

# Federalism, now a partisan internal dialogue

India could be living through a reprise of the 'Congress system', but with significant differences in the BJP's re-enactment



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At the first signs of stress, the grand vision of a nation unified in a singular system of taxation, was supplanted by a policy of every-state-for-itself. Just over three years ago, the introduction of a unified "goods and services tax" (GST) was heralded by a midnight session of Parliament, a theatrical invocation of India's 1947 "tryst with destiny". It was a moment of seeming vindication for the vision of a nation united in its singularity, which the Bharatiya Janata Party (BJP) and Prime Minister Narendra Modi have made their own.

## Miscued estimates

The triumphalism lived on, but only in the alternative world created by BJP acolytes in the media. In the real world, evidence of seriously miscued revenue estimates, premised upon an ideological rather than pragmatic tax rate, was accumulating at an alarming pace.

The Comptroller and Auditor-General of India (CAG) recently revealed how a cess meant to remedy shortfalls in GST yields, was retained in central government revenues, in violation of all applicable norms. This revelation does little to build trust at a time when the States' treasuries are running dry and the central government is gratuitously advising them to borrow on the strength of its guarantee. States ruled by the BJP are willing to go along, but others believe that the onus of borrowing should rest with the central go-

vernment, given that it is the absolute sovereign and enjoys vastly greater taxation rights.

## Fiscal deficit and investors

It could be surmised that the central government's refusal to contemplate the option that Opposition states are urging, stems from legitimate concerns over its fiscal deficit, a parameter in turn seen as crucial to retaining the confidence of foreign institutional investors. Many of these investors who turn over vast sums of money in India's currency and share markets, have short-term perspectives. Yet, it does little for public confidence that the central government should base policy upon this thin artifice, when the States' fiscal health is in serious jeopardy.

The central government, in May, sanctioned a higher borrowing limit for States through the current year. In the bargain, it imposed conditionalities which reflected two deep dogmas: enforcing a singular standard for the implementation of policies across a vast and diverse country, and improving India's ranking as a place for "doing business". States will have unconditional access to borrowings equivalent to half a percentage point of their gross output. But, subsequently, every tranche of a quarter point will be premised on progress in implementing the "one nation, one ration card" scheme, and improvements in the "ease of doing business".

"Doing business" is a parameter the World Bank has devised as an indicator of a country's economic prospects. The Modi government has prided itself on rapid improvements registered in this index since 2014. This, despite criticism that the parameter is indifferent towards issues of equity, welfare and environmental sustainability,



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and concerns within the World Bank that data manipulations may have distorted estimates.

## The agrarian crisis

The "doing business" objective seemingly guided the central government when it introduced and pushed through – despite loudly vented reservations – laws that transform the infrastructure and regulatory processes of agricultural markets. There is a deep crisis in the agrarian sector that most evaluations have concluded, arises from ingrained asymmetries of market power. Absent a remedy for these, the malaise is only likely to be aggravated by the entry of private corporate buyers, who could overwhelm the fragile yet workable systems built up by State governments.

Federalism has always been a contested concept in Indian politics. Aside from the contents and definitions sections, the word "federal" occurs in only one operational article of the Indian Constitution, in reference to the apex judicial body created in colonial times. When this body was transformed into the Supreme Court at the moment the Constitution came into force, the word seemingly lost all operative value. The administrative matter of the distribution of powers and responsibilities between various tiers of the governmental system, was achieved without explicit recognition of federalism as a governing principle.

In actual operational terms, the relationship of Centre and States followed different paradigms through various phases of politics. In the single-party state that India essentially was at the time of Independence, the distribution of powers between Centre and States was transformed into an internal discussion of the Congress.

## Evolution of power sharing

The "Congress system", as the political scientist Rajni Kothari called it, was seen at one time to have sufficient internal flexibility and resilience to absorb all factional pressures and create a grand national synthesis. The challenge to that hegemonic vision came first from the cultural terrain, compelling a reluctant national leadership to concede the principle of the linguistic reorganisation of States. And then, as ambitions of nation-building through rapid industrialisation began to flounder, agrarian interest groups in particular began peeling off, joining other factions to create the possibility of a non-Congress politics.

The Congress lost power in a number of key States in 1967, retaining only a parlous grip at the Centre. Then, as political scientists Suhas Palshikar and Yogendra Yadav have theorised, the polity moved into a new phase, when politics was about "waves" at the national or State level either in favour of, or against the Congress. From 1989 onwards, politics settled into another distinct phase, when outcomes at the national level were the resultant of very separate State-level results. This was a process driven by the emergence of regional parties through the 1970s and 1980s, and the consolidation of Left politics in West Bengal and its continuing relevance in Kerala.

Since emerging in 2014 as the

pole around which the polity revolves and underlining that status in 2019, the BJP has taken all the cues, and now seeks to transform federalism into an internal dialogue. There is a hint here, that India could be living through a reprise of the "Congress system" of the 1950s and 1960s. Significant differences exist, though, which could make a difference to the BJP's re-enactment.

## Agriculture subsumed

First, the BJP has grown in most parts of the country by wedging itself firmly into the deepest cultural fault lines in Indian society. This is integral to its ideology and not merely the kind of pragmatic tactical recourse that the Congress on occasion adopted. Second, the Congress's inattention to the rural agrarian sector was relatively benign, born in its belief that agriculture was a vast reservoir that would gladly yield its surpluses of manpower and product to fuel the growth of the urban industrial frontier. In the BJP's vision, agriculture is the tail-end of the economy which should be forcibly absorbed into the logic of private enterprise and the aggrandisement of India's wealthiest business groups.

If there is a parallel to be drawn with the splintering of the Congress system and its replacement by a complex mosaic of politics led by the regions, it is simply this: that the agrarian sector could soon emerge as the force driving change. And typically, these interest groups begin coalescing at the level of State politics and then forge larger unities, which begin to contest the overweening power of the Centre.

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