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TRENDS IN CENTRE-STATE RELATIONS

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This paper seeks to understand the trends in Centre-State relations in post-Independence India in their varied manifestations over time, across space, and along the specific context of issues. The dynamics that characterised the unfolding of Constitutional potential, the multiple moments of rethinking and reformulation of the federal institutions and processes, as also, the challenges thrown up by these in the emerging scenario define the tasks attempted in this paper. The paper takes cognisance of the fact that trends in Centre-State relations cannot be captured in terms of temporal shifts alone-space and issue-specific variations provide important explanations for continuity and disjunction. Further, it is proposed that Centre-State relations cannot be seen in a uniform vertical frame alone. Since States do not work as a homogenous entity in relation to the Centre, it is important to read variations in relations of different States and map their nature to understand their relations with the Centre. Additionally, States do not work in fixed groups; different States may converge or diverge along varied interests and issues in relation to different States and therefore may simultaneously bear multiple patterns of relations with the Centre. Section I of the paper provides a brief overview of the Constitutional framework of Centre-State relations. Section II looks at the multiple strands of Centre-State relations and the mediating variables that shape these. Section III underlines the challenges that face the Centre-State relations in the emerging context. Section IV attempts to take the paper towards some conclusions.

I

Following long and intense deliberations in the Constituent Assembly, the Constitution of India settled for the nomenclature

Union of States to define the structure of political organisation and power arrangements in Independent India. The Constitutional arrangements, however, were clearly inclined towards a strong Centre, making some Constitutional experts and political commentators describe India as a ‘quasi-federal’ or semi-federal state. This was a federation without the provision of dual citizenship, right to secede or strong legislative and financial position of States. It provided a single unified judiciary and an integrated civil service under the control of all-India services and a Constitution amendment process. The Constitution even enabled the Centre to, by law admit a new State, increase or reduce the area of any State or change the boundaries or name of any State regardless of the views of the State (Articles 2 and 3)¹. The number of States in India has more than doubled since 1957.²

The Centrist thrust of Indian federation was quite evident from the Constitutional provisions related to distribution of legislative, executive and financial powers between the Centre and the States. The Union, State and Concurrent Lists under the Seventh Schedule of the Constitution contain subjects in respect of which the Union and the States have exclusive or concurrent jurisdictions to make laws.³ These also define the expenditure responsibilities of the Centre and States respectively. Thus, Centre enjoys exclusive jurisdiction on the issues included in the Union list as well as the residuary issues. States have been provided the right to legislate on issues

¹The say of the States is merely confined to the reference of the matter by the President to the “would be affected States” for the sake of eliciting their opinion before making a recommendation, which is not even binding.

²India had 14 States in 1957; the number rose to 17 by 1971, 23 by 1981; and 28 by 2001. The latest addition being Telangana created in 2014.

³Subjects of national importance, such as, defence, foreign affairs, money and banking, communications, national highways, shipping, ports, airways, Regulation of oilfields and mineral development, inter-State rivers and macroeconomic management have been assigned to the Union. Subjects of regional concern, such as, public order, agriculture, irrigation, public health and sanitation, roads and bridges not specified in the Union List and industries other than those declared by Parliament to be of strategic importance are assigned to States. The important subjects specified in the Concurrent List are criminal law, administration of justice, contracts, forests, economic and social planning, population control and family planning, education and newspapers.

placed in the State list and the Concurrent list. However, Centre's law would prevail in case of a conflict if the subject belonged to the Concurrent list (Article 254). Strong position of the Centre in the matter of legislation has also been ensured by vesting in Parliament the power to legislate on matters in State list in certain conditions.⁴ Governor has also been given the power to reserve any Bill passed by the State Assembly for consideration of the President, who may retain it for an indefinite period.

The division of executive powers is co-extensive with the division of legislative power of the Centre and the States (Article 73 and 162). Article 257(1), however, provides that the executive power of the State shall be so exercised as not to impede or prejudice the exercise of executive power of the Union. The Centre is empowered to give directions to States in this regard. If directions are not complied with, emergency provisions may be invoked by the Centre. Article 73(1) also provides the Union the authority and jurisdiction to exercise executive power in relation to any treaty or agreement. The clause further provides that in respect of matters in the Concurrent List, the States may have executive power only so long as Parliament by law has not expressly provided otherwise.

The Financial powers entrusted by the Constitution also reflect a clear asymmetry between the taxation powers and the functional responsibilities, with the Centre being assigned taxes with higher revenue potential and States being entrusted with more functional responsibilities.⁵ The Constitution provides, under Article 280, the institutional mechanism of Finance Commission and other enabling provisions for the transfer of resources from the Centre in order to

⁴These included the power to legislate (a) in national interest under a Resolution of the Upper House (Article 249); (b) during operation of Emergency (Article 250); (c) with the consent of States (Article 252); (d) to give effect to international treaties and agreements (Article 253); and (e) in case of failure of Constitutional machinery in States (Article 356).

⁵Thirteen taxes listed in the Union List include taxes on income other than agricultural income, duties of customs, duties of excise except those on alcoholic liquors for human consumption and opium, corporation tax, taxes on capital value of assets exclusive of agricultural land of individuals and companies and

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address the issue of gap between the re-sources and expenditure responsibilities of States.⁶ Article 275 (1) provides for grants-in-aid of the revenues of such States as Parliament may determine to be in need of assistance and different sums may be fixed for different States.⁷ Under clause (2) of Article 275, no order with regard to grants under clause (1) shall be made except after considering the recommendations of the Finance Commission. Article 282 enables the Union or a State to make any grants for any public purpose, notwithstanding that the purpose is not one with respect to which Parliament or the Legislature of a State, as the case may be, may make laws. The borrowing powers of the Central and State Governments are regulated by Articles 292 and 293 under which

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estate duties in respect of succession to property other than agricultural land, terminal taxes on goods and passengers carried by railways, sea or air, taxes other than stamp duty on transactions in stock exchanges and futures markets and taxes on sale and purchase of newspapers and goods other than newspapers, when such sale takes place in the course of inter-State trade or commerce and taxes on consignment of goods where such consignment takes place in the course of inter-State trade or commerce.. Nineteen taxes, listed in the State List, include land revenue, taxes on agricultural income, taxes on land and buildings, duties in respect of succession to agricultural land, estate duty in respect of agricultural land., taxes on mineral rights subject to restrictions imposed by Parliament, duties of excise on alcoholic liquor for human consumption, taxes on sale and purchase of goods other than newspapers subject to the provisions of entry 92A of Central List., taxes on goods and passengers carried by road, taxes on vehicles, taxes on animals and boats, tolls, taxation on professions, trades, callings and employmenst, capitaton fees, taxes on luxuries including on entertainments, taxes on entry of goods into a local area and taxes on advertisements other than those published in newspapers and broadcast by radio or television.

⁶All the taxes and duties referred to in the Union List with the exception of duties referred to in Articles 268 and 269 and surcharges referred to in Article 271 and any cesses levied for specific purposes, shall be distributed between the Union and the States under Article 270. Article 268 refers to duties levied by the Union but collected and appropriated by the States- these include such stamp duties and such duties of excise on medicinal and toilet preparations as are mentioned in the Union List. Under Article 269, taxes on the sale of goods and taxes on the consignment of goods shall be collected by the Government of India but shall be assigned to States.

⁷There are two provisos to clause (1) of this Article. These deal with the promotion of the welfare of Scheduled Tribes in the State of Assam.

States can borrow from sources outside India only with the prior consent of the Government of India.

The Constitution provides for the declaration of emergency under Article 352 in the state of war, external aggression and internal disturbance; under Article 356 when the President satisfies himself on the recommendation of Governor, that there is constitutional breakdown of State machinery; and financial emergency under Article 360. These provisions carry the potential of further altering the federal arrangements towards the Centre.

In the Constitutional scheme of things, we may note that apart from an asymmetrical power arrangement between Centre and States, an asymmetrical positioning of the States was also characteristic. States have been quite diverse in terms of geography, demography, natural resource endowments, cultural and linguistic capital and the level of integration with mainstream India. Some of these variations magnified in the political sphere, as, for instance, in the unequal representation of States in the Parliament because of the acceptance of population criteria to determine the number of representatives of a State in both the Houses⁸. However, some other variations were answered through a provision, for instance, of different governance arrangements for the Union territories, or giving special status or powers to some States in recognition of their peculiar conditions.⁹

⁸Unlike in the US, in India a large State like UP sends 31 representatives to the Rajya Sabha whereas small States like Meghalaya, Mizoram, Manipur, Puducherry and Goa have just one seat each.

⁹Article 370 limited the power of the Parliament to make laws for the State of Jammu and Kashmir to foreign affairs, defence and communications. Parliament's laws on subjects in the union and concurrent lists would not automatically be valid in the State unless the president of India in concurrence with the State government declared them applicable to the State. Article 371 A and E provide that to be extended to the States of Nagaland and Mizoram, a parliamentary statute requires the consent of the legislatures of those States, if it relates to religious and social practices of Nagas and Mizos, their customary law and procedures, administration of civil and criminal justice affecting these customary laws, and ownership and transfer of land resources of these States. The legislature of Delhi enjoys only concurrent jurisdiction and some vital subjects like land,

II

It is important to state at this point that in spite of the elaborate Constitutional provisions aimed at settling the Centre-State relations in India, the precise dynamics, form and effects of federal relations in India have not remained frozen into a uniform pattern along the Constitutional design devised by the Constitution makers. Not only has the Constitution been amended several times to alter the specific arrangements for the exercise of powers by the Union or States, moving subjects from one list to the other, but more significantly, it was amended to provide for the third tier of government at the local level thus creating a three tier arrangement for sharing power and responsibilities, giving rise to new dynamics even for the Centre-State relations. Further, arrangements for administration of specific States or parts of States faced with special conditions were also made from time to time. The space for autonomy of States has undergone both expansion and constriction in specific spheres of activity. However, far from being experienced uniformly, State capacity and inclination to assert itself accounted for wide variations in the way different States experience the federal framework.

Multiple Strands of Relations and the Mediating Variables: A close look at the working of Centre-State relations in the post-Independence era through the lens of public policy suggests the existence of multiple strands and degrees of (a) cooperation - for political power, problem solving, economic development, security (b) conflict - over political power, policy, resources, projects etc.

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police and civil services are vested in the Union government. The Fifth and Sixth Schedules to the Constitution provide for the creation of autonomous councils for tribal and ethnic people, which are supposed to share the legislative, administrative and financial domains of the concerned State. The governors of Maharashtra and Gujarat have a “special responsibility” for the establishment of separate development boards for certain backward regions of these States. See Rekha Saxena, “Is India a Case of Asymmetrical Federalism”, *Economic & Political Weekly*, Vol..XLVII, No.2, January 14, 2012. For a discussion on asymmetries in fiscal arrangements see M.Govind Rao and Nirvikar Singh, “Asymmetric Federalism in India”, http://www.nipfp.org.in/media/medialibrary/2013/04/wp04_nipfp_006.pdf

(c) competition - for political support, resources, projects, investments; (d) dependence - for political support, resources, technical know-how, policy, security, etc.; (e) autonomy - for socio-cultural identity, political space, economic policy and development; and (f) innovation - for consultation, cooperation, problem solving. These varied strands of relations carried different degrees of visibility and prominence in certain space-time contexts than others. However, one also found that multiple strands of relations also existed in the same space-time context, often around specific issues, thus complicating the task of identifying patterns and trends. Issues therefore provide as important a reference point as space and time context, making it imperative to see how the three relate.

It is also important to note here that although federal arrangements worked out somewhat uniformly for all States on certain issues, leading to uniform concerns and expression of demands or resistance by these; often these worked differently for specific States because of their specific conditions, leading to a situation of lone battle or benefit for the State. There also emerged situations in which a select group of States worked together for reasons of their common interest on certain matters, the binding factors emerging from their common economic, environmental or security concerns. These varied dynamics of Centre-State relations, however, were also significantly mediated by (a) party configurations and imperatives of power; (b) economic conditions and interest configurations; (c) political mobilisations and public pressures; and (d) external factors and foreign relations. These factors worked variedly for different States, in alignment with their position on various other parameters.

a) Party Configurations and Imperatives of Power: An important factor that has mediated the dynamics of Centre-State relations in post-Independence India is development of political parties and their positioning in the domains of power at the Centre and States. The way in which party configurations altered the dynamics of power and were in turn moved by the imperatives of power influenced the manner in which Centre-State relations were often settled or unsettled.

Politics of Dominance and Confrontation: If the Indian federation witnessed fewer moments of confrontation and conflicts over the exercise of power by the Centre and States, and appeared to convey the existence of a cooperative federation till about mid-sixties, this was more on account of the existence of Congress party rule at the Centre as well as most of the States. In this political context, many issues of concern to Centre and States could be negotiated and decided within the party framework.

Following the decline of Congress Party dominance in many States and the rise of opposition ruled States, confrontations came to the fore. One found open challenges and resistance of States to certain policies, including economic policies. One of the most criticised provisions of the Constitution for political misuse, the imposition of President's Rule in a State under Article 356, was invoked 81 times during 1967 to 1983, when the Congress Party no longer dominated the States, whereas, it had been invoked on only 10 occasions during 1950 to 1967 when Congress ruled the Centre as well as most of the States.

An analysis of the use of this provision, points out that of the 98 times that it had been invoked till then, about 13 cases of possible misuse were such in which defections and dissensions could have been alleged to be result of political manoeuvre or cases in which floor tests could have finally proved loss of support but were not resorted to. In 18 cases, common perception was that of clear misuse. These involved the dismissal of 9 State Governments in April 1977 and an equal number in February 1980. This analysis shows that the number of cases of imposition of President's Rule, which could be considered as a misuse for dealing with political problems or considerations irrelevant for the purposes in that article such as mal-administration in the State, were a little over 20.¹⁰ After the Bommai and others vs. Union of India judgement, which ruled that the proclamation under Article 356(1) is not immune from judicial review, the incidence of imposition of President's Rule has come down.

¹⁰Cited in Government of India, *Report of the National Commission to Review the Working of the Constitution*, 2002.

Political factors have also been responsible for conflict over the appointment and dismissal of Governors when a new government took charge at the Centre. The Janata Government when it came to power in 1977 removed the Governors considered political appointees of the previous Congress Government. The UPA Government in 2004 also obtained the resignation of all Governors who had been appointed by the previous BJP government. A Supreme Court order of 2010 in the B.P. Singhal vs Union of India case made it clear that though the President can remove a Governor at any time without assigning any reason in public, the Constitution guarantees that this power cannot be exercised in an “arbitrary, capricious or unreasonable manner”. The recent change in government, however, has seen Governors submitting their resignation.

The demand for restructuring the Centre-State relationship had been gaining momentum since 1967 when the Congress Party lost elections in nine States. The Administrative Reforms Commission (ARC), constituted by the Central Government in 1968 dwelt on the subject of autonomy and devolution of powers to the States, and took the view that the time was not ripe for a general review of the Lists. Although emphatic on the ‘Strong Union’ concept, the Commission laid emphasis on autonomy of States in managing some select areas of governance. The setting up of the Rajmanner Committee by DMK Government of Tamil Nadu in 1971 reflected the growing assertions for restructuring Centre-State relations to create greater space for State autonomy. Similar concerns were expressed by the memorandum on Centre-State relations submitted by the Left Front Party Government of West Bengal in 1977,¹¹ and the opposition conclave in 1983 in Srinagar. States became more assertive and confrontationist. The pressure for reordering Centre-State relations also grew in States like Punjab, Assam and several other North Eastern States. Although movements for autonomy

¹¹Its main suggestions included: (1) replacement of the word ‘Union’ by ‘Federal’; (2) repeal of Articles 356, 357 and 360; and (3) mandatory consent of State Government for formation of New States and alteration of area, boundaries or names of the existing States.

were dealt with strongly, the Centre did respond to the growing demands by setting up the Sarkaria Commission to look into the issue. In 1988, the Commission gave its Report containing 247 recommendations, 179 of which have since been accepted, paving the way for greater consultation and co-operation between the Centre and the States.¹² Subsequently, the National Commission to Review the Working of the Constitution also examined the issue of Centre State relations and more recently; the second Administrative Reforms Commission also looked into various aspects of Centre State relations, while focusing on State and District Administration in its Fifteenth Report¹³; the second Commission on Centre–State relations, known as Punchhi Commission was appointed to examine the persisting and new issues that influenced the Centre-State relations. The Commission made its detailed recommendations, covering a wide range of issues, in 2010.¹⁴

Alliance Politics and Regional Forces: The political context of Centre-State relations changed considerably with the rise of multi-party coalition governments and alliance politics in the 1990s, making coalition and alliance partners more powerful and capable of bargaining with the Centre, whereas, leaving the opponents resort to confrontationist approach on issues of common concern. Three combinations of coalition governments have held power at the Centre: the non-BJP, non-Congress-led United Front, supported from outside by the Congress Party (1996-98); the BJP-led National Democratic Alliance (1998-2004); and the Congress-led United Progressive Alliance I and II (2004-2014). Besides the rise of regional parties at the national level, one also saw the fragmentation of national parties into region-centred groups, many of them

¹²Government of India, *Report of the Commission on Centre-State Relations* Vols. I-II, 1987. (Sarkaria Commission Report)

¹³Government of India, Second Administrative Reforms Commission, Vol. I-XV. 2008-2009. The measures suggested in the Reports on “Public Order”, “Local Governance”, “NREGA”, “Crisis Management” and “Conflict Resolution” also have a bearing on the State and District administration.

¹⁴Government of India, *Report of the Commission on Centre-State Relations*, Vols. I-VII ,2010 (Punchhi Commission Report)

organised around a leader who left the national party-Bihar Congress, Trinamool Congress, Karnataka Congress, Rashtriya Janata Dal, Biju Janata Dal, Lok Shakti party, etc.¹⁵

The rise of regional parties and coalition politics enhanced the negotiating capacity of States and reduced the capacity of Centre to ignore the views of States, especially so when the prospects of their remaining in power at the Centre depended on their ability to get support of a party in power at the State level. Political alliances increased the scope for policy negotiations even on subjects that did not fall in the jurisdiction of the Centre or States. This also sharpened the divisions between States and increased the allegations of some States that Centre practiced favouritism towards alliance partners in matters of financial allocations, especially discretionary transfers. In some cases even the appointment and change of Ministers at the Centre was influenced by the State parties which ruled the State but were allies in Central Government.

The era of coalition governments has also enabled some States to even influence the foreign policy decisions, which are otherwise a subject of Union list. West Bengal Chief Minister Mamata Banerjee's opposition to the signing of the Teesta water accord between India and Bangladesh, for instance, made it difficult for the Centre to take a stand in spite of having the treaty making powers in the Union list. This was because the Trinamool Congress which was in power in West Bengal was also supporting the UPA coalition at the Centre and therefore could not be offended.

The Prominence of Issues: Issue based support of all parties, we may note, has occasionally been evident even during coalition governments, as, for instance, when Parliament unanimously adopted the amendments to the Unlawful Activities Prevention Act and voted the new National Investigation Agency Act, 2008 after the events of 26/11. However, 11 States, including West Bengal, which was ruled by the alliance partner in the UPA Government at the Centre,

¹⁵M.P. Singh, "Towards a More Federalised Party System" in B.D. Dua and M.P. Singh, *Indian Federalism in the New Millenium*, (New Delhi: Manohar 2003).

Trinamool party, opposed the Centre on the issue of setting up of a National Counter Terrorism Centre on the ground that this was an infringement of the rights of States and in complete disregard to the federal arrangements, as it provided rights of arrest, search, seizure to NCTC if a national security threat was perceived by it. Second ARCs recommendations in the Report on “Public Order” have also been strongly criticised by opposition Chief Ministers as an infringement of State rights.

It remains to be seen whether the return of a single party majority government will change the political dynamics differently.

(b) Economic Conditions and Interest Configurations: States have always been critical of the uneven financial position of Centre and States. In the early 1950s, only 10 to 12 per cent of the Central tax revenue used to be given to the States. By the 1990s, that share rose to around 30 per cent and remained around that. Dissatisfied with this, in a common memorandum submitted to the Thirteenth Finance Commission and in response to the questionnaire sent by the Punchhi Commission, States demanded an increase in their share of Central taxes from 29.5 per cent to 50 per cent.¹⁶ Traditionally, Finance Commissions have accounted for about two-thirds of the total fiscal transfers from the Centre to the States; the remaining part was managed through the Planning Commission and the Central ministries. Finance Commission resorted to tax devolution, which is without conditions and grants-in-aid which may be either unconditional and general purpose or conditional and purpose-specific. The Twelfth Finance Commission raised the share of grants to 18.87 per cent in an effort to advance equalisation. The average for previous five years was 10 per cent.¹⁷ The Thirteenth Finance Commission increased the share of the States in the divisible pool of net tax proceeds of the Centre from the Twelfth Finance

¹⁶Government of India, *Report of the Commission on Centre-State Relations: Centre-State Financial Relations and Planning*, Vol. III, Government of India, New Delhi, 2010, p.37

¹⁷Baldev Raj Nayar, *Globalization and India's Fiscal Federalism: Finance Commission's Adaptation to New Challenges*, Madras School of Economics, Monograph 20/2012. <http://www.mse.ac.in/pub/Monograph%2020.pdf>.

Commission's 30.5 per cent to 32 per cent, and raised the "indicative ceiling on all revenue account transfers" (including those from the Finance Commission, Planning Commission and Central ministries) from the Twelfth Finance Commission's 38.0 per cent to 39.5 per cent. Thirteenth Finance Commission is blamed for appeasement of the richer States through reducing the weight of the distance criterion and boosting the weight of fiscal discipline.¹⁸

Following the introduction of economic reforms in the country, there has been a shrinking of the share of the public sector investment. States acquire the right to directly mobilise foreign private investment and resort to market borrowing. However, Plan transfers have become more tied to schemes and projects. There has been a quantum jump in allocations for Centrally Sponsored Schemes, leaving States with reduced space to address their pri-orities.¹⁹ At the same time greater autonomy for States is seen as an impediment towards the realisation of the goal of a common market for the entire country. Other distortions crept in as private sector investment has gone mostly to the States endowed with better infrastruc-ture facilities, thus, accentuating the regional imbalances in the growth of the economy.²⁰

Pleading for Special Status: It is not surprising that States continue to fight their financial and policy battles with the Centre and Centre is inclined to provide support on its own terms. There have been many issues of concern for the States too. However, given the diverse resource position of States, there has been considerable variation in the nature of discontent evident in different States. Some States have been more interested in increasing their share of resources, and pleaded on grounds of their backwardness that they

¹⁸*Op. cit.*

¹⁹Anita Rath, "Growing Centralisation of Social Sector Policies in India", *Economic and Political Weekly*, Vol. XLVIII No.4, January 26, 2013; Chaturvedi Committee, *Report of the Committee on Restructuring of Centrally Sponsored Schemes (CSS)*, Planning Commission, New Delhi, 2011.

²⁰Government of India, *Report of the Commission on Centre-State Relations: Centre-State Financial Relations and Planning, Volume III*, Government of India, New Delhi, 2010.

needed greater support from the Centre. Odisha wanted the NDC to revisit and redefine criteria for according Special Category Status to a State and give special dispensation to the less developed States, like Odisha. Uttarakhand pleaded for parity in funding of Centrally Sponsored Schemes among the Special Category States (SCS). But in practice, while in the SCS of North East all Centrally Sponsored Schemes (CSS) are being funded on 90:10 basis, Uttarakhand is being denied this funding in approximately 38 Centrally Sponsored Schemes. Chhattisgarh wanted the funding pattern of all Centrally Sponsored Schemes in the IAP districts to be revisited and changed to 90:10 basis in line with North Eastern States, arguing that nearly 60 per cent of geographical area of the State was notified under Vth Schedule and fourteen out of twenty seven districts of the State were affected by left-wing extremism and rank fairly low on all human development indicators as well as have huge development deficits.²¹

Contempt for Conditionalities: Some States have been more critical of the Centre for the conditions attached to the resource transfers. The large number of Central schemes as well as Planning Commission's discretionary assistance came in for considerable criticism from the States that did not get these, as also, some others. 'The bulk of the outlay on the thirteen so-called flagship programmes was earlier provided to the States as untied 'Normal Central Assistance' to finance State determined priorities, it was argued. 'With the big brotherly attitude that has come to characterize the Central Government, untied funds have been replaced by the "flagship programmes", consequently treating the elected State Governments as mere local supplicants.'²² Some States have been concerned more about the burden on them to provide matching

²¹Address of Orissa Chief Minister at the 57th meeting of the National Development Council (NDC) held on 27th December 2012, <http://planningcommission.nic.in/plans/planrel/57ndc/index.php?state=57ndc.htm>

²²Address of West Bengal Chief Minister at the 56th NDC meeting held on 22nd October. She reiterated at the 57th NDC meeting, "The States have been placed at the whim and mercy of petty bureaucrats in different Ministries in Delhi to receive assistance for the many centrally funded schemes, for which funding has been carved out of the State's share of Central Plan financing. *op.cit.*

resources to utilise the Central assistance, as, this led to scarcity of resources for programmes to meet the local aspirations. The string of conditionalities attached to many Centrally Sponsored Schemes impinged on the autonomy of States. The proliferation of CSS at the beginning of every plan encroaches upon the plan resources of the States leaving very little fiscal space for new initiatives to address State specific needs and priorities to the effect that States have been reduced to the status of mere implementing agencies of the Centrally Sponsored Schemes.²³ States like Arunachal Pradesh wanted resources for providing State Government a share in equity for the projects being developed as joint ventures with PSUs or independent power producers, in which they would otherwise forego State government ownership for lack of resources. Still others complained of the lack of consultation with State on administrative matters.²⁴

The varied conditions in different States have been emphasised by some States for not only special assistance but also for adopting a careful approach to policy. Some Chief Ministers have been critical of the government's thrust in the 12th Plan on direct cash transfer to target population, It was argued that this centralised approach towards certain problems should not be adopted. The Tamil Nadu CM, for instance, argued: The "direct cash transfer" mechanism is being touted as a "game changer" and a panacea for all ills in implementation. This is unjustified and shortsighted and reveals how little the Central Government understands ground level realities. The cash transfer mechanism will not work for certain schemes like the Public Distribution System and fertilizer subsidy, where ensuring availability of foodgrains and fertilizers is much more crucial to preserve food security than transferring cash. It is almost as if the Central Government is trying to abdicate its responsibility and

²³Address of Chattisgarh Chief Minister at the 57th NDC meeting, *op.cit.*

²⁴The grudge of Arunachal Pradesh was also that the Ministry of Home Affairs took unilateral decisions on the transfer and postings of IAS and IPS officers to and from the State without due consultation with the State Government. And that its cadre strength in IAS was only 37, which needed to be increased to at least 75 within the AGMUT cadre. Address of Arunachal Chief Minister at the 57th meeting of the NDC, *op.cit.*

just throw money around, instead of addressing real issues of availability. For other transfers, like pensions and scholarships, our State has attempted to operate through banks. However, the banking system, which is entirely under the control of the Central Government, is as yet unequal to the task of providing the crucial last mile connectivity to scheme beneficiaries without imposing hardships and costs on them”.²⁵ Odisha Chief Minister also argued in similar vein: “In the matters of food security, cash transfer approach may not be appropriate in many parts of the country, particularly in those regions which have poor connectivity, difficult access and lack adequate banking facilities. My Government is of the view that the objective of food and nutritional security should be effectively addressed by way of bringing appropriate improvements in the existing Public Distribution System. In other cases, banking infrastructure needs to be substantially augmented in the un-banked and under-banked areas. Even for the business correspondent model to succeed, we need physical presence of a brick and mortar branch at least at the Gram Panchayat level. Without setting up such a minimum backbone of banking infrastructure, implementation of direct cash transfer scheme is fraught with serious last mile delivery risks”.²⁶

The Issue of Disparities: States have also been vocal about the discriminatory effects of policy on the position of rich and poor States. Odisha Chief Minister, for instance, argued: A major challenge of the 12th Plan would be to enhance the economy’s capacity for growth, to deal with the issues of regional disparities, particularly those of widening gap between more developed and less developed States, and to mobilise adequate resources from various sources. While the less developed States would have to make all out efforts to raise the resources needed for public investment amidst numerous constraints including their limited capacities to raise own resources, there would still be a substantial

²⁵Address of Tamil Nadu Chief Minister at the 57th meeting of the NDC, *op.cit.*

²⁶Address of Odisha Chief Minister at the 57th meeting of the NDC, *op.cit.*

gap between their investment requirements and the investible funds that can be mobilised by them.

The discriminatory effect of policies have often been emphasised in the context of natural resource endowed States and the consuming States, the argument runs that several Central policies and institutional arrangements have adversely impacted, and continue to adversely impact, less developed States that have rich natural resource endowment. These States have not benefited from their rich natural resource endowment. Their comparative advantage was, and has been, of no significant value. In the past when the Freight Equalisation Policy was in place, more developed States benefited at the cost of less developed States. The rich States reaped the benefits of early private investments in manufacturing and other sectors as they were compensated the differential costs of transportation of minerals mostly from less developed States. The less developed States could not avail location advantage and thus continued to lag behind the rich States.

Distortions and Delay in Royalty: One of the major complaints of mineral rich States has been that they were not able to reap full benefits of their endowments because of distortions in, and delayed implementation of, mineral royalty policies. Odisha CM complained “Royalty from mineral resources which could have funded higher plan sizes and triggered development has been kept persistently low in spite of several requests made in the past. Due to prolonged efforts by mineral bearing States, the royalty rates have been shifted to an *ad valorem* regime but the impact of this change has been dented by an artificially low price of minerals as determined by the IBM. This matter has been taken up with Government of India on a number of occasions but the results have not been encouraging. Mining companies have run away with super normal profits while the Ministry of Mines has been dithering about revision of the royalty structure. Surprisingly, the fact that super normal profits are being earned by the mining companies is visible and evident to almost everyone except possibly to the Ministry of Mines”.²⁷

²⁷*Op.cit.*

The mineral rich States regret their dependence on the Centre, as, the powers for allocating and regulating most natural resources are vested with Government of India. The States have no or little role in allocating their own resources to most efficient and equitable uses. They cannot tax minerals directly within the framework of the Central Laws. The States cannot even levy sales tax on iron ore and other minerals at a rate higher than two per cent since bulk of these minerals are exported to other States. Nor can the States auction the lease rights for mining to capture the economic rent from these scarce natural resources. The mineral rich States have repeatedly expressed their concerns in this regard. Since they have followed a policy of encouraging value addition in the mineral sector, the States should have a say in assigning mineral concessions and benefit their people, it is argued. A Mineral Resources Rent Tax to be charged at 50 per cent of the surplus rent was suggested by Odisha to help mineral bearing States to raise the much needed resources for building the vital infrastructure and take up other developmental activities.

Power producing States have also been asserting their eligibility for compensation on account of the ecological loss occurring due to air and water pollution and large scale ecological destruction by power projects which supply most of their power production to the other States. The demands for fuel and power in the plains are met from the resources in the Himalayas. For its efforts towards protection of environment, Uttarakhand demanded an additional Rs.2,000 crore per year as “Green Bonus” as against the Rs.51 crore sanctioned this year for the management of forests by the Thirteenth Finance Commission.²⁸

Compensation Issue: It is noteworthy that there are a number of Central legislations, the compliance and enforcement cost of which are entirely borne by the States. Central legislations, such as, the Environ-ment Protection Act, the Wildlife Protection Act, the Forest Conservation Act, the Biodiversity Conservation Act, the Tribal Conservation Act and many other national policies require

²⁸Address of Uttarakhand Chief Minister at the 57th meeting of the NDC, *op.cit*

compliance on the part of States. At present, States are not compensated for the cost of compliance and the revenue loss on account of compliance.²⁹ The issue of compensation for States was also raised by the Punchhi Commission. Central legislations/ Administrative instructions also impose additional costs on the States, which relate to: (a) Schemes of Central Government like Sarva Siksha Abhiyan (SSA); (b) Climate Change and Environment Management; (c) Judicial work resulting in increased case-load on the courts; and (d) fulfillment of international treaty obligations entered into by the Central Government. It recommended that the additional expenditure liabilities on States on the above counts should be suitably compensated for which a mechanism needs to be institutionalised, suggesting the incorporation of the issues giving rise to such liabilities as a part of the permanent Terms of Reference of the Finance Commissions. In a common memorandum submitted to the Thirteenth Finance Commission, States have demanded that the Central Government should bear at least 50 per cent of the additional consequential burden, following the pay revision in the case of general category States and 100 per cent of the additional burden in the case of special category State.³⁰

Economic reforms have often been projected as inclined towards increased autonomy of States by enabling them to raise private investments and directly negotiate even with foreign capital. States have been competing for private capital, increasingly visiting abroad in search of capital and creating race of incentives and fiscal concessions to attract foreign investment.³¹ Significantly, as the more developed regions attracted a large part of investments, these developments have also furthered regional inequalities, including inequality within States. Others felt further marginalised and vulnerable. Assistance under the Externally Aided Projects (EAP) has also mostly gone to relatively developed States. The

²⁹Government of India, *Report of the Commission on Centre-State Relations*, Vol. III, 2010, *op.cit*

³⁰*Op.cit.*

³¹Lloyd I. Rudolph and Sussane Hoeber Rudolph, "The Iconization of Chandrababu Naidu: Sharing Sovereignty in India's Federal market Economy", *Economic and Political Weekly*, May 1, 2001

share of poorer States in EAP has been negligible. Poorer States have been extremely concerned about the growing disparities on account of Centre's policies - some of them aspire to get the special status and a greater share of resources to address their economic problems. There is, however, a greater convergence of concerns on issues like compensation for the loss to be incurred on account of introduction of Goods and Services tax.

(c) Political Mobilisations and Public Pressure: The nature of political mobilisations in States often defined how specific States engaged with issues or agencies and eventually affected the policy choice of the Centre too. From the initial agitations on linguistic reorganisation of States leading to the formation of State Reorganisation Commission to arrive at a rational formula, leading to the eventual reorganisation of States in 1956 to the formation of new States during the later years, political mobilisation and public pressure has been an important mediating influence in the final outcome.³² Identity assertions and regional mobilisations have played a role in the growth of agitational politics in some States; in many cases this also resulted in the rise of regional parties around the issues which raised concerns that converged with the concerns of ethnic and social identity groups. There have been no doubt times where repression of movements for autonomy, statehood or more specific issues of policy continued for long, and later disappeared, but in many cases, the public pressure persisted and made the Centre or State accept the position of the other.

State opposition to many Central decisions gained strength from public pressures and even a powerful Centre changed its position under such pressure. This was true of several specific locational decisions for development projects at both Central and State levels. Policies like takeover of foodgrain trade in the mid-seventies invited resistance from traders and many States were with them too. Increasing mobilisation in society on issues of identity and interest as well as growing public awareness of rights have led to increasing resort to protests and resistance politics on many policy issues.

³²Ashutosh Kumar, "Exploring the Demand for New States", in *Economic & Political Weekly*, Vol.XLV, No.33, August 14, 2010, pp.15-18.

Social media too has played a role in recent years towards the mobilisation of youth to engage with policy debates. Accommodative gestures at the level of both Centre and States on account of these factors have been evident in many cases on account of public mobilisation and protests from the affected groups in society.

Centre had to reconsider its position, for instance, on the issue of the introduction of BT Brinjal, which evoked resistance among farmers, scientists and the general public. The resistance of States to the introduction of BT brinjal after Ministry of Environment and Forests decided to permit it on the recommendation of the Genetic Engineering Approval Committee of the Ministry, resulted in a change in the position of Centre. It is noteworthy that 13 States that enjoyed an almost 75 per cent share in the country's brinjal crop officially conveyed to the Centre that they did not want their farmers to grow BT brinjal. These included West Bengal, which contributes 30 per cent of the country's brinjal crop and Odisha that contributes 20 per cent of the yield. Besides these, Bihar, Andhra Pradesh, Karnataka, Mizoram, Chhattisgarh, Tamil Nadu, Kerala, Madhya Pradesh, Punjab, Rajasthan and Uttarakhand also opposed the decision. Public consultations across seven States at Bhubaneswar, Ahmedabad, Nagpur, Chandigarh, Hyderabad, Kolkata and Bengauru were part of a nationwide exercise by the Central Government, which also contributed to rethinking on the issue.

Public meetings and State government resistance resulted in the Centre declaring moratorium on the BT brinjal; but unlike this case, the Centre took the decision on the liberalisation of multi-brand retail despite resistance from traders and *kirana* shop owners. However, since in many of the States, the agitators were supported by the State government, the Centre decided to grant the States the right to decide whether they wanted to implement it in their respective State. On the issue of Lokpal legislation too, the argument of State's rights to decide on Lokayukta was used by the political parties which ruled the States to block it despite the visible public support that the issue carried. There have also been instances of States taking the decision and Centre resisting it. The issue of bauxite

mining in Niyamgiri hills in Odisha invited opposition in support of the tribals who were displaced.

The growing influence of public sentiments and protests has been evident in the opposition of States to Centre's position even in matters of foreign policy. In view of the anger and large-scale protests across Tamil Nadu to worldwide reports of the annihilation of innocent Tamils in Sri Lanka's military operations against the Liberation Tigers of Tamil Eelam, the two main parties of Tamil Nadu, the ruling All-India Anna Dravida Munnetra Kazhagam and the Dravida Munnetra Kazhagam (DMK), wrote to the Centre to treat Sri Lanka as an unfriendly nation and slap economic sanctions against it. The Tamil Nadu Assembly passed a strong resolution seeking a referendum for a separate Tamil Eelam, and further trampled the Centre's jurisdiction of allowing or disallowing foreigners, with a notice imposing a "ban" on all Sri Lankans from travelling to the State and sending a letter to this effect to the PM.³³

States have often been actively demanding projects for their development. There have been many demand-based agitations for steel, fertiliser, or other plants in the past. There have also been many agitations against such plants- Nandigram, Sangur, POSCO, and many others where land acquisition to environmental concerns became significant instigators of resistance politics.³⁴ While in some situations, this generated competitive pressure and the project was welcomed by other States, in others similar issues evoked different process dynamics and varied policy pathways on account of the patterns of mobilisation and the Centre's or State's willingness or ability to support or marginalise the public protesters. The setting up of SEZs, the introduction of BT brinjal, the introduction of FDI in retail trade, etc., are a few recent cases in point where specific States were given the space to take their decision and Centre too changed its stance significantly. But there are many such instances

³³Seema Mustafa, "Centre-State Relations in India", *The Express Tribune*, April 12, 2013.

³⁴Rob Jenkins, "State Capitalism: Provincial Governance and Protest Politics in India's Special Economic Zones" in Sudha Pai, ed. *Handbook of Politics in Indian State- Regions, Parties and Economic Reforms* (Delhi: Oxford, 2013).

where in the absence of or regardless of public mobilisations and protests, process dynamics varied and specific interest configurations prevailed through quieter or subtler forms of lobbying or public opinion formation, and this resulted in different policy pathways. Wider political dynamics, including responses of other States or Centre and nature of interest alignments as well as the political economy of development often affected the final positioning of the Centre or States in such situations.

(d) External Factors and Foreign Relations: The increasing role of external factors in shaping policy and Centre-State relations has been evident not only in the growing role of foreign capital and agreements for assistance in various sectors and projects and the obligations attached; it is also evident in the numerous international and multilateral agreements that are signed by the Centre.

International Commitments: International commitments on account of signing of international agreements and treaties have been an important factor that increased the need for cooperation between Centre and States for ensuring implementation. Although the Seventh Schedule to the Constitution, places “Foreign Affairs” in the Union List (Entry 10), the wide-ranging implications of international agreements for the position of States as well as the economic and administrative burden of implementation for the States as well as effect on other aspects of State’s economy and politics make it an important area of concern for States. As the role of such agreements is growing, so also is the interest of States in their negotiation process and shape.

Under Entries 13 and 14 of List I and Article 253, it is within the exclusive domain of the Union Government to enter into treaties and agreements and to implement them even if the subject matter of a treaty is within a State List. However, some States argue that this amounts to the usurpation of power by the Union Government. Punchhi Commission too emphasised that the impact of the Union executing international treaties and agreements involving matters in the State List was an issue which has caused concern among the States in recent times. A new dimension to the problem was added by the Supreme Court declaring in the *Visakha v. State of Rajasthan* case in 1997 that citizens can seek relief in courts on the basis of

international conventions or treaties if the country has ratified them and they are not inconsistent with the law and Constitutional provisions. Some States in this context approached the Supreme Court complaining that the area of legislative competence of States was being eroded indirectly by the Union Government entering into treaties with other countries.³⁵ UN Conventions on human rights, the rights of women and children, environment, climate change and many others increasingly enable the Centre to give directives to the States.

Multilateral Agreements: Following the adoption of Structural Adjustment Programme in 1991, policy autonomy has been significantly affected by external pressures and conditionalities that came with assistance. The autonomy of States becomes less of a reality in such situations. WTO agreement became an area of conflict between States and the Centre, for, the former argued that before signing agreements with implications for the States, the latter should be consulted. Three States challenged the Centre and filed a petition in the Supreme Court.³⁶ In *P.B.Samant v. Union of India*, where a Division Bench was called upon to adjudicate the validity of the Union entering into the WTO framework without consulting the States. The Court dismissed the petition by holding that the power under Article 73 was expansive enough to enable the Union to negotiate treaties in support of Article 253. It held: “It is difficult to accede to the contention that though the Parliament has power to enact laws in respect of matters covered by the State list in pursuance of treaty or the agreement entered into with foreign countries, the executive power cannot be exercised by entering into treaty as it is likely to affect the matters in the State list”.

Rise of environmental concerns and growing threat of climate change, giving rise to a greater need for co-ordinated policy and

³⁵Government of India, *Report of the Commission on Centre-State Relations: Constitutional Governance and the Management of Centre-State Relations*, Vol. II, 2010.

³⁶Rob Jenkins, “How Federalism Influence India’s Domestic Politics of WTO Engagement: (and is itself affected in the process)”, *Asian Survey*, Vol.XLIII, No.4, July/August 2003. Rekha Saxena, “Is India a Case of Asymmetrical Federalism”, *Economic & Political Weekly*, January 14, 2012, Vol..XI.VII,No.2.

implementation. Environmental protection and climate change issues have been negotiated in international organisations and the agreements signed have wide-ranging implications for the States. On going negotiations on these issues are a matter of concern. While national plan of action on climate change has been adopted, States are under pressure to work in that direction. The cost of implementing these issues has been a matter of concern for States which are increasingly demanding compensation from the Centre for the high costs involved in compliance with these directions as well as for the revenue foregone as a result of this compliance.

Border Issues and Foreign Relations: In States, which share international borders, the worsening internal security scenario and growing incidence of violence and crime has made way for an increase in the demand for cooperation and support from the Centre towards handling these concerns. Many North-Eastern States have been facing problems of arms smuggling, drug trafficking and illegal infiltration, etc. In view of these challenges, these States have been demanding strengthening of intelligence gathering system and police training facilities, improvement of criminal justice apparatus and improved infrastructure. At the same time some of these have strong civil society movements which are pressing for withdrawal of strong laws like AFSPA and provide greater autonomy to the States. The Centre is expected to not only take a balanced stand but also engage consultative processes for solutions that are acceptable to the people in these States. At the same time, States also want to influence relations with neighbouring countries either for economic and security concerns or for reasons of public sentiment, as evident in case of West Bengal's concern over Teesta water and Tamil Nadu's concern for Centre's stand on Tamil issue in Sri Lanka mentioned above.

III

Emerging Challenges

Centre-State relations have been analysed and interpreted by many scholars and practitioners, and there have been many commissions that examined these issues, the latest being the Punchhi

Commission on Centre-State Relations, with its wide ranging concerns and agenda. Many recommendations have repeatedly come in support of the need to prevent the misuse of Constitutional provisions for further strengthening the position of the Centre at the cost of State capacity for administration and development. It is important to underline a few issues that need to be addressed in the emerging scenario of Centre-State relations.

Complexity of Issues and Overlapping Jurisdictions: The growing complexity of issues on account of globalisation and opening up of the economy, the environmental and social dimensions of economic decision-making as well as the technological developments have added to the need for cooperation, both for the Centre and the States. The inter-sectoral and multi-level policy making efforts needed for addressing climate change, for instance, make it difficult to place issues as exclusively belonging to a specific level. The need for multi-level policy coordination has been felt making way for the creation of technical and regulatory agencies at various levels, at times adding to the complexity of policy processes, at others to the bypassing of traditional forms of accountability at all levels.

Even on the conventional issues, States have been complaining of lack of consultation before taking a decision. The Sarkaria Commission had also underlined that in matters of concurrent or overlapping jurisdiction, a process of mutual consultation and cooperation should be put in place to achieve coordination of policy and action. Suggesting that there should be prior consultation, it emphasised that a resume of the views of the State Governments and the comments of the Inter-State Council should accompany the Bill when it is introduced in Parliament.³⁷ Speaking in similar vein, and illustrating the case of primary education, Punchhi Commission too expressed that the Inter-State Council could have been used more effectively by the Centre. It found the conferences of Chief Ministers and Education Ministers to be an inadequate

³⁷Government of India, *Report of the Commission on Centre-State Relations*, Vol. I & II, 1987 (Sarkaria Commission Report).

mechanism to evaluate experience in policy formulation and to adopt ideal policies and standards to achieve the goals. Even the National Development Council is not able to work out a cohesive policy acceptable to all States who alone can ultimately implement the scheme. The strategy of an Empowered Committee of States Ministers to thrash out the issues was not invoked in this case. The result is continued impasse on settling the relative roles and responsibilities of States and the Centre in the implementation of such a vital subject which was long neglected by the Union. The issue is not confined to sharing the financial burden alone, though that remains the most vexed issue.³⁸

Need to Strengthen Institutional Coordination and Consultation:

Centre-State and inter-State coordination have been an important concern not only for resolving inter-state conflicts but also for collective realisation on issues of common concern, seeking support or specific patterns of intervention from the Centre and for collective problem solving. There existed a wide range of Institutions handling different aspects of Centre-State relations - Inter-State Council, the National Integration Council, the National Development Council, the Planning Commission, the Finance Commission and the Boards of the Reserve Bank of India and other financial institutions and Zonal Councils.

Several inter-State consultative bodies have also been formed to review policies on specific issues: e.g., the National Water Resource Council, the Advisory Council on Foodgrains Management and Public Distribution and the Mineral Advisory Board. Institutions have also been set up under Article 263 to provide data for policies on specific issues. There are at present separate Central Councils of Health, Local Self-Government, Family Welfare, Transport Development, Sales Tax and Sales Excise Duties, and Research in Traditional Medicine. A provision also exists for the creation of tribunals to settle disputes between States on the sharing of river water. Besides many issue based consultation meets are also

³⁸Government of India, *Report of the Commission on Centre-State Relations: Constitutional Governance and the Management of Centre-State Relations*, Vol. II, 2010, p.23.

organised on issues of concern to obtain the views of States. However, their effectiveness in shaping the final outcomes has varied with the overall political context and purpose of such consultations and needs to be seen in the coming days.

The role played by the existing institutions needs to be reassessed in terms of issues of effectiveness, autonomy, trust and accountability. Planning Commission has been disbanded by the new government. It remains to be seen how mechanisms and processes for improving the Centre-State relations and to facilitate inter-State coordination evolve and how the re-emergence of one party rule at the Centre affects the federal functioning. The need for innovative mechanisms for the cooperation and constructive engagement of the Centre and States to addressing public concerns is more not less.

Collaborative gestures in policy sphere are more evident when national policy strategy is deliberated, especially so when the issues affect a large constituency and implementation involves commitment of States. Conferences, consultations, sharing of best practices are arranged on many issues - e-governance, child rights, women's security, education, etc. the mechanisms of meeting of concerned Ministers or secretaries have been often used to arrive at policy in many cases. However, the concern to take political mileage often limits such collaborative exercises shaping policy outcomes beyond a point. This needs to be addressed in a manner that politics is not displaced from its decisive role in a democratic structure yet it is not reduced to politics of power.

Search for Innovative and Principle-Centred Solutions: It is extremely important to ensure that existing political and economic asymmetries that characterise the States in India do not contribute to accentuation of discontent for those who sought integration and progress. Creation of mechanisms for reducing the effects of existing disparities and preventing new forms of these is crucial. This would necessitate a careful effort to rethink development strategies in varied conditions where different States are placed. Worsening inequalities across the regions not only give rise to problems of large scale migration; these also provide fertile grounds

for politics of protest and violence. And worsening intra-regional disparities invariably lead to demands for territorial separation. Innovative solutions of problems of regions, and regions within regions, are crucial. The concerns of rich and poor, developed and backward, resource endowed and resource deprived, producing and consuming States, need to be addressed in a fair manner, taking into consideration their direct and indirect contribution to the growth of other States and to public good. Fiscal allocations should be principle-based and principles must give adequate place to equity and sustainability.

In this context it is important to remember the spirit of federalism and ensure that it does not stop at the goal of strengthening of States in relation to the Centre, or even improving coordination and mutual support across States; it is important that States too facilitate the strengthening of local institutions and create mechanisms and capacity for local planning and local monitoring of development and service delivery. This requires not only funds flow and transfer of adequate staff to carry out local tasks at the local level; more important, this requires accountability process to be directed towards the bottom and active engagement of the local people in the processes of decision-making. This, however, is the biggest challenge both in view of the growing external pressures on policy and the evolution of technologies of control at a greater speed than the technologies of devolution. How these challenges are addressed will be the test of federalism in India.

IV

Towards Conclusion

This paper has argued that Centre-State relations in India are set in the Constitutional framework, which adopted the key federal feature of division of powers between Centre and States, yet carried a strong Centrist bias under normal as well as special circumstances. This framework, however, has not resulted in docile States, which possessed no voice. The dynamics of Centre-State relations acquired different tones mediated by the political party imperatives, economic conditions, political mobilisations and external variables. Because

of these multiple intervening variables, while one can speak of some dominant trends linked to these variables, crystalising along space and time; these trends begin to fade out when a policy lens is added to the analysis and one finds moments of cooperation and confrontation, autonomy and dependence. The live context of democracy permits different overlapping and singular strands of variables working on the constitutional and institutional framework to produce certain ends. Thus, while one party dominance at the Centre and most of the States ensured fewer public confrontations between the two till about mid-sixties, there have been a large number of public protests and agitations where, States sided with the Centre. On many occasions an all-party resolution was passed in the Assembly to seek or reject a decision for the State. Setting up of industrial plants or resisting these are only a few instances of this. States opposed the Centre's proposal for abolition of sales tax for many years, regardless of the party in power. The dominant reality following the rise of opposition ruled States has no doubt been more visibly confrontationist. Yet this too reflected the significance of other variables and accordingly produced variation in the nature and patterns of confrontation or autonomy demands. After the rise of coalition politics, once again, the dominant strands look different with greater role for regional parties at the national level. At the same time, this period also saw the growing influence of external forces in the policy making processes, thereby complicating the issue of state autonomy in a context of questionable central autonomy. The varied position of States has also borne the influence of the friendly or unfriendly hand of the ruling parties at the Centre. However, although the need for political support at the Centre offered greater opportunities to the regional allies, this alone could not be the determining factor in their effectiveness or otherwise. The fact that the party in power at the Centre was competing with the parties ruling the State made the public reading of positions an important factor too. Hence, even if one can see some trends towards a greater autonomy for States in the changing political economy scenario, much of it is countered by the other competing variables still remaining relevant. Much of the future direction of federal relations in India will depend on the extent to which innovative mechanisms for increasing

space for States and the third tier of government are devised to cope with the growing complexity of issues and centralising thrust of new technologies on the one hand and the constraining effects of resource scarcity on the other hand, while ensuring that the democratic spirit of the Constitution moves towards the deepening of democracy.

What is significant is to understand the factors that have contributed to the diverse policy pathways and how the federal framework has worked in the production of these varied policy trajectories. In the prevailing context where political and economic dynamics have created space for multi-level and multi-agency decisional interventions, the relevance of interpreting policy performance in terms of people-centric frameworks becomes important. Process dynamics assume meaning only when both vertical and horizontal arrangements are looked at and the non-state interface is taken into account to capture policy needs and to sense policy capture.



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