

1. What role do States play in extending the welfare measures of the Union to the intended population? Explain. What are the current challenges on this front? Discuss.

Approach:

In the first part of the question, the answer should mention about the role of states in implementing and helping the centre for the welfare of the people. It entails, the effectivity of State Governments in the implementation of Centrally Sponsored Schemes and Central Sector Schemes. In the second part, the challenges with respect to these welfare measures need to be mentioned. Finally, the conclusion should hinge upon improving the Centre-State relations to effectively extend the welfare measures of the Union.

Introduction:

The Indian Constitution provides a strict demarcation between the legislative competences of the Union and the States. Yet, the Union, which also has far greater control over the nation's finances than the States, plays a leading role in determining welfare priorities for the nation through schemes and budgetary allocations (Article 246). In order to provide a uniform framework for the holistic development of the country as a whole, the Union Government does provide budgetary allocations and schemes. These schemes- Central Sector Schemes, Centrally Sponsored Schemes aim at the social and economic welfare of the Indian republic, but need effective coordination of the Indian states being a part of the quasi-federal set-up.

Body:

For the first fifty years of the Indian republic, social and economic welfare was primarily administered through ad hoc measures known as schemes. In the early 2000s, there was a shift to "rights-based welfare." The Government of India codified several important aspects of social welfare into statutes. These included Mahatma Gandhi National Rural Employment Guarantee Act, 2005 (MGNREGA), the Right of Children to Free and Compulsory Education Act, 2009 (RTEA) and the National Food Security Act, 2013 (NFSA). This was welcomed by the academic community, who described it as a "new social contract" between Indians and the State.

Role of States:

In the present federal set-up of India, the seventh schedule of the Constitution provides a tight-model of distinction of powers between Centre and States. However, ultimately it is the states which work at the grassroot level for the development of their respective states. The fourteenth Finance Commission substantially enhanced the share of the States in the Central divisible pool from 32% to 42%. which was untied and can be spent by the States as desired. However, doing so it delinked many schemes which were previously centrally funded, thus sharing the burden of the welfare between Centre and States.

- In case of Centre Sector Schemes like Bharatnet, PMSAMPADA even though the Central government is primarily responsible for funding and implementation. The collaboration and concurrence of the state governments is equally needed for the effective implementation. As such, states like Karnataka, Andhra Pradesh are way ahead in providing internet facilities in the rural areas as compared to Bihar, Jharkhand and Odisha.
- In the Centrally Sponsored Schemes, states have even a greater role to play to ensure that the particular scheme is effective in carrying out its desired objectives. For instance, case of MGNREGA where the devolution is 60:40 between Centre and States, the role of state governments is paramount for the effectivity of the scheme. States like Tamil Nadu, Rajasthan, Kerala have had nearly 90% efficiency when it comes to enhance the output, while Jharkhand, Bihar and Uttar Pradesh have just been 60% effective.
- Schemes like Public Distribution System, Mid-Day Meal Scheme have directly been under the State Government Implementation and therefore the comparative performance of the states, depend on the manpower, effective funding and the resources the state government attempt to spend on these schemes.
- National Health Rural Mission under NHM provides for development of the quality health-care at the primary health-centers in villages which is directly overseen by the State Governments. Therefore, State Governments are critically important in ensuring that there is effective disposal of the Centrally mandated welfare for the intended population.

Challenges at the Front:

The Union Government plays a prominent role in determining State level development priorities through CSS. These are grants made by the Union for a specific purpose, i.e., the scheme guidelines, to be implemented by the States. However, there are certain challenges:

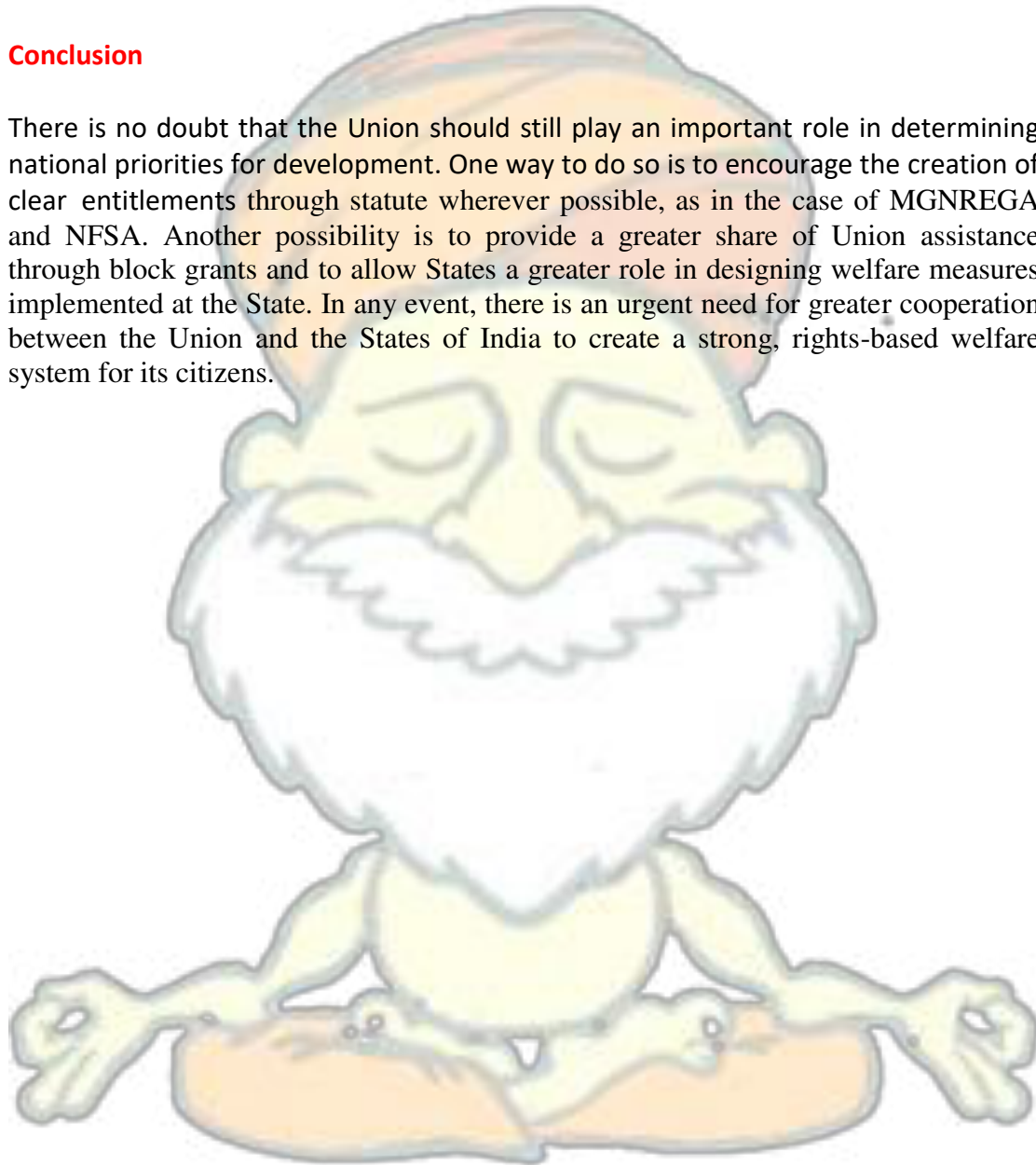
- Article 282 of the Constitution confines the Union's power to making grants on the state subject, implying that the implementation should be left entirely to the states. However, with Centrally Sponsored Schemes, the states are left with little discretion with respect to how these are to be implemented.
- With the central schemes on the anvil, the state governments actually depend on the Central Government funds. Recently, the delaying of the funds in schemes like MGNREGA, PDS have witnessed the tussle between Centre-State relations.
- Parliament has limited powers and wide discretion under Article 282, meaning that it is not bound to make consistent, predictable grants to States year after year. That is problematic with states being highly dependent on the Centre for these welfare schemes.
- Even at the Third-Tier government, the Centre Government has again at the loggerheads when it comes to Finance Devolution and implementation. Even

these grassroot level governments are indirectly dependent on the Central Government which again creates problems for the effective implementation.

- The scope of economic and social rights in India is properly within the domain of the legislature, and the States ought to play a pivotal role on matters within their competence. By making Union grants variable and highly discretionary, States are unable to plan for consistent and predictable welfare measures — such as those provided by statute — year after year.

Conclusion

There is no doubt that the Union should still play an important role in determining national priorities for development. One way to do so is to encourage the creation of clear entitlements through statute wherever possible, as in the case of MGNREGA and NFSA. Another possibility is to provide a greater share of Union assistance through block grants and to allow States a greater role in designing welfare measures implemented at the State. In any event, there is an urgent need for greater cooperation between the Union and the States of India to create a strong, rights-based welfare system for its citizens.



2. What is the Interstate Council? What are its mission objectives? Discuss. What potential does it hold to transform the dynamics of centre-state and interstate cooperation? Examine.

Approach

Address the question in few parts where the first part should address what is the Interstate Council and the next part should discuss its mission objectives. The next part of the answer, you need to examine the potential inter-state council holds to transform the dynamics of centre-state and interstate cooperation.

Introduction

Inter-State Council (ISC) is a constitutional body as provided by Article 263 of the Constitution of India which is mandated to investigate and advise on disputes between states, has been recently reconstituted with Prime Minister as its chairman and six Union ministers and all chief ministers as members.

Body

- The Inter-State Council's mandate is to inquire and advise on interstate disputes and to provide recommendations for better policy coordination. However, it is a recommendatory body to investigate and also discuss subjects, in which some or all of the states or the Central government have a common interest.
- In fact, it is set up on the basis of provisions in Article 263 of the Constitution of India by the Presidential Order, 1990 based on the recommendation of Sarkaria Commissions.
- The Inter-state council is not a permanent constitutional body for coordination between the states and Central government. Rather, President can establish it at any time if it appears to him that the public interests would be served by the establishment of such a council.
- Article 263 provides explicit provisions with respect to an inter-State Council i.e. If at any time it appears to the President that the public interests would be served by the establishment of a Council charged with the duty of –
 - Inquiring into and advising upon disputes which may have arisen between States;
 - Investigating and discussing subjects in which some or all of the States, or the Union and one or more of the States, have a common interest; or
 - Making recommendations upon any such subject and, in particular, recommendations for the better co-ordination of policy and action with respect to that subject.
- Article 263 further states that it shall be lawful for the President by order to establish such a Council, and to define the nature of the duties to be performed by it and its organization and procedure.

In terms of potential to transform the dynamics of centre-state and interstate cooperation, the Interstate Council can be considered as a proven concept, evident from the following points –

- Based on the Sarkaria Commission's recommendations, it was constituted under Article 263 of the Constitution in 1990. It proved to be crucial in the implementation of many of the commission's recommendations, such as altering the states' share of central taxes. This clearly shows its future potential to transform federal relations.
- Further, the council helped bridge the trust deficit between the centre and the states. If not always a problem solver, it at least acted as a safety valve.
- As opposed to NITI Aayog, the ISC is more political in nature with constituent members being Chief Ministers of states and Chief Ministers/Administrators of Union Territories with the Prime Minister as the Chairman.
- Functionally, it was visualised as having functions separate from a National Development Council which would deal with matters of socio-economic planning. The ISC was structured in a manner that eschewed voting by majority and instead focused on arriving at a consensus "in a spirit of mutual accommodation, comity and compromise".
- Punchhi Commission (2007) stated, "Federalism is a living faith to manage diversities and it needs to be supported by institutional mechanisms to facilitate cooperation and coordination among the Units and between the Units and the Union. Cooperative federalism is easily endorsed but difficult to practise without adequate means of consultation at all levels of government." This is adequately provided by the ISC, which enhances its role.
- The body was handmade for use in situations such as the COVID wherein an issue of national importance was at play and inter-governmental relations were at stake. The role of the Centre as a facilitator in
 - (i) Ensuring that the best practices being followed in states such as Kerala are implemented across other states;
 - (ii) The issues such as transportation of migrant labours are dealt with expediently using coordinated planning and opening up of borders in parts to ensure that safety norms were followed, was sorely missed.
 - (iii) Even with respect to inter-state travel, accusations kept flaring about restrictions regarding entry at the border. For example, in May, the Uttar Pradesh Government stopped buses from Rajasthan and Haryana from entering its borders, Karnataka restricted entry of people from Gujarat, Maharashtra and Tamil Nadu.
- The Inter-State Council is seen as an extremely useful mechanism for consensus building and voluntary settlement of disputes, in case, given the autonomy required for functioning as a Constitutional body, independent of the Union and the States.
- The very rationale of having a constitutional body like the Inter-State Council is to have an extremely wide perspective which would be all encompassing, besides having an integrated approach towards building a consensus on

policies of national importance. In the present context, we may have lost an opportunity but it may still not be too late.

Conclusion

The challenges of maintaining a federation are many, but the solution is healthy debate and discussion. In past decades, the centralized nature of the Indian economy—even after liberalization—made papering over the cracks possible. But present federalist vision is different, one with an emphasis on decentralizing decision making and encouraging state competition. If that vision is to succeed, the ISC must be a core component of the new cooperative federalism.



3. Examine the challenges of fiscal federalism in India.

Approach

Students are expected to write about the fiscal federalism and examine the challenges of the fiscal federalism.

Introduction

The Government of India Act 1919 and 1935 formalised the tenets of fiscal federalism and revenue sharing between the Centre and the states. Fiscal federalism refers to the financial relations between the country's federal government system and other units of government. It is the study of how expenditure and revenue are allocated across different vertical layers of the government administration.

Body

In recent years, fiscal relations between the union and state governments have undergone significant changes.

- The abolition of the Planning Commission in January 2015 and the subsequent creation of the NITI Aayog;
- Fundamental changes in the system of revenue transfers from the centre to the states through the provision of higher tax devolution to the states based on the recommendations of the Fourteenth Finance Commission (henceforth, "14th FC"); and
- The Constitutional amendment to introduce the Goods and Services Tax (henceforth, GST) and the establishment of the GST Council for the central and state governments to deliberate and jointly take decisions.

Challenges of fiscal federalism in India:

- State's dwindling resources: The findings suggest that recent changes in India's fiscal architecture, including the Goods and Services Tax (GST) regime, and increase in state shares for the Centrally Sponsored Schemes (CSSs) had placed
- Shortfall in devolution: Adding to state woes is the significant divergence in past periods between the amount of GST compensation owed and the actual payments made, including for states such as Uttar Pradesh, Bihar and Jharkhand that need greater fiscal support. Even before Covid-19 hit, 11 states estimated a revenue growth rate below the estimated 14% level, implying higher amounts will be owed as GST compensation.
- Fiscal woes: The economic slowdown prior to the Covid-19 outbreak resulted in lower revenues for both the Union and state governments, as evident from their budgets. The Union government's revised estimates of tax collections (net of devolution to states) for 2019-'20 were about 8.8% lower than its 2019-'20 budget estimates.
- The Case of Horizontal Imbalances: The horizontal imbalances arise because of differing levels of attainment by the states due to differential growth rates

and their developmental status in terms of the state of social or infrastructure capital. Traditionally, Finance Commissions have dealt with these imbalances in a stellar manner, and they should continue to be the first pillar of the new fiscal federal structure of India.

- **Vertical Imbalances:** The creation of vertical imbalances is a result of the fiscal asymmetry in powers of taxation vested with the different levels of government in relation to their expenditure responsibilities prescribed by the Indian Constitution. The central government is given a much greater domain of taxation, with a collection of 60% of the total taxes, despite their expenditure responsibility only amounting to 40% of the total public expenditure.
- Such vertical imbalances are even sharper in the case of the third tier consisting of elected local bodies and panchayats. Vertical imbalances can adversely affect India's urbanization, the quality of local public goods and thus further aggravating the negative externalities for the environment and climate change.

In this regard multiple criteria steps will be helpful in promoting fiscal federalism in the following manner:

- Efforts made by the States in expansion and deepening of tax net under GST will help in realisation of a competitive tax environment where fiscal position of states will improve in turn improving the fiscal federalism.
- 'Progress made in increasing capital expenditure, eliminating losses of power sector, and improving the quality of such expenditure in generating future income streams' criteria can help tackle the stress of NPAs in power sector and improve the fiscal situation of states.
- State Finance Commissions should be accorded the same status as the Union Finance Commission and the 3Fs of democratic decentralisation (funds, functions, and functionaries) should be implemented properly.
- Single Rate GST with suitable surcharges on "sin goods," (goods that are harmful to society and individuals, for example, alcohol and tobacco, drugs, etc), zero ratings of exports and reforming the Integrated Goods and Services Tax (IGST) and the e-way bill.
- This 'one-size fits all' approach to fiscal consolidation has constrained fiscally strong States to raise more resources. Therefore, State-specific targets of fiscal deficit in the FRBM legislation of States. The fiscal correction path may factor in the variations in the initial fiscal situation across States and be made State-specific.

Conclusion

Redefining the fiscal architecture of India can strengthen the fiscal federalism. Independent Finance commission, effective NITI Aayog, creating the new fiscal federal architecture based on the effective decentralisation and transparent GST regime can strengthen India's unique cooperative federalism.

5. What is economic nationalism? Is it beneficial for a country? Critically examine.**Approach**

Since question is asking you to Critically examine so it asks you to throws light on the negatives and positives where one needs to examine both sides of an issue and come to a balanced conclusion.

Introduction

Economic nationalism should be understood as a set of practices to create, bolster and protect national economies in the context of world markets. In other words, economic nationalism prioritises national interest above private property and profit motives. It can be described as economic nationalism as its central idea is that its economic activities are and should be subordinated to the goal of state building and the interest of the state. Analytical core of economic nationalism is same as that of 'state centric nationalism'.

Body**IS ECONOMIC NATIONALISM BENEFICIAL FOR A COUNTRY**

Three major trading blocs – China, the European Union and the United States – have reacted with protectionist measures to the economic challenges caused by the Covid-19 pandemic. Industrial policy has become the preferred tool for safeguarding systemically important industries against foreign take-over, reinforcing a trend toward protectionism that was already visible before the crisis.

NEGATIVE OF ECONOMIC NATIONALISM

- The new wave of economic nationalism could weaken the fragile world trade order even further.
- the view that economic nationalism and reshoring of manufacturing is a fail-safe path to security and prosperity is wrong.
- For one, it skirts the responsibility of governments to properly stockpile essential medical supplies.
- Furthermore, the export curbs will be counterproductive, eliminating incentives for producers to expand capacity and increasing the cost of much needed medicines and medical devices.
- If the recent lockdowns have taught us anything, it is that exclusive reliance on the domestic market is too risky.
- Diversification of supply, redundancies in the manufacturing chain, and stockpiling programs are better alternatives.
- In this endeavour, global supply chains are part of the solution, not the problem.

- As a staunch supporter of rules-based trade and with its decision to forego export protectionism in the current crisis, Japan has much to contribute to these efforts.
- The requiem for globalization has been sung many times. Announcements of its demise in the COVID-19 era are likely to prove premature. But it will be a harder-edged globalization forged by the crucible of geopolitical risk and pandemic disruption.

POSITIVES OF ECONOMIC NATIONALISM

- Although protectionism was a characteristic of industrial policy before the Covid-19 crisis, and economic nationalism is a long-term trend caused by trade and tech wars between China, the United States and Europe, the virus has re-enforced this behaviour among the major trading powers.
- European governments don't mention suspected predators by name, but their protective measures are clearly directed at Chinese investors.
- Chinese firms have been on a buying spree in Europe for the past few years. The lack of transparency in their financing has aroused the suspicion that they get more than a little help from their friends in the Chinese government. Yet when foreign companies want to invest in China, they still face many restrictions. This absence of reciprocity, along with the suspicion that Chinese investors get their orders from Beijing to target companies from systemically important industries abroad, has caused a backlash in Europe and the United States.
- It can be seen that in particular, state-owned enterprises from China are looking for a bargain in Europe. This shows us the other side of the coin: industrial policy isn't only a defensive measure to protect your golden eggs at home. It can also be an offensive attack to strengthen your domestic industries through merger and acquisitions abroad.

Conclusion

When international companies map out their business strategies, they must factor in heightened risks – protectionism, national security controls, and economic lockdowns. Hence, efforts by middle powers to offer an interim arbitration mechanism at the WTO to handle trade disputes and to commit to maintaining open supply chains in essential medical goods are the right antidote to rising economic nationalism.