

Chapter 16

Kautilya on Selection, Implementation, and Evaluation of a Project

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ABSTRACT

Kautilya wrote The Arthashastra during the fourth century BCE. It is a manual on how to provide freedom from wants and freedom from fear to every citizen. He understood that provision of human security was possible only if projects were selected properly. He recommended projects that maximized the creation of wealth and prevented damages from calamities, such as floods, famines, and fire, but keeping in view the complementarity of projects. He suggested a balanced growth approach to prevent possible bottlenecks. A bureaucratic set-up was designed to hold someone responsible to implement the project and be accountable. Contingency planning was to be undertaken in case the project did not turn out to be as expected. Evaluation of the project afterwards was considered equally important: if the project was successful, what factors contributed to its success, and if it failed, what factors were behind its failure. This chapter explores the modern implications of The Arthashastra.

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INTRODUCTION

Kautilya was a learned man. He was an empiricist and did not believe in fate. He was very ethical but not religious. He was very well versed in Vedas and other scriptures. He embraced and promoted the system-building role of Vedic virtues of non-violence, compassion, honesty, truthfulness, tolerance and cleanliness.¹ He definitely had knowledge of *Mahabharata* since he criticized Yudhisthira for his gambling habit and Duryodhana for his false pride. According to *rajadharma* as explained in *Mahabharata* and other scriptures, king was a paid public servant and was expected to protect his public against foreign aggression and provide clean and fair administration. Kautilya wanted to expand a king's role in the sphere of economic development. He believed that poverty was a living death and a king must take responsibility for raising the standard of living of his people and also protect them against natural disasters.

Kautilya wrote *The Arthashastra* during —4CE. His objective in writing it was to provide guidelines for building a prosperous, secure, safe, secular and caring nation. He understood the concept of backward induction. His ultimate goal being provision of human security, that is, freedom from wants (prosperity) and freedom from fear (safety and security) he devised a logical chain of the necessary steps to achieve this goal. He argued that human effort and creation of wealth were essential to economic growth. He proceeded to argue that these in turn depended on good institutions and good governance and these in turn depended on an ethical environment. Thus, he argued that system-building was essential to nation-building. According to Kautilya's predecessors, it was a king's moral duty to maintain law and order and provide protection against foreign aggression. Kautilya added the economic justification for maintaining law and order. He argued that law and order was essential to economic growth and that, in turn was essential to kingdom's survival. Kautilya did not refute the role of ethical conduct for attaining eternal bliss as suggested by his predecessors but he emphasized its role in attaining salvation from poverty so that every citizen could enjoy a richer and fuller life.²

Table 1 in Section 1 is used to capture Kautilya's theoretical construct for providing human security to every citizen.

The next step was how Kautilya would select the most desirable projects and ensure their effective implementation. A proper selection of projects required (i) availability of accounting methods, (ii) knowledge of concepts, like opportunity cost, (iii) discounting for risk and time and (iv) availability of qualified advisers. Kautilya developed accounting methods and also understood the concept of opportunity cost. These pre-requisites are presented in Section 2.

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