



## New Challenges to Federalism

This article is based on [“Fresh stirrings on federalism as a new politics”](#) which was published in The Hindu on 07/07/2021. It talks about the new emerging challenges to federalism in India.

**Federalism** believes in shared sovereignty and territoriality between multiple constituent units of governance. In India, Federalism is a device to accommodate India's multiple linguistic, religious, and ethnic identities.

Presently, in different parts of the world, the federal system of government is facing some of its biggest trials yet, from the Covid-19 pandemic. However, much before the pandemic, the federal principles in India have been under pressure, to co-produce a political culture of flexible federalism.

Today, the union and states often share a conflicting stance on issues like vaccines, [Goods and Services Tax \(GST\)](#), appointment of Chief Secretary, and much more. This growing tension can also be seen in a possibility of re-emergence of the Third front Government (Union government formed by coalition of several regional parties).

However, Federalism in India, like always has its own political relevance that needs to be protected.

### New Challenges to India's Federalism

- **Federalism & Development Challenge:** To accelerate progress, the Indian have proposed several schemes and visions which may undermine the federal principle.
  - For example, developmental narratives like '[one nation, one market](#)', '[one nation, one ration card](#)', '[one nation, one grid](#)'.
- **Undermining States:** The downgrading of a full-fledged State in [Jammu and Kashmir into a Union Territory in 2019](#), or more recently, the notification of the [NCT of Delhi \(Amendment\) Act, 2021](#), reflected the centralising tendencies of the Union government.
  - Similarly, the union government had invoked the Epidemic Diseases Act and the Disaster Management Act, centralising the powers to deal with the pandemic.
  - However, state consultation is a legislative mandate cast upon the centre under these acts and binding Covid-19 guidelines are being issued by the Centre to the States.
- **Increasing Inter-State Divergence:** Growing divergence between richer (southern & western) and poorer States (northern & eastern), remains an important source of tension in inter-State relations that can become a real impediment to collective action amongst States.
  - This has created a context where collective action amongst States becomes difficult as poorer regions of India contribute far less to the economy but require greater fiscal resources to overcome their economic fragilities.
- **Silent Fiscal Crisis:** The realities of India's macro-fiscal position risk increasing the fragility of State finances.
  - Weak fiscal management has brought the Union government on the brink of what

- economist Rathin Roy has called a silent fiscal crisis.
- The Union's response has been to squeeze revenue from States by increasing cesses.

## Way Forward

- **Inter-State Platform:** An inter-State platform that brings States together in a routine dialogue on matters of fiscal federalism could be the starting point for building trust and a common agenda.
  - In this context, the Inter-state council can be revived.
  - Economic growth trajectories since liberalisation have been characterised by growing spatial divergence.
- **Relaxing FRBM Norms:** The relaxation of limits imposed by the [FRBM Act](#), regarding the market borrowings by the states, is a step in the right direction.
  - However, these borrowings can be backed by sovereign guarantee by the Union Government.
  - Moreover, the Union government can provide money to states so that they can take necessary action to deal with the crisis at the state level.
- **Political Will:** Upholding federalism requires political maturity and a commitment to the federal principle. A politics for deepening federalism will need to overcome a nationalist rhetoric that pits federalism against nationalism and development.

## Conclusion

The most fundamental lesson from India's experience with the second wave of the COVID-19 pandemic, is that managing a grave national crisis requires healthy cooperation between the Centre and states.

### ***Drishti Mains Question***

Upholding federalism requires political maturity and a commitment to the federal principle in present times. Discuss.

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