

Kautilya versus Thiruvalluvar. Inspiration from Indian Ancient Classics for Ethics in Governance and Management

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Abstract

We consider two classical sources from Ancient India as possible sources for tackling the lack of ethics in governance and business in emerging markets today. First, *Arthashastra* is a treatise on economics and politics written by Kautilya, the advisor to the Mauryan emperor Chandragupta during the fourth century BC. Kautilya provided practical recommendations like providing high and fair compensations to civil servants. It is suggested that the existing wage structure creates feeling of inequity in government employees and is likely to lead to inefficiency and corruption. Second, *Thirukkural* is a classic of rhyming Tamil couplets, possibly written around the year 31 BC, by Thiruvalluvar, a common weaver born in Mylapore, near present-day Chennai. It is one of the most revered ancient works in the Tamil language, providing a guide for human morals and betterment in life. Like Adam Smith and Jean-Jacques Rousseau, Thiruvalluvar stated that ethical values coincide with a good economy and that therefore a free market is necessary. Basically humans are naturally good and contribute positively to the economy. In conclusion, while Kautilya gave pragmatic advice to tackle human's destructive economic instincts, Thiruvalluvar assumed the natural goodness of men and warned against institutional interference.

Keywords

Wage structure, Kautilya, Thiruvalluvar, bureaucracy, corruption, work ethics, good governance, India, emerging markets, Hinduism, Buddhism

Introduction

The anti-social and uncooperative behavior of both private and government economic players has in general been identified as a main cause of the economic crisis since 2008. Meanwhile, in emerging markets corruption in public life is still considered as one of the most pressing issues. For instance in India governments are often plagued by series of scams which provide an excuse for opposition parties to disrupt parliamentary proceedings. Various civil society organizations have stirred the public awareness of the issue of corruption. Available literature is full of suggestions for dealing with the black economy (Kumar, 1999). Indian governments have already tried out a range of schemes like amnesty, tax cuts, demonetization and acquisition of undervalued properties, all of them with very poor results. Certainly one of the reasons for corruption in emerging democracies is the management of bureaucracy and specifically their incentives to perform in an ethical manner (Rose-Ackerman, 1986).

There is also the general observation by many critics that the lack of ethical awareness among both public and private economic players has to do with the economics curriculum and economic textbooks which are used in India and worldwide. Surveys reflect that on average, economists and economics students behave in a more self-interested way than others. In different experiments they tend to deviate from the moral good and are more corrupt. In India too some scholars look for spirituality as a solution to this behavioral problem. Shrikant (2014) argues to teach more spirituality, ethics, philosophy, and history in business schools. Too often a long historical experience regarding economic ethics in general and corruption more specifically is completely ignored.

What we suggest here is that historical sources may be useful as a source of inspiration for solving today's ethical issues regarding corruption and the black economy in general and in emerging markets more specifically. Two ancient Indian classics, *Arthashastra* and *Thirukkural*, are taken as case-studies, as they provide different answers.

The Origin of Indian Bureaucracy and Corruption

Indian independence in 1947 brought a structural change in the role of the state. Prime Minister Jawaharlal Nehru wanted to modernize and humanize a traditional society through state intervention in all important spheres of its activity. To meet these challenges the bureaucracy was expanded rapidly. Bureaucratic government institutions, rules and procedures from the British rule, however, remained largely intact, producing a mismatch between obsolete instruments and modern tasks. Unprecedented amounts of money became available to official agencies for spending on various programs and projects. As a result, corruption spread in the public services. The interaction with contractors and suppliers opened new avenues of making illicit gains. As the private sector grew side by side with the public sector, the scope for bribery enlarged. The complexities of export-import business and the temptation to evade taxes and manipulate duties were essential to the growth of corruption opportunities. The rise in disposable incomes of the business class increased their appetite for gold, luxury goods and imported items. This, in turn, stimulated smuggling and created new opportunities for mega corruption. Never before in India's modern history the level of corruption was so high. India scored 3.1 out of 10 on corruption and was ranked 95th out 183 countries in Transparency International's Corruption Perception Index (*Indian Express*, 2011). That corruption is not a part of Indian business and political culture is illustrated by the fact that non-resident Indians abroad are usually considered very disciplined and honest.

The underlying cause of India's corruption is complex. A complete lack of ethics certainly lies at the root of the problem. Clearly, there was a common platform to create a generally accepted moral, social and political code of behavior for every economic actor. What "*dharma*" or "righteousness" is to Hindus, "*deen*" or "moral conduct" is to Muslims. However, the potential for uniting ethical values and codes was completely ignored in favor of a so-called secularism protecting the rights of minorities that allowed communal groups to manifest themselves and emphasize differences instead of similarities. Srivastava (2001, p. 35) claims "that without a uniting and coalescing ethical component, secularism tended to create a dispersed and amoral society as well as an amoral polity, adrift without an anchor, without any generally accepted or acknowledged moral or social or political code for everybody". Another reason for corruption in India despite traditional ethical values is due to the intermingling of the idealized values and the social realities of India, more specifically a scarcity of resources, which led to a self-centered orientation for those in power (Sinha, 1997;

2008). The problem of bureaucratic corruption was exacerbated by the fact that Indian bureaucrats carried a colonial mindset including a distrust of natives and hence highly centralized decision-making which led to concentration in the power of a few (Sinha, 1997).

The size of the Indian government in terms of number of employees has been steadily increasing from 1.8 million employees in 1956 to 4.16 million employees in 1991 (Maheshwari, 2001). Within the Indian bureaucracy, the Indian Administrative Service (IAS) consisting of 4,377 officers (Ministry of Personnel, Public Grievances and Pensions 2012), is the most important in terms of social prestige and having access to the senior most positions in the administrative set up (Maheshwari, 2001, p. 316). In the year 2011 alone, IAS officers were charged with corruption in 15 cases and 11 IAS officers were booked by the India's highest criminal investigation agency, the Central Bureau of Investigation for corruption (*India Today*, 2012). In this paper, we argue that the low pay levels and highly egalitarian pay structure of India's bureaucracy may also have contributed to the rise of corruption. The relatively low salaries for public servants were an open invitation to create a political market instead of a transparent economic market. Clientelism became the rule actually enforcing communal identification.

Kautilya's Pragmatic Views on Economic Ethics and Compensation

The issue of good governance is discussed in Kautilya's *Arthashastra*, India's classic text on the art of politics and government. Kautilya was the first classical philosopher who explicitly tackled economic issues. He was the brilliant and unscrupulous Brahmin adviser of the first Maurya emperor, Chandragupta Maurya who reigned from 324 to 301 BC. over India. Chandragupta had overthrown the reigning king of the prosperous kingdom of Magadha, in Northern India, and had seized its capital, Pataliputra (the modern city of Patna, in the state of Bihar). The Maurya dynasty was to weld the diverse cultures of India into an empire lasting almost 140 years.

What makes a classical scholar like Kautilya relevant for today's issues of economic ethics and more specifically on compensation and corruption? Many scholars have argued that Kautilya was a pioneer economist also from a world history perspective. Jha and Jha (1998) conclude that *Arthashastra* is a monumental treatise of the ancient world that possesses great importance in the history of economics. Research on *Arthashastra* started when a complete manuscript of the work was discovered and published by R. Shama Sastry in 1908. Ghoshal and Radhagovinda (2006) further analyzed *Arthashastra* for the 1937 first edition of the Cultural Heritage of India, published by the Ramakrishna Mission in Calcutta. These were general surveys which regarded the text as "the branch of knowledge which deals with the acquisition and preservation of dominion" (Ghoshal and Radhagovinda, 2006, p. 451).

The traditional focus of analysis of *Arthashastra* was on the role of the state and the organisation of society (Deva, 1984), mostly concluding that the Mauryan economy can only be interpreted in a Marxist way. Scholars have emphasized that Kautilya categorically reaffirms the sanctity of the *varna* (or caste) hierarchy which Buddhist thought had called in doubt. But Kautilya also argued that the caste system can only exist as part of a system to create "wealth". *Arthashastra* literally means "the science of wealth". Despite its title, it was not an enquiry into the causes of the wealth of nations, but rather a work on polity offering advice to the ruler on how to increase and preserve his wealth and power. However, Kautilya has been identified by some Indian scholars as the inventor of "economics" as a separate

discipline. They usually refer to the terms he used in his treatise. The concept of *artha* (wealth) as one of the important goals in life sets the background of his economic thinking. The concept of *vartha* reflects the national economy, including agriculture, husbandry and commerce, while the concept of *arthashastra* combined economics, politics, ethics, war and law. This may be described as “human sciences” in the 21st C. Another important feature of *Arthashastra* is that it contains a revolutionary theory of value: it results from the utility and the scarcity of the product.

According to Dasgupta (1993) Kautilya’s approach had something in common with that of writers belonging to the “Cameralist” school in 17th C Germany, also confirming the present approach of the Norwegian economist Erik S. Reinert (Jomo & Reinert, 2005). They too were concerned with “administrative and policy studies”, the so-called “*Kameral-wissenschaft*”, rather than economic policy as such, regarding themselves as consultant administrators. Both of them favoured strengthening unification and centralisation of the state, within its own relatively limited territory. They emphasized the vital importance of social cohesion and believed that a major objective of economic policy was the raising of tax revenue for the state.

The role of the state includes a labour code (it is debatable whether this was like introducing a welfare state), a proper taxation system which should not oppress people (while government revenues should be derived from economic participation in selected economic sectors like diamond, gold, silver and heavy metals), and finally a regulating role in production, distribution, trade, and consumption. This also involved building roads along which goods to be traded could be carried, as well as measures for providing security to traders while travelling. To promote trade considerable attention was given to textiles which were partly in private hands. However, the state was expected to engage in production of textiles on an extensive scale, and to maintain strict control and supervision of that part of the industry which was in private hands (Jhingan, Girija, Manimekalai, & Sasikala, 2006).

In many ways these characteristics were comparable to those of Ancient Greece. However, there were also striking differences. First, interest had no negative connotation in Kautilya’s thinking. He actually considered 15 % to be ideal. Second, Ancient Greece was based on slaves for cheap labour, while Ancient India was based on a joint family system and a caste system, which was, however, still relatively flexible. We may conclude that Kautilya was already more advanced as far as capital formation and social protection are concerned. This confirms Dasgupta’s conclusions that he may be compared to 15th to 18th C West-European cameralists as described by Reinert (Jomo & Reinert, 2005).

Some Marxist scholars in India like (1958; see Dasgupta, 1993) also interpreted Kautilya’s thinking as advocating a new and radical agrarian policy. Kautilya was described as being against landlordism and in favour of cultivation by small owner-farmers. However, these interpretations can be debatable. In general *Arthashastra* recognises the existence of both state-owned and privately owned agricultural land. What can be observed is that, as a result of economic growth during the Maurya-period, trade and commerce began weaning away a large number of *Vaisyas* (castes involved in commerce and manufacture) from agriculture to trade, and more and more *Sudras* (outcasts) were required to replace them. Kautilya recognized these tendencies by extending the duties of the *Sudras* and by expressing a favourable opinion about the lower *varnas*.

At the same time it should be noted that, unlike some Buddhist and Tamil sources (confer *infra*), Kautilya did not directly refer to ethics. His statements are of an instrumental rather than a normative nature. Here again, there is no contradiction with the 18th C Mercantilist and Cameralist traditions in Western Europe. Kautilya considered economic activities as an essential need for which both the state and the individual had to play an important part. He is not bothered by the *Bagavad Gita's* quest for ethical activities but his ideas also do not contradict the *Gita*. His proposal for a wage scale reflects his insistence on a stable government.

Kautilya's concept of what is good governance is reflected in his approach to compensation of official administrators. Scholars have already considered this from two angles. First, the issue became relevant when the state visualized in *Arthashastra* was compared to present day India. Avari (2007) concludes that the hierarchy of officers controlling the bureaucracy must have been extremely elaborate and finely graded, and that one can see in it the antecedents of the hierarchy at the court of the great Mogul or the British viceroy. Thapar (2006) focuses more specifically on Kautilya's recommendation that senior officers receive forty-eight times the salary of a clerk, and ministers double that. The ratio of the clerk's salary to that of the chief minister or of the humble soldier to the commander was approximately 1:96. According to Avari (2007) these figures and the severe punishments for misdeeds and corruption, as described in *Arthashastra*, suggest that it was most unlikely that the Mauryan state could be defrauded by the people or its officials. This is in striking contrast to the taxation and other regimes prevalent since the second half of the 20th century in South Asian countries.

Rangarajan's (1987) translation and commentary on the *Arthashastra* provides details on the principles of salary fixation and actual salaries of government servants during the time of Kautilya (pp. 288-293). Totally twelve grades of government servants are listed ranging from the servants who tend the animals to senior-most advisors in the King's court. Of the twelve grades described by Rangarajan, we have selected only the top eight grades since they deal with the salaries of officers. The ninth grade consists of accountants and clerks which are out of the purview of this study. The details of the salaries of the first eight grades are shown in Table 1.

Table 1: Salaries of Government Officials in Kautilya's Arthashastra

Grade	Annual Salary (in panas)	Representative Positions within Civil Services
1	1,000	Heads of departments of civil service
2	2,000	King's physician, Chief Engineer
3	3,000	Nil
4	4,000	Forester, Chief Superintendent of Productive Forests
5	8,000	Magistrates
6	12,000	Ministers, Governor General of the City, Head of manufacturing establishment, Provincial Governors, Governors of frontier regions, City commandant
7	24,000	The Chancellor, The Treasurer
8	48,000	Officiating priest, King's guru, Councilors

Source: Rangarajan (1987, pp. 288-293)

We suggest to compare Kautilya's recommendations to pay levels and the pay structure in today's Indian bureaucracy. The Indian bureaucracy consists of an elite cadre called as the Indian Administrative Service (IAS). The salaries of IAS officers are determined based on the recommendations of the Sixth Central Pay Commission as adopted by the Department of

Personnel and Training in the Ministry of Personnel, Public Grievances and Pensions, of the Government of India. The pay of IAS officers has four components: basic pay (reflecting the gradual increase of pay within the same range), grade pay (reflecting the officer's status or level), allowances and benefits, and finally long-term benefits such as gratuity, pension, and other social schemes.

The concept of "cost to company" (CTC) has become popular in India since the 1990s and it includes the total cost incurred by an organization for an employee such as salary, variable pay, benefits, retrials, and training costs. Similar to the concept of CTC, Premarajan, Rao, and Gurunathan (n.d.) have defined a concept called "cost to government" (CTG) to indicate the total costs incurred by the government in employing a person. While a media report (Sinha, 2008) indicates that the actual cost to government can be up to four times the figure on the salary slip, the average multiplier to the basic salary to arrive at the CTG for general government employees is 3.56 (Premarajan, Rao, & Gurunathan, n.d., p. 135). Based on this we have calculated the range of the CTG for each of the levels (Ministry of Personnel, 2000).

Using the procedure suggested by Bloom (1999) and used by Brown, Sturman, and Simmering (2003) we then calculated the Gini coefficient for the IAS officer cadre as 0.1961. Since the Gini coefficient can range from 0 to 1, this seems to be rather low indicating an egalitarian wage distribution. The fact that the government strives to maintain an egalitarian wage structure is clearly mentioned in the Sixth Pay Commission Report which has fixed the ratio of the maximum to the minimum salaries to 1:12 (Government of India, 2008, p. 43).

While there are theories such as tournament and equity theory, which suggest the economic and psychological factors determining an individual's reaction to the pay structure, there are hardly any studies which suggest the actual level of hierarchy in a pay structure. There have been some attempts at empirically arriving at the level of hierarchy. For example, Mahoney (1979) and Elliot Jaques (cited by Kleiner, 2001) recommend salaries for individuals in a hierarchy based on employees' perceptions of a fair wage for all the jobs in the hierarchy. Here we suggest to consider the views of Kautilya and extrapolate his recommendations to the Indian bureaucracy of today.

The salaries mentioned by Kautilya are in the currency of his days, i.e., panas. Fortunately, Kautilya also provides us with a mechanism to derive the current equivalent of the salary in Mauryan times. In *Arthashastra*, {5.3.34} it is mentioned that "an annual salary of 60 panas is equal to one *adhaka* of grain per day" (Rangarajan, 1987, p. 288). Elsewhere, in *Arthashastra* {2.15.43} it is mentioned that one *adhaka* is "enough for four meals for one Arya male" (Rangarajan, 1987, p. 750). According to the Government of India Planning Commission (2012) individuals in urban areas earning less than Rs. 10,314.20 per annum are considered to be "below the poverty line." By equating a sum of 60 panas per annum to the poverty line estimate of Rs. 10,314.20 per annum, we can estimate the value of one pana as Rs. 171.90 in today's prices.

Since there was a considerable controversy about the level of this poverty line (*Economic Times*, 2012), we can assume that this would understate the actual value of the panna in today's terms. The value of the salaries of government officials in Rupees as suggested by Kautilya compared to the actual salaries of IAS officers in India today is shown in Table 2. In the table, the values suggested by Kautilya have been converted into CTG equivalents using the same conversion factor, i.e., 3.56. This assumes that the ratio of allowances and benefits to the basic wages was the same in Kautilya's time as it is now.

Table 2: Comparing Salaries of Government Officials Suggested by Kautilya with Actual Salaries of IAS Officers

Level	Annual salary of government servants as recommended by Kautilya in terms of 2012 values (in Rs. Per annum)	Annual salary of government servants as recommended by Kautilya in terms of 2012 values (in Rs. Per annum) CTG Equivalent	Actual Salaries of IAS officers CTG equivalent	Ratio of actual salaries of IAS officers to salaries recommended by Kautilya
1	171,900	611,964	1,399,080	2.28
2	343,800	1,223,928	1,450,344	1.18
3	515,700	1,835,892	1,493,064	0.81
4	687,600	2,447,856	2,601,648	1.06
5	1,375,200	4,895,712	2,657,184	0.54
6	2,062,800	7,343,568	2,742,624	0.37
7	4,125,600	14,687,136	3,417,600	0.23
8	8,251,200	29,374,272	3,844,800	0.13

When we compare the salaries recommended by Kautilya with the existing salaries earned by IAS officers, we find that in the first two years of the government official's career, the salaries earned are higher than or almost at par compared to those recommended by Kautilya. However, at the senior levels in the bureaucracy, the salaries earned by IAS officers in India today are a small fraction of those recommended by Kautilya for government officials. Using the procedure suggested by Bloom (1999) and used by Brown, Sturman, and Simmering (2003) we calculated the Gini coefficient for the CTG salaries recommended by Kautilya in *Arthashastra* as 0.5759. This is a rather high Gini coefficient indicating an extremely hierarchical wage distribution.

What are the effects of the discrepancy between Kautilya's recommendations and the current pay policy in the IAS? The pay levels of senior IAS officers (beyond 15 years of work experience) are a fraction of those recommended by Kautilya in his *Arthashastra*. In addition, the increase in salary as an IAS officer rises in the work levels within the IAS is much more egalitarian (a Gini coefficient of 0.19) as compared to the pay structure recommended by Kautilya in *Arthashastra* (Gini coefficient = 0.57).

According to Adams's (1963) equity theory, individuals compare the ratio of their outputs to their inputs with the ratio of others' outputs to others' inputs. When employees perceive an inequity in the ratio of outputs to inputs of self and others, they take steps to correct it. Job inputs can be in the form of qualifications, work experience, and performance and job outputs can be the form of tangible rewards such as compensation and benefits or intangible returns such as respect and recognition. If an individual feels that with respect to job inputs, the organization does not provide adequate outputs, he or she will take either work lesser, or seek to improve the outputs through other means (such as politicking or stealing) or will quit the job. Conversely, when employees perceive overpayment (as when they are paid efficiency wages), they work harder to correct the inequity. The tendency of humans to avoid inequity can explain the apparently contradictory findings of selfish and altruistic behavior (Fehr & Schmidt, 1999). In a laboratory experiment, even monkeys have shown an aversion for inequity (Brosnan & de Waal, 2003) which leads us to conclude that this inherent aversion to

inequity was necessary for the development of cooperation amongst members of our species during evolution.

Extending these insights to the organizational context, Greenberg (1990) described a field experiment where he compared the rate of employee theft at two plants during the period when wages were temporarily reduced by 15%. The plants where wages were reduced had significantly higher levels of employee theft as compared to the control plant, thereby illustrating that employees' respond to underpayment inequity by increasing their outcomes. Another example of the damaging effects of pay inequity can be seen in the case of two large retailers in the USA, Walmart's Sam's Club and Costco. Costco pays substantially more compensation as well as medical and retirement benefits to its employees. Specifically, Costco pays an average wage of \$17/hour while Sam's Club pays the minimum wage of \$10/hour. Costco's generosity extends not just to cash wages but also to its health plan and retirement plan- 85% of Costco employees get a health plan worth \$5735 per annum while only 47% of Sam's Club employees get a health plan worth only \$3500 per annum. Similarly, 91% of Costco employees get a retirement plan worth \$1330/annum while only 64% of Sam's Club employees get a retirement plan worth only \$747/annum. Given the extremely low wages at Sam's club, it is not surprising that their shrinkage costs (wastage or losses due to negligence and neglect) are a staggering 1.7% of sales as compared to Costco's 0.2% (Cascio, 2006).

Since liberalization of the Indian economy in 1990, there has been a steep rise in managerial salaries driven by the increasing demand for managerial talent. Another factor that led to a sudden rise in salaries was a change in the Companies Act that drastically increased the limit on CEO compensation (Kakani & Ray, 2002). In this context, the issue of low salaries for IAS officers becomes even more serious.

Given the low salaries and poor opportunities for economic growth, it is no wonder that the overall satisfaction of government servants with their pay and benefits is very low and even though they were quite satisfied with their job and were proud of being government servants, it did not compensate for their dissatisfaction with the poor pay and benefits. In fact, most of the government servants felt that their pay and promotion opportunities were not equitable and did not compensate them adequately for their contribution to their work (Premarajan, Rao, & Gurunathan, n.d.).

Thiruvalluvar's Spiritual Ethics

It is interesting to note that Kautilya's solutions to an ethical deficit in economic behavior, including corruption, are not shared by many other ancient Indian classics. Among them was Thiruvalluvar, Kautilya's South Indian counterpart, who was a poet and philosopher, born in Mylapore, near present-day Chennai, possibly around the year 31 BC. Unlike Kautilya, who was a Brahmin, Thiruvalluvar was possibly a weaver, but when he took his great work, *Tirukkural*, to the assembly of Tamil scholars at Madurai for their approval, his fame immediately eclipsed that of other scholars in ancient South India. Whereas *Arthashastra* was pragmatic, *Tirukkural* seeks truth in religion and is consequently much more ethically oriented in a spiritual sense. Thiruvalluvar's ethics do not accept the concepts of Buddhism and Jainism about the benefits of abandoning social and active life, and opting for renunciation as a better way of seeking enlightenment. He emphasized the need of prosperity for which three factors are indispensable: farmers (Land), merchants (Capital) and virtuous

people (Labour) (*Tirukkural*, chapter 74; Raj, n.d.). According to Valluvar wealth is productive of the joys of this world:

“Wealth makes people important. Wealth acquired with proper means will yield virtues and happiness. All despise the poor, but all praise the rich... There is no sharper weapon than wealth to destroy the arrogance of one’s enemies. If wealth is used for noble purpose, it will earn peace and prosperity. The rich man glitters in the brightness of wealth. He enjoys life and visits places he likes in countries far and near” (*Tirukkural*, chapter 76).

Clearly, Thiruvalluvar considered the acquisition of wealth as important and justified, and that it should not to be despised. In chapter 101 of the *Tirukkural*, Thiruvalluvar also considered “wasted wealth”:

“He who hoards wealth and does not enjoy it or utilize it to benefit others, is as good as dead, and his wealth is a waste”.

The most productive activity, according to Thiruvalluvar, is agriculture. Some elements of *Tirukkural* are similar to the “Green Revolution” which took place in India in the 1960s and 1970s except high yielding variety of seeds: extent of ploughing, manure and fertilizers, water-management, weeding at the right time, and protection against pests and diseases.

“If a man does not attend to his land personally, it will behave like an angry wife and yield him no pleasure” (*Tirukkural*, chapter 104).

Thiruvalluvar’s emphasis on wealth may be connected to his attitude on poverty (*Tirukkural*, chapter 105). True freedom is interpreted as freedom from poverty. There is no dignity in being poor. Poverty leads to begging, which symbolizes evil:

“There is nothing more disgraceful than begging; there is no greater folly than to remedy the evils of poverty by begging” (*Thirukurral*, chapters 106-107).

This would suggest that Thiruvalluvar was against extreme inequalities, which Kautilya considered as a pragmatic tool against corruption. Also, like the Buddhists, Thiruvalluvar did endorse the fact that insatiable desires and greed are the basic causes of sorrow and pain in life. So wealth was only justified in fighting poverty.

However, whether his inspiration came to some extent from Buddhism is difficult to determine. His inclination towards Shiva would identify him more as a Hindu than as a Buddhist. Many commentators suggest that he rose above all distinctions of creed. Most probably in 1st C BC Tamil Nadu (during the so-called Sangham-period) Hinduism and Buddhism existed peacefully side by side.

Thiruvalluvar’s conclusions were remarkable: he stated that ethical values coincide with a good economy and that therefore a free market is necessary. Basically humans are naturally good and contribute positively to the economy. Naturally, comparisons to 18th C Enlightenment philosophers like Genevan social philosopher Jean-Jacques Rousseau (1712-1778), and British economist Adam Smith (1723-1790), including his 19th C British utilitarian followers like Jeremy Bentham (1748-1832) and David Ricardo (1772-1823), come to mind. Also Thiruvalluvar’s emphasis on a limited role for the state encourages this

comparison. Actually Thiruvalluvar limited the states involvement to defence, social security and public works. On the other hand he considered self-sufficiency as extremely important and consequently agriculture is the basis of a sound economy. In this way he had more in common with 18 C French physiocrats (Jhingan, etc., 2006, p. 485-489).

A cornerstone in Thiruvalluvar's thinking concerns the concept of the original nature of man. Like many philosophers of the European Enlightenment Thiruvalluvar identified the state and the resulting society as the main cause of these destructive desires and greed. By neutralizing the unnatural forces of the state and society, and allowing one's natural true self to emerge, life can be reformed and refined. This would enable a firm attitude of mind, allowing to neutralize greed and to resolute that "we do not need what we can do without" (Narayanaswamy, 2010, p. 18). Thiruvalluvar described this as "stable nature", "true knowledge", "nature of the world", or "proper procedures by the law of nature" (idem). These notions can easily be compared to Rousseau's research on the relationship between the individual and society. Like Thiruvalluvar, Rousseau argued that the individual might retain an innate human goodness while remaining part of a corrupting collectivity:

"Everything is good as it leaves the hands of the Author of things; everything degenerates in the hands of man" (opening line in J.J. Rousseau, *Émile ou de l'éducation*, 1762).

However, Thiruvalluvar suggested that the "nature of things" is only identified "after considerable thought, planning and analysis". Then, "once a decision is taken, any hesitation or delay is suicidal" (Raj, n.d.; *Thirukkural*, chapters 64-68).

In a natural society the Rule of Law would reign. This would allow good governance by law, based on "equality before the law" and "equal protection of the law". It is the natural duty of the government to address people's grievances, protect the people, and punish criminals. Thiruvalluvar compared a just government to the natural phenomenon of "rain": "As is the world without rain, so is the country with unjust government". Despite emphasizing the need for wealth he disapproved of interfering in the economy as this would result in abuse of power: "Prosperity gives more sorrow than poverty under unjust rule" (*Thirukkural*, chapters 55-56; Raj, n.d.).

In Thiruvalluvar's time South India consisted of kingdoms. However, as the "king" was part of nature, he symbolized "justice" and "good and just government". Everything is interconnected: the justice of the king will provide rich rains and harvests. If the top of the decision-making pyramid is corrupt than everything in the country will fail. "Harmony" is the key-word. Harmony provides "good governance", and "good governance" allows harmony (*Tirukurral*, chapter 74). From this perspective Raj (n.d.) suggests that *Tirukkural* is, to a great extent, a utopia. Thiruvalluvar may have referred to a qualitative different society to express his aspirations to establish new social relations among people.

Thiruvalluvar agreed with Kautilya in emphasizing that government officials should not abuse their position. However, he believed that only individual transformation could solve the problem: "The enlightened and unblemished in positions of power dare not misuse their privileges to baser ends" (Narayanasamy, 2010, p. 203). In comparison Kautilya's emphasis on higher compensation is much more pragmatic than Thiruvalluvar's spiritual and purely ethical approach.

However, on the whole *Thirukkural* is basically philosophical prose emphasizing the virtues of proper human behaviour, learning, citizenship and an ascetic lifestyle. According to Thiruvalluvar, wealth is essential but it is only a means to an end, not an end in itself. But at the same time he argued “*If you live, live to acquire fame and glory; if not, it is better not to live*”. Albert Schweitzer (2006) concludes: “*Like the Buddha and the Bhagavad-gita, the Kural desires inner freedom from the world and a mind free from hatred...*” (quoted by Varadarajan, 1988, p. 68-89). But for Schweitzer (Varadarajan, 1988, p. 170) there is more because *Thirukkural* advocates the idea of active love: “*In the Kural world and life negation is only like a distant cloud in the sky*”. According to Schweitzer (quoted by Varadarajan, 1988, p. 171):

“*Whilst the Bhagavad-Gita in a forced and chilly manner gives as a motive for remaining in active life that it is in accordance with the order of the Universe, the Kural justifies it – what an advance! – by the idea of ethical activity. Work and profit place man in a position to do good*”.

Conclusion

In this contribution we have considered the relevance of two ancient Indian classics for the current problem of an ethical deficit in governance and economics in emerging markets. We have established that the wage structure recommended in Kautilya’s *Arthashastra* compared with the existing wage structure of the Indian bureaucracy is very egalitarian and this could have contributed to the lack of efficiency and ethics the wage structure recommended in *Arthashastra* (Trautman, 2012). Consequently, Kautilya demonstrated that both the wage levels and the wage structure of the Indian bureaucracy needs to be substantially changed. As humans are by nature possessive and greedy, a clean and efficient administration can only be achieved by higher compensation. Thiruvalluvar clearly contradicts this by stating that humans are by nature good and that government interference in the economy has to be limited to certain domains. His emphasis on poverty alleviation would suggest a more egalitarian wage structure.

In conclusion we might refer to Rousseau’s acknowledgement that every society “must choose between making a man or a citizen”. For Kautilya the destructive characteristics of man can only be corrected for the common good by making him into a citizen who works for the common good, symbolized by the ruler. It involves selecting the best social institutions that take into account man’s natural weaknesses and curb these in favour of the common good, even if this includes an institutionalized unequal distribution of wealth. This merely avoids even more unfair conditions. It is about establishing pragmatic solutions for the problem of the negative natural instincts of man. For Thiruvalluvar (and also Rousseau) Kautilya’s approach would be to denature man, to take his absolute existence from him in order to give him a relative one. Thiruvalluvar favoured the positive original (natural) instincts and tried to establish ways for natural man to live within society. From this perspective less government would be a solution to the problem of an ethical deficit in governance, including corruption.

Unfortunately, the Indian Independence movements did not take much into account their own traditions of identifying economic ethics and good governance. Thiruvalluvar, for instance, is only marginally included in the economic ideology of the pioneers of the Dravidian (South Indian liberation) movement (Santhi, 2009). In general, history, philosophy, and spirituality

are left out from the mainstream economics and business curricula on a worldwide scale. Consequently, we suggest that here are forgotten sources for creating ethical incentives in economics and governance today.

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