



New Dimensions in Federal Discourse in India: Competitive and cooperative

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Abstract

This paper explains new dimensions in federal discourse in India. Today, with the changing socio-economic world, India is aiming towards competitive federalism. Competitive federalism deals with the relationship among two or more states in matters of trade, investment and commerce. Union government is responsible only for making rules of this competition. States compete with each other to attract funds and investment, which facilitates efficiency in administration and enhances developmental activities. A healthy competition is necessary for any state or country to achieve the advancement in different sectors. Co-operative and competitive federalism is not mutually exclusive concept. They are the two sides of a same coin. They have the same basic principles underlying - progress of the nation as a whole. Hence, in order to achieve the developmental goals and having good governance, there is need to ensure that there is enough balance between the two types of federalism. Co-operative and competitive federalism have become the new buzz words in the political discourse of the day, it is important to remember that Indian federalism lives in the states and the districts. Unless real changes can be initiated at these levels, the consolidation of India's federal democracy will remain an unfinished task.

Evolution of Federalism in India

Historically, the acceptance of the idea of federalism was more of a need than choice. The prevalence of fissiparous tendencies; religious communal frenzy; and partition of the country called for a centralized federal amalgamation. The practical problem of governing culturally and regionally diverse India knocked on the doors of resulting in Montague-Chelmsford Report on Constitutional Reforms (1918) which stated "our conception of the unified future of India is a sisterhood of states, self-governing in all substances of purely local or provincial interest. Over this congeries of States would lead the Central Government?" Based on this report, Government of



India, 1919, devolved some powers and authority to the provinces. Provinces received explicit control over sources of revenue such as land, health, agriculture, irrigation and public works. Though this act succeeded in providing a certain amount of autonomy to the provincial authorities, but the Government of India remained a unitary Government. The Simon Commission Report (1929) also proposed schemes for devolution of financial powers and sharing of income tax proceeds between the Central government and the provinces. Finally, the Government of India Act, 1935, suggested a federal type union of self-governing provinces wherein, the Governor-General got the powers to overrule the Provincial government. The act provided for separate legislative, financial and judicial jurisdictions for Centre and the provinces but in the process, also lessened the sovereign physique, much desired by the princes, of the provincial governing bodies. Again in the Cabinet Mission Plan of 1946, certain proposals for loose asymmetrical federation were introduced.

All these proposals of loose federation were almost a dead letter for the newly emergent Indian nationalist elite who were in favor of centralized federal union. This resulted in the adoption of a profoundly centralized system of parliamentary federalism bearing the twofold influence of British colonial and nationalist interferences. The framers of the constitution provided for the federal form of government under Article 246 and VII Schedule to the constitution but they intentionally refrained from using the term federation, as in their considered view, it might impede the objective of 'Unity and Integrity of the Nation'. The form that the Constitution presents is, beyond doubt, a federation - though a unique one in contemporary comparative politics. In a multi-culturally, multi- ethnically, multi-linguistically diverse country like India, only federalism could have provided for settlement of this internal diversity. Co-operation and accommodation only can provide the stopover at the crossroads of aggression between antagonistic (regional, religious, linguistic and ethnic) groups. But the multiplicity in the post- independence diversities presents a bumpy terrain.

Co-operative Federalism vs. Competitive Federalism

Co-operative federalism is the concept which reflects the relationship between centre and state where they both come together and resolve the common problems with each other's' cooperation. With the collaborative efforts and co-operation, different level of governments in an amicable



manner, contributes towards the growth of the country. It shows the parallel relationship between union and states and shows neither is above the other.

Competitive federalism is federalism when units of federation pursue a healthy competition for economic interests. It is the perpendicular relationship between Centre and state which competes with each other which leads to the overall growth of the states. Competitive federalism is a concept where centre competes with states and vice-versa, and states compete with each other. It refers to relations between regional governments and between central and regional governments.

Co-operative Federalism in India

Co-operative Federalism in our country, where there was never an agreement between the Centre and the states regarding the creation of the Union. The states are not a part of the pact but rather a creation of the Constitution which was designed by an assembly preferring centralized polity. No equality has been designed as far as states' rights vis-a-vis the Centre are concerned and even the representation of the states in the upper house, Rajya Sabha, is unequal; the 'federal' parts of this Union are not even entitled to decide about their name, territory, boundary, or area; in matters enumerated in concurrent list union law prevails when it is in conflict with the state law; the Union Government can trench upon the state list in national interest (Article 249); and the residuary powers of legislation are vested in the Union Government (Article 248). Similar other centralizing provisions weigh heavy on the spirit of co-operative federalism in India.

Issues of revenue sharing between the union and the states have always been important and debatable. If we look at the distribution of net proceeds of taxes between the Centre and the state, provided for by the Constitution, there appears an upright imbalance between (1) the powers of taxation apportioned between the Union and the states and (2) the implementation responsibilities assigned to the states. For example, under Article 282 of the Constitution, the Centre gives Plan grants to the states equal to the sum that the state has raised through its own resources. This means that the already unequal geographical division of the country in terms of resources, land, and development initiatives can be further accentuated under the provisions of Article 282. The present government has replaced the planning commission with National Institute for Transforming India (NITI) Aayog. The governing council of NITI Aayog is composed of all the Chief Ministers and Lt. Governors of the Union Territories.



Given the continuance of regional inequality; possibilities of opposing parties coming to power in few states; pressures of globalization professing more fiscal decentralization; and the seemingly visualized policy making role of NITI Aayog-

- Will it be possible for the Union Government to allow a considerable degree of desired financial autonomy not only to the states but also to the third tier of government?
- Will the new NITI Aayog be provided with the required and long desired effective decentralized inter-governmental mechanisms, instead of the pre-existing centralized planning structures, with enough powers to act on the long disputed verbal rhetoric of co-operative federalism?

The reluctantly designed asymmetrical federalism is already a logjam for governance. Article 370 of the constitution gives asymmetrical status to the state of Jammu and Kashmir - its own constitution, a title equivalent to prime minister for its chief minister and a distinct assignment of functional responsibilities. The Article 370 in the constitution goes with the heading 'Temporary provisions with respect to the state of Jammu and Kashmir' and poignantly, these temporary provisions continue till today. Special provisions have been assured to the regional tribal majorities in Nagaland and Mizoram under Articles 371A and 371G. Yet in most of these areas there is a feeling of injustice and betrayal. Their dissatisfaction at the unilateral decision to take away the option of withdrawal from the union is reflective of their sense of alienation. The insensitive response of the Central government towards the demands of subsidies and investments in infrastructure facilities and other financial assistance further accentuates the distance. The centralized and unresponsive bureaucratic apparatus is often alleged for 'step-motherly' treatment towards the north-eastern states.

The sixth schedule, which covers the states of Assam, Meghalaya, Tripura and Mizoram, knits another strand of asymmetrical federalism by providing for councils for self-governments in autonomous districts. The tribes located in these states and the states themselves are caught in a triangular strife - Limited powers to administer the tribes, inadequate finances, and governor's omnipresent intervention; such special provisions for these states are unquestionably positive steps in the course of building a more responsive federal democracy but the challenges here are:

- To bring the north eastern community into mainstream politics by increasing the



participation of their elected representatives and opening up the face of north east to planned development initiatives;

- To change the unitary mold in which the state-district relations have been casted. Other than the asymmetrical texture of the Indian federalism, we are also witnessing strands of multi-level federalism in India.

The third tier comprising of panchayat and municipalities is also functional. This tier comprises 8 of 592 District panchayats, 6,321 Block panchayats and 2, 53,189 villages panchayats, which taken together, elect more than 3 million representatives every five years. Through the 73rd and 74th amendment, the Centre has also ensured opportunity for women and Dalit's to participate in local governance. The third tier has got constitutional recognition but the debate on distribution of responsibility and resources is still on. Their position in the federal structure is still ambiguous. They still are treated as merely an implementing agency of the Union or the State; getting funds and functionaries is still a herculean task i.e. fiscal ambiguities overshadow any rational move towards practicing decentralization; politico-electoral meddling is rampant; the elite bureaucracy still displays the age old condescending attitude towards any form of interaction with the functionaries of this 'third tier'; and the locally dominant social elite bias proves to be a major bottleneck. With the increase in the number of states in the Indian Union, the third tier will also widen its presence.

- Recognizing and acknowledging the 'third tier' as a next level of government with autonomous status in the federal structure rather than as a unit for discharging the devolved responsibilities from the state government; and
- Deciding whether the third tier was envisioned just as a contrivance of governance or also for empowering people at the local level thus decentralizing democracy.

If the panchayats and the local governing agencies are to be allowed to function as real units of local self-governance, then they should be apportioned separate competence areas, functions and corresponding accessibility to resources.

Challenges before Co-operative Federalism

Having reviewed the functioning of Indian federalism so far, we now turn to the challenges it faces in the new millennium. Has there been, as a recent study suggests, "shift of power and



influence from the Centre to the state capitals and further down to the level of sub-regions, districts and panchayats?" The evidence put forward in support of this assertion is "the remarkable rise of regional and caste-based parties" and "the clamor for separate states in many parts of the country". Let us assess this claim in the light of contemporary trends:

The rise of cultural intolerance poses a threat to the delicate fabric of plural cultural federal democracy. Two broad set of issues remain unresolved, if one sets aside the ones resolved by the judiciary (president's rule) and the political process. The issue of governor's powers to withhold assent to state legislation remains a contentious issue but norms are being slowly evolved.

They are reflected in the demands for a second SRC and the recasting of internal boundaries of the federal system to respond to self-rule aspirations. Telangana has already been created, but Vidarbha and the restructuring of Uttar Pradesh remain live issues, among several others. Water resources, long standing interstate river water disputes (Kaveri, Narmada), and compensation through equalization formula unequally endowed states. Linked to this are demands for greater autonomy and self-rule in control over resources.

While these remain live issues, the major issues that are likely to dominate the federal reform agenda in the new millennium relate to the reallocation of financial resources and an overhaul of the fiscal system. The rapid growth in the tax revenues of the Centre as compared to those of the states has focused attention on the mechanisms of both vertical and horizontal allocation.

The growth in power and influence of state-based parties shapes the course of Centre-state relations primarily through the mechanism of coalition governments at the Centre. More importantly, some parties have engineered, through the political process, an enhanced participation in national policy-making that they could not achieve through formal institutions of co-operative federalism. In effect, federal coalitions have given them participatory opportunities that were earlier denied to the states in institutions such as the now defunct Planning Commission and the National Development Council, or even the stunted Inter-State Council. The issue is no longer merely consultation but also concurrence in areas where "the legitimate interests" of the states are involved. The challenge is simultaneously to invent new ways of facilitating the participation of states in the formulation of national policies and motivating them for effective implementation in key infrastructural areas such as power, roads, and basic civic amenities. In the context of a multi-party



system and the need to forge federal coalitions for national governance, this becomes all the more necessary. The political process is able to achieve this to some extent, but is no substitute for effective institutionalized arrangements.

The logic of democratic development in a federal democracy allows several experiments in governance to take place simultaneously, provided they respect the basic values and features of the Constitution. This experimentation has been partially successful at the limited level of administrative methods and techniques, and best practices have effectively emerged from the states, e.g. mid-day meals in schools and urban land valuation systems.

But the capacity of the system to generate alternative paths of development through experimentation by the states has been limited by the constraining framework of a Centralized federal system. What is more disconcerting is that the political culture and practices of 'national' or polity-wide parties have been replicated by regional parties in the states. They have developed stakes in Centralized federalism and have become smaller versions of the parties they have dislodged successfully. In sum, they have no alternatives to offer in real terms

Competitive Federalism in India

The concept of competitive federalism is driving the Indian states to rush in for reforms to make an easy way for doing business in their state and expediting the pending project clearances. In India, the government replaced Planning Commission by establishing NITI Aayog, with one of the mandates to develop competitive federalism in India. Now, state governments do not look towards centre for policy guidance and fiscal resources completely. The centre has increased the share of states in central tax revenue from the earlier 32% to 42%. The government also declared that the states will have freedom to plan their expenditure based on their own priorities and the states are free to change centrally sponsored schemes. However, the states should work within the context of shared national objectives.

Many states have also boosted themselves to streamline the procedures to attract more investment for development of their state. For example the Gujarat Vibrant Summit 2017 was also completely focused on attracting investments from different developing countries for the development. And in recent days we have seen that how Andhra Pradesh is also trying to acquire as much as foreign



investment by liberalizing its investment policies. Hence under competitive federalism each state has autonomy to work for their own development by competing with other states.

It deals with the relationship among two or more states (and not between union and state) in the matters of commerce, investment and trade. Centre government is only responsible to frame rules in this kind of free market as generally states compete with each other to attract funds and investment, which facilitates and enhances developmental activities. The Investors priority is always inclined towards a developed state.. Union government devolves funds to the states on the basis of usage of previously allocated funds. Thus, funds and investments flow in greater amount (both from central government and private investors) to those states which have shown optimum use of previously allocated funds. Hence we can say that competitive federalism ensures minimum wastage and maximum use of resources as it strives for Healthy competition to improve physical and social infrastructure within the state. In a lay man terms, cooperative federalism can be defined as - no work, no money, more work, more money. States compete with each other on developmental fronts to attract more money. States are given more power and autonomy in terms of policy planning to facilitate this kind of federalism.

So this far we have understood that it helps states to learn from each other and implement the best practices as per their needs and requirements. After globalization and viewing current market requirements, one thing is clear that a nation can only grow if its states are growing on a good pace. Competitive federalism is not part of the basic structure of Indian constitution. It is the decision of executives. And somehow it is there in our policies, in our implementation method and in our way of doing business.

Competitive federalism is welcomed by industry because healthy competition among states will pave the way towards more investment destinations in future. In turn it should lead to significant job creation and economic development. The idea that a state knows what is best for it seems to resonate with industry, academia and the government. However, as states compete for investment, they and the central government must avoid creating administrative hurdles or draft contradictory policies and regulations. The development ambitions and challenges of all states need be considered and appropriate support provide.



Challenges before Competitive Federalism

There are deficit states or the backward regions or the states under debt. Those states should not be treated at par with the well-off states. Such states need special attention in which the central government has to provide special funds to these states. Without special funding these states cannot imagine their participation in competitive federalism.

Though the states are provided with financial independence, it is a fallacy to assume that all the states would perform uniformly in the process of development because while some states are differentially endowed, that is, some states have favourable factors like skilled labour, capital and infrastructure, innovative service industries while other states are lagging behind. For that states with unfavourable climate still need the help from Centre.

Presently, the union government is taking unilateral decisions on issues like international treaties, WTO obligations, environmental issues, and decisions on FDI liberalization in various sectors of economy etc. An institutional mechanism must be evolved where important decisions are appropriately discussed with states and the interests of the affected are thus ensured.

Competitive Federalism cannot be ensured without first securing the spirit of federalism. Thus on the political front gubernatorial issues need to be resolved and the provision of State Emergency needs to be employed sparingly in order to buttress political stability in the states while serving as a confidence building measure between the States and the Centre.

Competitive federalism is supported by the Centre's fiscal policy of transferring funds to State governments and giving them freedom to fix their priorities in spending within national objectives. In the context of this freedom of States to make their plans, ranking on social indices in a way becomes necessary to promote the responsibility and accountability of the governments at the Centre and the States.

Conclusion

The concepts of co-operation and competitive federalism seem to be contradictory and cannot exist together. Co-operative and competitive federalism are two sides of the same coin. The competition alone cannot give the best results it is competition with cooperation that will drive the real change. To bring competition, the centre should cooperate with the states by providing necessary autonomy in their policy making and allocating them the required funds to spend based



on their own priorities. The co-operation forms the ground base on which competition can begin. There has to be a balance between co-operative and competitive federalism.

Suggestions

- Scope of Union Territories, and state should be properly defined in the structure of NITI Aayog and they should have a stand in rejecting or approving NITI Ayog's policies.
- State bills should be taken on a priority list for the assent of President as the speedy procedure of this will foster more cooperation among state and centre.
- As also recommended by Sarkaria Commission and Punchhi Commission that the duration of Governor's office should not be politically motivated as it hampers centre- state relations. What president is to the country is governor to the state, so its post should be isolated from political activities.
- There should be proper enforceability of decisions in matter related to water disputes to avoid long lasting conflicts among states. As clash Free states will give enhancement to competitive federalism.

At last, in research analyzed this fact that both, co-operative federalism and competitive federalism are not mutually exclusive instead they both are two sides of the same coin. None of them can have more weightage than other as it will lead to an over centralization or decentralization state. Both should be equally present for the growth of a nation as a whole.

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