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**UPA (2004-) Globalization and Indian**  
**Federalism: a Paradigm Shift?**

by

**Harihar Bhattacharyya**

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## UPA (2004-) Globalization and Indian Federalism: a Paradigm Shift<sup>1</sup>

Harihar Bhattacharyya <sup>2</sup>

*Keywords: India, United Progressive Alliance (UPA), Globalization*

### ABSTRACT:

*In this paper the Congress-led United Progressive Alliance (UPA) (2005-)'s approach to federalism in India is critically examined in the backdrop of India's ongoing globalization since the early 1990s, and a comparative assessment of the same in relation to the BJP-led National Democratic Alliance's approach to federalism in India is also offered. The shift is evident in renewed interest in the role of the states, more autonomy to the states, further sub-state level decentralization, and finally, enhancement of the capacity of the states. The appropriate institutional reforms for the same being undertaken are also discussed. It is argued here that the paradigmatic shift evident in the UPA's approach to federalism in India is in fact partly a continuation of the same from the NDA regime, if not earlier, the common determining factor being the compulsion of structural reforms. It is further argued that coalitional compulsions coupled with the compulsion of carrying out structural reforms have meant that the BJP (NDA) had to mellow down its sharp edge of Hindutva nationhood, and the Congress (UPA) has turned softer on ethno-cultural identity issues in matters of governance. The paper finally maintains some reservations about the long term effect of the market-propelled federal institutional reforms in India on distributional conflicts in a complex multiethnic country of India's size and diversity.*

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<sup>2</sup> Dr. Harihar Bhattacharyya, Ph. D (LSE, London) is Professor and Head, Department of Political Science, the University of Burdwan, West Bengal (India). He drafted the paper during his Visiting Professorship at the Department of Political Science, South Asia Institute, Heidelberg University, Germany during October 2009-February 2010. He is a specialist on comparative federalism and Indian politics. His most recent publications include: *Federalism in Asia: India, Pakistan and Malaysia* (Routledge: London and New York, 2010); and (co-edited) *The Politics of Social Exclusion in India: Democracy at the Crossroads* (Routledge: London and New York, 2010)The Author can be contacted at [harihar59@gmail.com](mailto:harihar59@gmail.com).

## THE PROBLEM

Thomas Kuhn has used the term ‘paradigm’ in scientific discourse in his now classic *The Structure of Scientific Revolutions* (1962) to refer, among others, to a conceptual framework, or, a theoretical framework, a model, or a problematic. In the ongoing theoretical literature on federalism, the term ‘paradigm’ has acquired a specific meaning, which should be explained for our purpose here. When looked at historically, federalism has so far been conjoined to liberalism, social welfarism and socialism. At origin though, federalism flourished in liberal conditions because individual liberty was the sine quo non of federalism too. Alex De Tocqueville (Galligan 2009: 264) in particular drew our attention to this foundational notion of US federalism. The incompatibility between federalism and socialism is now proven in theory and practice. But, remarkably, federalism has adapted itself to social welfarism, as some recent theoretical literature on federalism seems to suggest. (Obinger, Castles and Liebfried 2005) It is argued that there is in fact no conflict between federalism and the welfare state because ‘in multi-ethnic federations, social policy may serve as the cement for reducing the depths of political cleavages’. (Obinger, Castles and Liebfried 2005: 6) This means that a certain degree of functionality of the social interventionist state in maintaining federalism itself in multiethnic countries is to be recognized. However, the consensus today in this regard is that there is a paradigmatic shift for federalism. Watts (Watts 2008: 4) expresses this shift when he says that ‘we appear to be moving from a world of sovereign nation-states to a world of diminished state sovereignty and increased interstate linkages of a constitutionally federal character.’ Today’s resurgence of federalism with Europe as the ‘epicentre of federalist tendency’ (Galligan 2009: 262) is caused mostly by the forces of globalization, and is manifested in major institutional reconfigurations: cosmopolitanism, multiple spheres of government, shifting allegiances, new forms of identity, and overlapping jurisdiction. Federalism today is increasingly seen to be the form of governance in a world marked, on the one hand, by the decline of Keynesianism in favour of neo-liberal economics, and on the other hand, the decline of socialism in favour of market solutions in most domestic economies. Federalism appears to be reorienting itself to the requirements of the market. While that refers to the emerging international scenario, within the nation-state it refers to the gradual withdrawal of the social welfare state, increasing shrinkage of public expenditure, and opening up the social and economic space for the market forces to play their role. Rudolph and Rudolph (2001: 161) would term the shift, in the light of the developments in India since the late 1980s, as the one from an interventionist state giving way to a regulatory state suited to India’s emerging reality of liberalization, multi-party coalition governments at the Centre and so on. There is of course a caution in Rudolphs’ (2001: 162) understanding of the shift when they say that in India ‘a relatively centralized and interventionist state’ [..] ‘is being replaced by a relatively decentralized regulatory state willing to rely on, but not to surrender, to a market economy..’. The above statement indicates that India defines its own course of change conditioned by a complex set of factors generally relating to the federal structure of the state as a whole, a change which is neither wholly selling out to the market forces, nor withdrawing the social welfare state entirely. However, one would notice in UPA’s approach to federalism an unmistakable shift towards globalization and the market forces in restructuring Indian federalism, in particular greater

emphasis on the States which are the most critical actors in making globalization work in India.

## ARGUMENT

It will be argued here that the programmatic statements, policy measures, and the institutional steps for long-term reforms of the federal structure, adopted and implemented by the first United Progressive Alliance (UPA) (2004-09) government at the Centre headed by the Indian National Congress (INC) (henceforth Congress) in favour of the States indicate that there is perhaps a shift in approaching federalism in India. Several caveats are in order here, however. First, the changes that necessitated a shift in perspective have been path-dependent so that there was no going back to the old days of centralization and concentration of powers at the Centre, and of Centre-States confrontation that marked many periods of Congress rule, most notably of late Mrs. Indira Gandhi (former Prime Minister) (Dua 1979; Dua 1985)<sup>3</sup> Second, liberalization of the Indian economy, and its opening up in the wake of globalization since the early 1990s has been profoundly determining in this regard. While India has been benefiting from globalization (the steady growth in the economy even in the era of recession being one powerful indicator), the economy has to be opened up increasingly for implementing the Structural Adjustment Programmes (SAP), in which, the strategic role of the States, as defined by the provisions of the Indian Constitution, is indispensable. Third, that there is some continuity in approach between the National Democratic Alliance (NDA), the UPA's immediate predecessor, and the UPA is because of the factor of globalization. Ideologically though, the NDA<sup>4</sup> and UPA follow diametrically opposed approaches to federalism determined by their opposing conceptions of nationhood. But the NDA could not divert from India's path of globalization. The Bharatiya Janata Party (BJP), the leader of the alliance, on

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<sup>3</sup> Bhagwan Dua (1979) in his classic study of President's Rule in the Indian States showed with adequate statistical data how the Article 356 of the Indian Constitution pertaining to the dissolution of the State Governments and placing them under Central rule had been used and misused, (and mostly misused) by the Congress Party and also the Janata (1977-80) on partisan grounds. The Janata, he argued, followed only in the footsteps of Congress Party, and even surpassed it, by dissolving none Congress-ruled State Assemblies in 1977 by a single Presidential order, which was unprecedented. (p. 612) He said that 'Mrs. Indira Gandhi used the instrument for partisan reasons but also for personal reasons with a view to liquidating dissent against her autocratic rule'. (p. 612). For further details, see his 'Presidential Rule in India: A Study in Crisis Politics', *Asian Survey*, Vol. 19, No. 6 (June 1979), pp. 612-26. In another classic article Dua ('Federalism or Patrimonialism: The Making and Unmaking of Chief Ministers in India', *Asia Survey*, Vol. XXV, No. 8, August 1985, pp. 793-804) showed rampant patrimonialism of late Mrs. Indira Gandhi during her last term in power (1980-84) in the making and unmaking of all Congress Chief Ministers of States purely on very narrow partisan, and personal grounds: 'In the process, the state legislatures were becoming increasingly irrelevant, if not redundant, in the making and unmaking of chief ministers.' (p. 803) Noticing the lay of one-party dominance, Dua commented: 'Over the years, therefore, her own conception of good management of state politics was reduced to one principle: keep all state leaders on perennial probation' (p. 804)

<sup>4</sup> Adeney, K. (2005) 'Hindu Nationalists and federal structures in an era of regionalism' in Adeney, K. and Saez, L. (eds) *Coalition Politics and Hindu Nationalism*, London: Routledge, 97-115

the contrary, moderated the sharp edge of its Hindutva ideology after being in power. Finally, the coalitional logic at the Centre, the UPA being a 14-party alliance of mostly state-based and regional parties, dictated the shift in approach to federalism so that the rights of the States are adequately recognized and protected, and that the States are allowed to play an active role in development rather than being simply treated as ‘glorified municipalities’ (a condescending epithet used in the mass media and among some sections of the intellectuals) in Indian federalism.

## **A BRIEF HISTORY**

Since 1950 when federalism was inaugurated in post-independence India, Indian federalism has been subject to a lot of shifts and turns, differentiation and centralization, assertion of states rights and decline in federalism, crisis and restoration. (Bhattacharyya 2001& 2005) Post 1967, buoyed by the loss of Congress dominance, the States began to assert themselves against centralization and for more autonomy, revision of centre-state relations and so on. In the post-Emergency (1975-77) period, the renewed centralization after the rise to power of the Congress again in 1980 (1980-84) (Dua 1985) saw vigorous campaign against centralization and for more State autonomy. (Kurian and Varugheese 1981) Bagchi (2003: 21-42) has noted many shifts in Indian federalism: increasing institutional recommendations for more State autonomy (Sarkaria Commission, 1987; NCRWC 2002) ; sub-state level decentralization since the early 1990s; the States’ reluctance to devolve powers down the sub-State level decentralized bodies, and so on.

There is little disagreement among scholars on Indian federalism that the federation (constitutionally titled ‘Union of States’) was designed to be very centralized, for a variety of reasons, although operationally the strategic significance of the States (federal units) in implementing their own as well as, and more importantly, the federal legislations including a variety of welfare programmes, was recognized by some acute observers of Indian federalism (Morris-Jones 1967; 1987; Watts 1966; 1999; 2008) From one estimate, it is found that during 2000-04 India’s federal government expenditure after intergovernmental transfers remains 44.6 per cent of the total public expenditure<sup>5</sup> which is only next the US, and lower than that of Malaysia, Brazil, Nigeria, Australia, Mexico, Austria, Spain, and South Africa. (Watts 2008: 103). This means India’s States together are responsible for more than half the public expenditure. It must, however, be mentioned that during the heyday of one-party dominance (of the Congress), and state welfarism, and the so-called license-permit raj, Indian federalism suffered additionally from the high doses of political centralization. The extent of political interference in formal aspects of relations between the Centre and the States in India during the height of political centralization is a subject of some dispute among scholars. (Brass 1989; Austin 1999; Rao and Singh 2005; Bhattacharyya 2009) The States in India though suffer from the problem of fiscal imbalances, between their rising expenditure and decline in revenues. For example, during 1990-2002 central transfers to the States in

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<sup>5</sup> The figures were 47.3 per cent in 1986 and 54.8 per cent in 1994 for India. For further details, see Watts (1999), p. 47. The figures went up during the 1990s due to a more centralizing turn under the Congress led government at the centre during 1991-96.

India had not increased but dwindled, and stayed mostly at around 38 per cent.<sup>6</sup>

Since the dominance of the Congress Party from the pre-independence days over Indian politics, its near total suzerainty over the Constituent Assembly (1946-49), and over Indian politics at the Centre and the States until 1967 was inextricably linked with the fate of Indian federalism, its defining moment, its post-independence survival and emaciated operation, formally speaking, the loss of dominance of the party in the fourth general elections in 1967 for the first time since independence and the subsequent split (s) in the party itself prepared the basis for the States' assertions of rights, autonomy and resources, and for a revision of Centre-States relations. Elsewhere, I have examined the dialectic between centralization, on the one hand, and the demand for state autonomy, on the other, as well as the changing contours of Indian federalism. (Bhattacharyya 2001; 2005; and Bhattacharyya 2009: 99-119) At the Centre, the rise of multi-party coalition governments since the late 1980s had produced increasingly less assertive Central government but more assertive State governments, and proved congenial for federalism.

## NEW CONTEXT

The recent assessment of Indian federalism, more particularly since the 1990s, (Majeed ed. 2009; Arora and Verney eds. 1995; Manor 1998 & 2001; Arora 2004; Bhattacharyya 2001; & 2009; Dua and Singh 2003; Rudolph and Rudolph 2001; Das Gupta 2001; Saez 2002; Rao and Singh 2005) highlights variously the vastly changed context of Indian federalism in respect of the impact of globalization as well as the growing importance of coalition politics with state-based parties at the Centre. Elsewhere (Bhattacharyya 2009) I have discussed the contending issues involved, which I will sum up for bringing out the appropriate backdrop of the UPA government's renewed commitment to federalism since 2004. After some failed experiments (1977-80; 1989-91; and 1996-98) of non-Congress coalition governments at the Centre, India witnessed since the late 1990s the rise of stable multi-party coalition governments at the Centre which seem to show the pattern of politics that India is going to have from now on. This has coincided with India's path to globalization too. The rise of multi-party coalition at the Centre implied increasing rise into prominence of the regional, State-based parties at the Centre, which seemed favourable for federalism because it offered the States more autonomy of action. This process also became inevitably linked with India's globalization. Rudolph and Rudolph (2001) remarked that in the 1990s, 'a multi-party system with strong regional parties displaced a dominant party system; and market forces and practices displaced the planning and the "license-permit raj"'. (Rudolph and Rudolph 2001: 129) They further argue that the 'federal system has had a new lease of life, with the States gaining ground at the expense of the centre'. (Rudolph and Rudolph 2001: 129) This may indeed be painting too optimistic a scenario because not all States in India are able to reap equally the benefits of the emergent reality. There was and still is, indeed, a lot of disparity among the States in this respect. For example, in the first decade of

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<sup>6</sup> Rao, G. and Singh, N. (2005) *The Political Economy of Indian Federalism* (Delhi: OUP), p. 192.

India's globalization, the following was the per capita (in Rupees) Foreign Direct Investment (FDI) in India's major states: Bihar (102.27); Karnataka (4628.06); Maharashtra (5780.38); West Bengal (1237.32); Uttar Pradesh (311.29); and Madhya Pradesh (1476.39).<sup>7</sup> However, the directions of change are unmistakable.

While the two became to be interlinked, the States were not as much involved, until the mid-1990s, in India's reforms process. Guhan (Guhan 1995) believes that the Centre was until then both 'unwilling and unable' to involve the States in the process for a number of reasons: the external agencies' preference for policy dialogue with the national government alone; the Centre's responsibility for macro-economic stabilization; and the variegated nature of State governments, politically speaking. (Bhattacharyya 2009: 112) But, as the section below will show, the states in Indian federation hold a strategic position, and it is in the states that any reforms had to be implemented, if at all. Thus, the Centre itself became more interested in involving the states in the reforms process as a matter of compulsion, although, it must said, not to the same extent and with as much success because the States in India, themselves very complex in nature, are placed too unequally along the social and economic scales of development to reap the benefits of development accruing from globalization. Also, the State governments in India, placed as they are in specific socio-political complex, have different mandates to their populace, which are often at variance with more uniform and homogenous process of globalization. The states were not in all cases willing partners in the reforms process. (Bhattacharyya 2009)

## **CONSTITUTIONAL POSITION OF THE STATES**

Indian federation distributes powers and responsibilities between the Centre (Union) and the States in terms of three lists: Union, State and Concurrent. The Union List contains 97 items which are nationally important and give the Union Government overriding powers. The State List contains 66 items, and the Concurrent List contains 47 items, on which the Union Government will have supremacy in case of conflict. Legislatively, the Union Government is very powerful having overriding powers of legislation on Concurrent List and also on some items in the State List in certain circumstances. However, a narrow reading of the constitutional provisions would of course give a wrong picture of the working of the federation, which has remained, operationally speaking, decentralized. (Watts 1966 & 2008)

Constitutionally too, the States in India occupy a strategic space. Administratively speaking, the Union government is 'all staff and no line' (Appleby 1953). The States are thus responsible for implementation of their own legislations as well as the Central government's all welfare and developmental legislations and programmes, which are to be taken down to the grassroots for implementation. From the point of view of globalization, i.e. implementation of the agenda of globalization, the strategic role of the States is too obvious. As Guhan has rightly pointed out, the key sectors in this respect fall within the competence of the States: industrial infrastructure; power development; agriculture; and its allied sectors; and irrigation; roads (other than highways), health, education, medical services; nutrition, water

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<sup>7</sup> Rao and Singh (2005), p. 382.



supply; and urban development and so on. (Guhan 1995: 241) Therefore, it was imperative on the part of the Central government to involve the States in the reforms process, and hence the States have become more important to the Centre.

### ***UPA'S APPROACH TO FEDERALISM***

Being a 14-party<sup>8</sup> coalition government---most of them being State-based and regionally oriented---, (and some of them having left the coalition subsequently),<sup>9</sup> supported from outside by the left parties, accommodation of states' interests naturally received considerable policy attention and the voice of the States had to be reckoned with. To give but one odd example: since the Left Front supported the UPA government for most its period from outside, the Chief Minister, Mr. Buddhadev Bhattacharya, the Chief Minister of the Left Front run state of West Bengal did not complain of the Centre's neglect of the State even though the Left had withdrawn support to the UPA on Indo-US nuclear policy issue, and suffered severest electoral reverses in the State in the Lok Sabha elections in 2009. Compare this with the periods until the 1990s and part of 2000 when the Marxists were in the forefront of the 'struggle against the Centre', against the latter's 'step-motherly attitude' to the States and so on. The CPI-M, for one, had harped on ever since its rise in 1964 on the issue of autonomy of the States (more powers to the States), and a revision of the centre-state relations. The party's famous 01 December 1977 Memorandum on the Centre-States Relations is known for its advocacy for both a strong Centre and strong States.<sup>10</sup> (Bhattacharyya 2009: 110-11) To take the example of DMK (Dravida Munnetra Kazagham) (based on Tamil ethno-regional interests), the ally of two successive UPAs (2004- ), the party is avowedly regionalist and federalist. Its 2004 Election Manifesto for the Lok Sabha elections defined itself as 'democratic movement to

<sup>8</sup> The pre-poll allies of the UPA were: RJD, DMK, NCP, PMK, TRS, JMM, MDMK, AIMIM, PDR, IUML, RPI (A), RPI (G) and KC (I). RJD=Rashtriya Janata Dal; DMK=Dravida Munnetra Kazagham; NCP=National Congress Party; PMK=TRS=Telangana Rashtra Samiti; JMM=Jharkhand Mukti Morcha;

<sup>9</sup> The Telangana Rashtra Samiti (TRS), an ally (with five Members of Parliament) of the UPA (2004-09), left the coalition on 23 September 2006, and all its members including its leader Mr K. Chandra Sekha Rao, Union Labour Minister, resigned from Lok Sabha, and the Ministry respectively on grounds of the UPA's failure to implement its promise in the Common Minimum Programme, namely, the formation of a separate State of Telangana carving up Andhra Pradesh. The party leader Mr Rao alleged: 'In fact, both Mrs Gandhi (Sonia Gandhi) and Mr Reddy (Congress party Chief Minister of Andhra Pradesh)donned Telangana colours with our map for the separate State when they went on the election tour in the region.' (<http://www.thehindu.com/2006/09/24/stories/2006092421550100.htm> accessed on 15 Nov 2009) The TRS joined the NDA on 10March 2009, as the BJP had stated that it stood for small States! It is also not true that the UPA has sat idle on the issue because the UPA government had constituted a Committee with Mr Pranab Mukherjee, now Finance Minister, as its chairman to look into the matter. On January 08 2008 the UPA government formed the Second States Reorganization Commission to reorganize India further and to consider the creation of new States.

<sup>10</sup> It is stated forcefully in the said document: We are definitely for strong states, but on no account do we want a weak Centre. The concept of strong states is not necessarily in contradiction to that of a strong Centre, once their respective spheres of authority are clearly marked out'. Kurian and Varughese eds. 1981, p. 210 quoted in Bhattacharyya 2009: 111).

preserve and protect the rights of Tamil People and to achieve the ideals of Periyar. DMK has been working towards an egalitarian, secular society free of caste - communal conflicts. It is also working tirelessly to uphold the culture, language, arts and civilization of the Tamils.' In a separate section in the manifesto titled '**FEDERALISM**', the party stated its position:

It is DMK's consistent stand that the Constitution should be amended for the creation of a wholesome and genuine Federalism with fuller autonomy for the states. A resolution insisting the State Autonomy was passed in the Tamil Nadu Legislative Assembly way back in 1974 itself by the DMK. DMK will continue to insist the abolition of Article 356 which empowers the dismissal of state governments. It will continue to strive for the suitable Constitutional amendments that will empower the states to function freely and effectively in the changed new world order.

Its 2009 Manifesto reiterated much of its 2004 one. The party asserts 'The time has now ripened for the constitutional federalism to blossom out of the existing political federalism'. It is beyond doubt that such regional and States' rights centric views, demands and programmes as maintained by the UPA's partners would have impacted upon the tenor of UPA's approach to federalism, and centre-state relations.

#### **'REGIONAL DEVELOPMENT, CENTRE-STATE RELATIONS'**

This sub-heading is taken directly from the Common Minimum Programme (CMP May 2004) of the UPA (2004-09), and indicative of the perspective from which the issue of 'centre-state relations' was sought to be viewed. It is regional imbalances in development, that is, the States had lagged behind development, and that they had received unfair treatment in the past in respect of financial devolution, and plan allocations etc, which constituted an important part of the UPA's approach to federalism. The CMP was very candid on this point:

The UPA government is committed to redressing growing regional imbalances both among states as well as within states, through fiscal administrative, investment and other means. It is a matter of concern that regional imbalances have been accentuated by not only historical neglect but also by distortions in Plan allocations and central government assistance. Even in the Tenth Five Year Plan, states like Bihar, Assam and UP have received per capita allocations that are much below the national average.

The CMP proposed several measures for arresting these imbalances: the creation of a Backward States Grant Fund for creating productive assets in these states; ('proactive measures') rapid industrialization in the eastern and northeastern states; alleviation of debt burden of the states; provision for non-statutory grants from the Centre to the states to be weighted in favour of poor and backward states; emphasis on social and physical infrastructure development in the states; payment of mineral royalties to the states; speedy implementation of special economic packages of previous governments for the states in North-East, Bihar and Jammu and Kashmir; and so on. These can be seen as designed to enhance the capacity of the States, and to remove

the long-drawn anti-Centre attitudes and orientations among many states, particularly the backward ones in social and economic terms.

The States-specific yet longstanding schemes (having 'national significance') have also found their place in the UPA's approach to federalism. Thus the CMP committed the UPA government to the Sethu Samuthuriam project (Tamil Nadu), flood control and drainage in North Bihar, the Prevention of Erosion in Padmna-Ganga and Bhagirathi rivers in West Bengal and so on. One could match the above with the regional allies, and supporters, of the UPA: DMK; RJD and the left parties of West Bengal respectively. The special status that Jammu & Kashmir enjoys under Article 370 of the Indian Constitution in comparison with other states of India is understood within the specific context of Indian federalism. The asymmetric arrangement with regard to J & K is widely accepted as part of India's federal structure. The CMP has committed the UPA government 'to respecting the letter and spirit of Article 370', all possible help in bringing peace back to the state, and pledged full support to the state government<sup>11</sup>: 'The healing touch policy pursued by the State government will be fully supported and an economic and humanitarian thrust provided to it.' The sub-text of the above is that the PDP that ran the State government was a partner of the UPA. Finally, the pressing problems of India's North-East (comprising seven federal units, which are all recognized as 'special category states'), such as terrorism, militancy and insurgency, were considered as 'a matter of urgent national priority'. The CMP stated that all the States in this region would be given 'special assistance' to upgrade and expand infrastructure, the basic conditions needed for implementing globalization. Development of the infrastructure has received continuous attention in the CMP!

Those governmental measures apart, the UPA government, very significantly, pledged itself to relatively long-term institutional reforms of Indian federalism. It was argued that about two decades had elapsed since the last Commission (i.e. Sarkaria Commission 1983-87) had reviewed the centre-state relations. So, the UPA government committed itself to setting up of a new Commission for the same purposes 'keeping in view the sea-changes that have taken place in the polity and economy of India since then'. However, this is to be recorded that the NDA (1999-2004) had considered this, and took a bold step in setting up the National Commission to Review the Working of the Constitution in 2000, the report of which was submitted in 2002. Incidentally, Justice Sarkaria (who had chaired the first Centre-State Relations Commission in 1987) was also a member of this Commission.

## OFFICIAL LANGUAGE

The UPA government's commitment to 'official language' has important federal bearing. The CMP declared that the 'UPA government will set up a committee to examine the question of declaring all languages in the Eighth Schedule of the Constitution as official languages'. 'In addition', it is further

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<sup>11</sup> Two things must be stated here for clarity. First, it was during the Congress run government at the Centre in the past that J & K suffered, and the provisions of Article 370 was compromised. Second, the NDA was, and is still, ideologically committed to deletion of the very article that assures J & K's special status within Indian federation.

stated, 'Tamil will be declared as a classical language.' While the latter is directly connected with the Manifesto of the DMK, an important ally of the UPA, the former is broadly connected with federalism in the sense that most of the major States of India were linguistically so created and hence the recognition of the 8th Schedule languages as 'official languages' of India would definitely enhance their sense of ethno-regional-linguistic identity. This indicates also UPA's fundamental difference from the NDA on the socio-cultural basis of Indian federalism, and also Indian nationhood.

## PERFORMANCE

It is true indeed that five years (in fact less than five years) may not be long enough for desired effects of policy to be visible. This is particularly true in cases of redress of imbalances in regional development, infrastructural development, investment and so on. But the UPA government (2004-09) in its public document 'Report to the People, 2004-07' recorded many of its achievements in matters benefiting the States. To begin with, several measures are said to have taken to alleviate debt burden of the States: permission to refinance loans through market borrowings, if needed; retention of grant: loan ratio of 90: 10 for 'special category states'; introduction of new debt relief scheme for rescheduling all central loans contracted till 31. 3. 04 and outstanding as on 31. 3. 05 into fresh loans for 20 years carrying 7.5% interests. (It is reported that some 20 States have availed of the benefit of debt waiver.)

The States' share of tax devolution is stated to have increased by 81%, due to the new formula devised by the 11<sup>th</sup> Union Finance Commission<sup>12</sup> and accepted by the government, from Rs. 78, 595.00 crores in 2004-05 to Rs. 142, 450.00 crore in 2007-08. The mineral royalty receipts to the States have been increased by 11.16% over 2005.

The UPA government seems to have taken up the issue of security and development in India's North-East very seriously. Large scale alienation, especially of the youth, leading to insurgency and militancy has remained a major problem for peace and security in the region. The UPA government has introduced improved scheme of surrender and rehabilitation of the militants by providing for 20 % of vacancies of Constables in the Border Security Forces to areas affected by militancy. 100% central funding, additionally, has been provided for modernization of state police forces. For peace efforts, talks have been initiated with a host of militant groups, and the situation is said to have improved to some extent, in some States, most notably in Tripura. The usual governing practices of the Centre i.e., releasing huge financial-development packages for the North-East have also been maintained. The rehabilitation package known as 'Operation Sadbhavana' Programme, which has been quite effective J & K, (more later below) has been extended to North-East.<sup>13</sup>

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<sup>12</sup> The latest criteria with weightage of tax devolution is as follows: population (16%); Income (distance mode) 62.50%); areas (7.50%); index of infrastructure (7.50%) ; tax efforts (5%); and fiscal discipline ( 7.5% ). (Rao and Singh 2005: 201)

<sup>13</sup> There is evidence that the programme has extended to the area. See for some details on its application for medical help to the people in Assam (<http://sentinelassam.com/state2/story.php> (accessed on 20 December 2009))

## INSTITUTIONAL REVIVAL AND REFORMS

It is widely accepted among scholars of Indian federalism that India's ongoing globalization processes necessitate 'multiple interactions' (Rao and Singh 2005) and co-coordinated governmental actions at many levels. In a highly complex and diverse country of India's size, a centralized policy regime, a centralized planning, and a centralized bureaucratic hierarchy are simply inadequate particularly in the context of globalization. This is particularly so when the central government does not have the administrative/bureaucratic machinery to implement its own laws. The need for a truly federal, i.e., multiple, interactions has been well-recognized by the UPA government, which has adopted, on the one hand, the measures to revive the available federal institutional channels of interactions which went into disuse over the last few years.<sup>14</sup> In the aptly phrased sub-heading 'Collective Deliberations', the UPA government in its 'Report to the People' said:

In order to collectively deliberate upon and arrive at a common understanding and strategies concerning critical issues requiring coordinated action by the Centre and the States,' attempts have been made to activate the forums such as the National Development Council, the National Integration Council, the Inter-State Council, the Conferences on Internal Security and Law and Order, the Zonal Councils etc for facilitating frequent discussions with the Chief Ministers.

On the other hand, the second Commission on Centre-State Relations, known as the Punchhi (after its Chairman (retd.) Chief Justice of India Mr. Madan Mohan Punchhi) Commission has been formed (on 27<sup>th</sup> April 2007 as per the Resolution of the Government of India dated 30<sup>th</sup> April 2005) with a mandate which reflects concerns of the vastly changed surrounding reality. The Terms of Reference (TOF) of the Commission are different from that of the Sarkaria Commission. The Commission is basically entrusted with the task of taking a fresh look at and recommend for the relative roles and responsibilities of each level of government and their inter-relations in the context of the 'profound changes' ('sea-changes') that the polity and economy have undergone over the last two decades. The TOF of the Commission is wide indeed, and cover a lot of grounds (Notification No. IV/12013/9/2004-CSR): working of the existing arrangements between the Union and the States, the healthy practices followed, judicial pronouncements on federalism in India, the role of the Governors, emergency provisions, panchayati Raj Institutions, inter-state river waters dispute and so on. But the Commission has been particularly reminded of taking the 'social and economic developments that have taken place over the last two decades' ( read the period of India's globalization) into account, of

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<sup>14</sup> This may not be entirely true because attempts since the 1990s have been made to revive such institutions, and the NCRWC report also strongly recommended in favor of the same. For instance, the Inter State Council (ISC) held its first meeting on 10. 10. 90, and held 10 meetings until 9. 12. 96. It is reported that the ISC had adopted all the 247 recommendations of the Sarkaria Commission relating to centre-state relations, and even 179 recommendations have been implemented. (For further details, [http://interstatecouncil.nic.in/agenda\\_isc.htm](http://interstatecouncil.nic.in/agenda_isc.htm) ) accessed on November 8, 2009

‘availing emerging opportunities for sustained and rapid growth for alleviating poverty and illiteracy’ etc.

The other areas on which the Commission is mandated to review, examine, and recommend on the role, responsibility and jurisdiction of the Union vis-à-vis the States deserve special mention: ‘during major and prolonged outbreaks of communal violence, caste violence or any other social conflict leading to prolonged and escalated violence’; ‘in the planning and implementation of the mega projects like the inter-linking of rivers, that would normally take 15-20 years for completion and hinge vitally on the support of the States; in promoting effective devolution of powers and autonomy to Panchayati Raj Institutions and Local Bodies including the Autonomous Bodies under the 6th Schedule of the Constitution within a specified period of time; in promoting the concept and practice of independent planning and budgeting at the District level; the need for freeing inter-State trade in order to establish a unified and integrated domestic market as also in the context of the reluctance of State Governments to adopt the relevant Sarkaria Commission’s recommendation in chapter XVIII of its report; the feasibility of a supporting legislation under Article 355 for the purpose of *suo moto* deployment of Central forces in the States if and when the situation so demands.<sup>15</sup>

## **THE PUNCHHI COMMISSION’S CONTEXT AND TERMS OF REFERENCE**

The Commission in its ‘Introductory’ to the Questionnaire took cognizance of the highly centralized nature of Indian federation until now, and emphasized two interlinked contexts that are of particular relevance to the Commission. First, India’s acceptance of globalization since the early 1990s is highlighted including the removal of the so-called ‘license-permit raj’ (LPR), and the restoration of the market in its place. The same context necessitated ‘more space in economic policy making’ to be provided to the States. Added to it, the Commission already indicated its preference for more autonomy for the States when it stated: ‘Although the States were expected to perform functions on a scale larger than before, their access to tax powers and borrowing remained limited’. (Punchi Commission: 10) Side by side, the Commission has also taken note of the inadequate powers and resources of the local bodies, rural and urban.

Second, the Commission has also taken note of the very significant political change in India in recent years: the rise of regional parties and coalition governments. Coupled with that, the favourable judicial pronouncements by the country’s highest court have increasingly circumscribed the centre’s powers of intervention (President’s Rule under Art 356) in the states.

The Commission’s mandate is conditioned by the reality of globalization; the frequent references to the role of the market, reference to

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<sup>15</sup> Article 355 states: Duty of the Union to protect States against external aggression and internal disturbances---‘It shall be the duty of the Union to protect every State against external aggression and internal disturbance and to ensure that the Government of every state is carried on in accordance with the provisions of this Constitution’.

Article 301 of the Indian Constitution (freedom of trade, commerce and intercourse within the Indian Union), references to investment, growth and development, and the need for a 'radical shift in planning strategy' and so on are indicative of this preference. Above all, the Commission's 'basic question' is clear enough:

Are the existing arrangements governing Centre-State relations--- legislative, executive and financial---envisaged in the Constitution, as they have evolved over the years in a manner that can meet the aspirations of the Indian society as also the 'requirements of an increasingly globalizing world?' (Punchi Commission: 11)

Since the Commission is still working, we are not in a position to predict things, or even analyze the nature of federation that is envisaged. But the public statement of the chairman in one of the commissioned workshops on the same subject in the Punjab University on 10 December 2008 helps us to read his mind. Justice Punchhi defended the case for 'stronger states', for a strong Centre could exist only when the States are strong. He also drew attention to the need for accommodation of regional aspirations: "The accommodation of regional aspirations within the overarching framework of country's unity is the very foundation of a successful federal structure," (Address to the North-western regional workshop on Centre-state relations in India at Panjab University here 10 December 2008) He also stressed on the globalizing context of India, and the need for managing the transition successfully. He asserted that 'harmonious Centre-State relations occupy a significant place in this task'. The importance of different layers of government, their need for revenues for ensuring good governance etc are recognized by him. (*Tribune News Service* December 10, 2008)

## LOCAL GOVERNMENT REFORMS

Since the passage of the 73<sup>rd</sup> and 74<sup>th</sup> Constitution Amendment Acts (1992), local governing bodies, rural and urban, have increasingly emerged as another tier of India's federal system though subject still to many inadequacies and limitations<sup>16</sup>. Until 1992, institutionalization of rural self-governing bodies (known as 'panchayats'), and urban bodies (municipalities, municipal corporations, and *nagar* panchayats) was a matter of the sweet will of the State governments because the State then had no constitutional obligation to organize them. Although some States did organize them for a variety of political purposes, the all-India scenario was pretty dismal. The 73<sup>rd</sup> and 74<sup>th</sup> Constitutional Amendments (1992) made it constitutionally obligatory on the part of the States to regularly form such bodies and endow them with powers and responsibilities so that they function as units of self-government. The picture since has improved a lot and such sub-state level local government bodies are today recognized as a distinct tier of Indian federalism.

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<sup>16</sup> Even the Punchhi Commission in its 'Introductory' pointed out many of the limitations of the local government bodies. Note the following concern of the Commission: The Constitution was amended to rectify the situation by giving these institutions Constitutional status with the hope that they would function as a third tier of governance. However, empowering them adequately remained a challenge.' (p. 10) (For further details, The Introductory to Questionnaires (2008) New Delhi: The Punchi Commission)

The subject has received and is still receiving a lot of academic attention<sup>17</sup>. Both the acts were, incidentally, passed during the Congress Party government at the Centre headed by the Prime Minister late Narasingha Rao. The rural local government known as Panchayati Raj' in particular has figured in the CMP (2004). Four aspects are of important consideration here. First, it is said that the UPA government would ensure that 'all funds to states for implementation of poverty alleviation and rural development schemes by Panchayats are neither delayed nor diverted.' Second, UPA government would consider sending funds directly to the panchayats after consultations with the states. Third, panchayats would be elected regularly. Fourth, Gram Sabha would be the foundation of panchayati raj. On the performance side, the UPA government is said to have taken a few measures: the formation of a group of ministers under the Ministry of Panchayati Raj for strengthening panchayats and finance their devolution; the funds for Backward Regions Grant Fund (newly instituted) (for designated 250 such districts) is being implemented through panchayats; panchayats have been assigned the central role in implementing and monitoring the National Rural Employment Guarantee Scheme (NREGS) and so on. The NREGS of the central government committed to providing 100 days' work for the rural poor has remained one of the most successful governmental interventions in favour of the rural poor in recent times though the success rates of the States implementing it have varied a lot. How far the Gram Sabha (comprising the total electorate of a village panchayat) develops into the real foundation of panchayati raj, as a self-governing institution, as defined as such by the 73<sup>rd</sup> Constitution Amendment Act (1992), is a moot question. Also, the real effectiveness of the local government bodies in India apparently pales into insignificance when they are found to be responsible for only 4.39 per cent of the combined central and state expenditures in India (2002-03) (expenditure-GNP ration during the same period was 1.71 per cent) in contrast with that of the advanced countries where the figures range between 20-35 per cent normally, and in some cases, is as high as 45 per cent (Denmark) and 41 per cent (Finland).<sup>18</sup>

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<sup>17</sup>See, for instance, Bhattacharyya, H. (1998) *Micro-Foundations of Bengal Communism*, Delhi: Ajanta; Mitra, Subrata. K. (2001) 'Making Local Government Work: local elites, panchayati raj and governance in India' in Kohli, A. (ed.) *The Success of India's Democracy*, Cambridge: CUP, 103-27; Bhattacharyya, H. (2002) *Making Local Democracy Work in India*, New Delhi: Vedams; Jain, L. C (ed.) (2005) *Decentralization and Local Governance (Essays for George Matthew)*, New Delhi: Orient Longman; Jha, S. N. and Mathur, P. C. (1999) (eds) *Decentralization and Local Politics*, New Delhi: Sage Publications; and Baviskar, B. and Matthew, G (eds) (2009) *Inclusion and Exclusion in Local Governance: Field Studies from Rural India*, New Delhi: Sage Publications.

<sup>18</sup>See, Issac, T. M. Thomas and Chakraborty, P 'Intergovernmental Transfers: Disquieting Trends and the Thirteenth Finance Commission', *Economic and Political Weekly*, October 25, 2008, 86-92, esp. 'Transfers to Local Self-Governments', 91-92. See also, Bandopadhyay, D. 'Guiding Role of Central Finance Commission regarding States Counterparts', *Economic and Political Weekly*, Vol. XL111, No. 22, May 31-June 6, 2008, p. 27.



## CONTINUITY BETWEEN NDA AND UPA

In the above, I have indicated areas of discontinuity as well as continuity, to some extent, between the NDA and the UPA. In this section, I shall concentrate on the performance side of the UPA with reference to two issues, and show the continuity between the two regimes.

### (a) Backward Regions Grant Fund

The UPA's approach to Indian federalism, to the States, to be precise, does not represent a complete break with that of the NDA (1999-2004), its predecessor. In some fundamental respects, such as, understanding of Indian nationhood, which have significant bearing on Indian federalism, the UPA and the NDA are set apart. But in the ongoing and practical aspects of governance, there is continuity. This is so because first of all the policies are long-term, and second, a sudden withdrawal of policies with the change of government is not cost-effective, but counter-productive. The Backward States Grant Fund programme of the UPA is one major instance of continuity as well as a break with the NDA. The programme was begun during the NDA government during the Tenth Plan period as Rashtriya Sama Vikas Yagna (RSVY) in 2003-04. Its purpose was to ensure development of the backward States by helping to create productive assets in the same. The RSVY has not been discontinued, but is subsumed under the UPA's BRGF with the wider coverage of districts, and far greater amount of funds. In terms of the objectives, there is very little difference though. The programme, 'aims to catalyze development in backward areas by providing infrastructure, promoting good governance and agrarian reforms, covering, through supplementary infrastructure and capacity building, the substantial development inflows into these district'.<sup>19</sup> In terms of coverage, while the RSVY had 147 districts in 27 States, the Backward Region Grant Fund (BRGF) covers 250 districts in 27 States. Interestingly, both the NDA and the UPA have included 27 of 28 States of India under the above programme. The BRGF placed under the Ministry of Rural Development has two funding windows: a Capability Building Fund, and untied grant fund that takes the factor of population into account. Today, the RSVY is part of the BRFG which has broader coverage.

However, the programme was launched as late as February 19, 2007, that is, after about two years in office of the UPA. While launching the programme from Barpeta district in Assam, a backward district in a Backward State on February 19, 2007, the Prime Minister of India, Dr. Manmohan Singh, said that a sum of Rs. 3750 crore were available for 250 backward districts of India (each district getting about Rs. 10-15 crore) for developing their infrastructure and for filling up gaps in development. He also pointed out that the entire programme would be implemented through the Panchayati Raj institutions and other local self-governing bodies. That way, it will give a great fillip to the panchayati raj as well as States. (Prime Minister's Office <http://pmindia.nic.in/speech/content4print.asp?id=507> accessed on 9 November 2009) Data available on the implementation side of the programme up to 14. 9. 2009 is very encouraging: there has been nearly 100 per cent implementation of the sum allocated and released for the

<sup>19</sup> Press Information Bureau for the Ministry of Rural Development) <http://pibmumbai.gov.in/scripts/details.asp?releaseld=E2009FR37> accessed on November 9, 2009)

purpose. (<http://pibmumbai.go.in/scripts/detail.asp?releaseld=E2009FR37> accessed on November 9, 2009) The official assessment of the success of the programme has highlighted the tremendous participatory, decentralizing and capacity building effects of the programme at the grassroots of the polity: The programme has pioneered the tradition of working through the constitutionally empowered mechanisms of the Panchayats, Municipalities and the District Planning Committees. The programme has made the decentralized planning process more meaningful... (source: as above)

(b) Operation Sadhbhavna (Operation Goodwill)

This is another area of continuity in policies and programmes between the NDA and the UPA. This programme of extending welfare and development activities to the border areas was a post-Kargil initiative of the Indian Army, and a brain child of Lt General Arjun Roy who was the leader of the 14<sup>th</sup> Corps of the Northern Command of the Indian Army, and who initiated it as part of the service that the military can deliver to the border areas, a service which will pave the way for the ideal military of the future. (Aggarwal and Bhan 2009: 519-42) It is a goodwill gesture of the army started with funds from the Central Government Border Area Development Fund and the Ministry of Defence in which the army engaged itself in various welfare and developmental activities in the border areas of J & K, more particularly Ladakh, in order to redress the credibility of the government and its institutions, as an 'aid to civil government' so that people's trust is restored, so is their patriotism, and in the process, violence is disarmed. (Aggarwal and Bhan 2009: 520) The funds received for this programme since 2001 from various sources are very sumptuous indeed: Rs. 603 million. (Aggarwal and Bhan 2009: 527) Operation Sadhbhavna has many limitations and contradictions too, but on the whole, social scientific assessment of the programme has identified many positive achievements. (Aggarwal and Bhan 2009: 539)

## CONCLUSION

Scholars of comparative federalism have squarely agreed that there is no optimal level of relations between the Centre and the constituent units in a federation because both structural arrangements as well as operational dynamics vary a lot among federations. Structurally, as we have seen above, Indian federation remains centralized, but operationally the federation has been decentralized. The central concern among scholars of federalism is whether a dynamic political equilibrium is created and maintained or not. If the States are neglected in developmental process, if they do not get their due shares, if they suffer as a result of certain central policies, if the democratically elected State government is unlawfully dismissed by the Centre and so on, then the basis is laid of dissension in the relation between the States and the Centre that causes to disturb political equilibrium.

If we take a slightly long-term view then we can suggest that because of a number of constitutional safeguards (e.g., circumscribed use of Article 356 of the Constitution post-1994), the balance of relations in Indian federalism has since the 1990s shifted in favour of the States, which have been active participants in India's reform process too. The rise of multi-party (and that too, state-based) coalition government at the Centre, compulsions of implementing increasingly social welfarist and developmental programmes,

and of SAP, in particular, have meant inevitably the increased role of the States in Indian federalism. This is the unmistakable shift that Indian federalism has since the 1990s been experiencing. The successive coalition governments at the Centre have added values to it, more or less. The UPA seems to have added more value to it thereby further contributing to the shifts in Indian federalism without, however, giving up certain long-term consensus with regard to the socio-cultural basis of Indian federalism.

This needs some discussion. Despite the similar nature of coalition partners (some of whom even changed Alliances), the BJP, the leader of the NDA, had had its own distinctive approach to federalism in India informed by its notion of nationhood, which is unitary and committed to smaller states. However, this commitment to smaller states on the part of the BJP is, as Hansen (Adeney 2005: 99) argued, informed by 'a desire to limit the considerable power of the states, the regional sentiments, and vernacular public arenas' in order 'to strengthen the Union Government'. The 'ethnic criteria' are thus underplayed in the BJP's scheme of things on the ground that they are potentially destabilizing and undermining the territorial integrity of the country. (Adeney 2005: 99). The NDA's efforts in creating in 2000 the three new states of Jharkhand (out of Bihar), Chhatisgarh (out of Madhya Pradesh) and Uttaranchal (later Uttarakhand) (out of Uttar Pradesh) were not inspired by any specific, single ethnic marker, as has been the practice in the reorganization of States in India between the late 1950 and the 1980s, but by 'administrative' reasons, and is cited as an illustration of the Hindutva approach to Indian federalism. Jaffrelot (1996) (cited in Adeney 2005: 99) said that the BJP 'advocated the creation of 100 *janapadas* (administrative divisions grouping together several districts). These divisions are deliberately intended to divide the linguistic zones and ensure....that they did not become 'mini-nations'.<sup>20</sup> That of course did not mean that the NDA abandoned federalism in India, or the policies it followed were anti-federal in the day-to-day practices of governance. Being the coalition of a large number of state-based regional parties, it could hardly afford to do so. But there is no evidence that ideologically there has been any revision of its perspective.

UPA's approach, by contrast, is fundamentally different in this respect. It maintains its time-honoured sensitivity to cultural linguistic identity of the people of India, and its pluralist concept of Indian nationhood accommodates the idea of multi-ethnic basis of federal units of India. Three points in the CMP, 2004 here are worthy of mention'

First, the UPA committed itself to the formation of a Telengana State by carving up Andhra Pradesh, India's first linguistic State after independence, a demand for which is long-standing, and based in ethno-regional identity of the people of the areas. It must, however, be mentioned here that this commitment of the UPA was directly linked to the inclusion of Telengana Rashtraraksha Samity (TRS), as its ally, a party which had been holding on to the mantle of struggle for a Telengana State since the 1970s. The TRS

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<sup>20</sup> The Jana Sangh, the BJP's immediate political predecessor, had organizational units along administrative lines, as depicted above, which was at variance with the INC's linguistically federal organizational structure, particularly since 1917, which was to become the standard approach widely accepted throughout India.

withdrew itself from the UPA subsequently though on the presumed ground that the UPA was not taking up the Telengana issue seriously.<sup>21</sup>

Second, the UPA committed itself to the issue of ‘declaring all languages in the Eighth Schedule of the Constitution as official languages’. The provisions for the Eighth Schedule of the Constitution, as any student of Indian federalism knows, were designed to accord recognition to linguistic identity of the people in the regions of India. As the history of Indian federalism shows, in many cases, this linguistic recognition has served to prepare the basis of statehood within the federation if the particular language group has been found to be territorially rooted.

Third, the UPA committed itself to declare Tamil as a classical language of India. Tamil has already been declared a ‘classical language’ of India. It is beyond doubt that this was a price that the UPA had to pay for support of its Tamil partner, the DMK. All in all, ethno-culturally, the UPA’s approach to federalism in India does not deviate as yet from the Congress’s old approach of multiculturalism and the goal of unity in diversity although the approach was never a fool-proof, and without many blemishes.

As a final remark I would emphasize that given the commitment of the UPA to globalization and market economy coupled with the gradual withdrawal of the welfare state in conditions of extreme unevenness, diversity, regional imbalances, and large scale deprivations across the length and breadth of society in India, there is genuine ground for fear and suspicion about the prospects of holding on to political unity born of a multicultural reality. As I have argued elsewhere (Bhattacharyya 2010: 172-73), the withdrawal of the welfare state in conditions of ethno-cultural diversity prepares the ground for ‘distributional conflicts’ which is a bad omen for political unity, or political equilibrium in India.

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<sup>21</sup> The Telengana state has been conceded by the UPA-led Union Government on 9<sup>th</sup> December 2009 after 11 days’ of fast-unto-death of the top leader of the TRS Mr. K. Chandrasekhar Rao. This has of course provoked unprecedented opposition from within Andhra Pradesh, created a political crisis in the state, and sparked off demands for more news states in different parts of India.

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