationships, even if they embed those relationships in very different normative and philosophical frameworks.

10.2 Fundamental and Irresolvable Divergences:

The convergences should not obscure the fundamental divergences that persist despite all the parallels. The most important divergence is the one identified in Chapter III: the role of ethics in economic analysis. The Arthashastra embeds economic activity within a moral framework (Dharma) from which it cannot be abstracted without losing its essential character. Western mainstream economics has, for the past century and a half, proceeded on the premise that economic analysis can and should be conducted independently of ethical commitments — that the economist's job is to identify efficient means to given ends, not to evaluate the ends themselves.

This methodological divergence has profound consequences. An economics that treats ethical commitments as exogenous constraints on otherwise amoral market activity will generate systematically different policy recommendations from an economics that treats ethical conduct as constitutive of healthy economic activity. The Kautilyan framework's insistence on the moral integrity of commercial actors — not merely as a regulatory requirement but as a condition of economic

flourishing — anticipates the contemporary literature on trust, social capital, and institutional quality as determinants of economic performance, but frames this insight within a richer normative vision than purely efficiency-based analyses can support.

10.3 Historical Context and the Limits of Direct Application:

Any attempt to apply Kautilyan economic principles directly to contemporary policy contexts must contend seriously with the vast difference in the economic, technological, and institutional contexts that separate ancient Mauryan India from the twenty-first century global economy. The Arthashastra was designed for a pre-industrial, agrarian economy in which the king's direct administrative capacity extended to the management of royal domains, mines, and trade routes. Its specific prescriptions — fixed profit margins, state-controlled wages, supervised contracts, and royal monopolies over key productive activities — were appropriate to an institutional context that bears little resemblance to modern market economies characterised by complex financial instruments, global supply chains, multinational corporations, and digital commerce.

This limitation does not invalidate the comparative enterprise; it specifies its appropriate scope. The Arthashastra's value for contemporary economic thought lies not primarily in its specific policy prescriptions but in its foundational philosophical architecture — its insistence on the moral embeddedness of economic activity, its integrated understanding of state and market, its ecological wisdom about sustainable resource use, and its practical recognition of governance quality as a prerequisite for economic performance. These are contributions to economic philosophy that retain relevance across the institutional transformations of two millennia.

11. CONCLUSION: TOWARDS AN INTEGRATIVE ECONOMIC PHILOSOPHY :

This research paper has conducted a systematic comparative investigation of the concept of Artha in Kautilyan economics and the mainstream Western economic tradition across seven analytical dimensions, revealing both striking convergences and fundamental philosophical divergences. The central finding of the study may be summarised as follows: the Kautilyan and Western economic traditions independently arrive at several practically similar conclusions about the design of tax systems, the importance of infrastructure, the necessity of anti-monopoly regulation, and the importance of worker welfare — but they arrive at these conclusions through entirely different philosophical routes, and the differences in those routes have profound implications for the framework within which economic policy is conceptualised and evaluated.

The Kautilyan tradition's most distinctive and enduring contribution to economic thought lies not in its anticipations of specific Western policy innovations — important as those anticipations are for the intellectual history of economics — but in its insistence on the moral embeddedness of economic activity. When the Arthashastra instructs the ruler that his happiness lies in the happiness of his subjects and his welfare in their welfare, it is not simply articulating a formula for political popularity; it is expressing a foundational ontological commitment to the priority of collective human flourishing over any particular economic actor's individual prosperity. This commitment — to Lokasamgraha, the holding together of the world — provides the ultimate justification for all the specific regulatory and fiscal mechanisms that the Arthashastra develops.

The relevance of this philosophical orientation to contemporary economic challenges cannot be overstated. Mainstream Western economics is currently undergoing a period of profound self-examination — driven by the growing recognition that the homo economicus model is empirically inadequate, that markets left unregulated generate unsustainable inequality and environmental destruction, and that economic analysis conducted without ethical commitments produces technically precise but normatively impoverished policy recommendations. The Kautilyan tradition, which never separated economics from ethics, offers a philosophically robust alternative starting point for an economics adequate to these challenges.

For Indian management education in particular, the integration of Kautilyan economic thought alongside Western frameworks offers a rich pedagogical opportunity: to equip future managers and policymakers with the analytical tools of modern economics while grounding their application in the moral philosophy and civilisational wisdom of the Indian tradition. The 2026 Economic Survey's citation of the Arthashastra is an official signal that this integration is not merely an academic exercise but a practical policy imperative. The present research paper has sought to provide the scholarly

foundation for that integration by demonstrating, in systematic detail, what the Kautilyan tradition offers that the Western tradition alone cannot supply.

As Kautilya wrote more than two thousand years ago: 'The king shall consider as good only that which pleases his subjects.' In an era when shareholder primacy is giving way to stakeholder capitalism, when ESG metrics are reshaping investment analysis, and when the social licence to operate is becoming a genuine constraint on corporate behaviour, this ancient wisdom is being rediscovered — not as nostalgia but as necessity.

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