Fresh stirrings on federalism as a new politics

There are factors, which if harnessed well, that can create a political moment for a principled politics of federalism.

Nationalism on strong wicket
First, the rhetoric of nationalism has greater political purchase. Ideologically, the Bharatiya Janata Party (BJP) has had relatively little patience with federalism as a device to accommodate India’s multiple linguistic, religious, and ethnic identities. Post-2014, the BJP has couched its dismantlement of federalism in the grammar of development and nationalism, which has mass electoral appeal. To accelerate progress, India must become “one nation, one market”, “one nation, one ration card”, “one nation, one grid”. In this framing, federalism as a principle necessary for negotiating diverse political contexts and identity claims risks being equated with regionalism and a narrow parochialism that is anti-development and anti-national.

Thus, a politics for deepening federalism will need to overcome a nationalist rhetoric that pits federalism against nationalism and development. This is a hard ask, especially because most regional parties have hitherto upheld principles of decentralisation in their own backyard.

Second, and relatively, despite a rhetorical commitment to federalism, the politics of federalism has remained contingent rather than principled. As Pratap Bhanu Mehta has pointed out over the decades, federal principles have been bent in all kinds of ways to co-produce a political culture of flexible federalism — “federalism for me, but not for thee”. Federalism in this rendition is reduced to a garden-variety political concept rather than a genuine federalism. When confronted with entrenched centralisation of the present regime, the challenge is, ironically, even greater.

Divide among States
Third, the increased economic and governance divergence between States. Economic growth trajectories since liberalisation have been characterised by growing spatial divergence. Across all key indicators, southern (and western) States have outperformed much of northern and eastern India resulting in a greater divergence rather than expected convergence with growth. This has created a context where collective action amongst states becomes difficult as poorer regions of India contribute far less to the national pool of fiscal resources to overcome their economic fragilities. Glimpses of these emerging tensions were visible in the debates around the 15th Finance Commission (FC) when the Government of India mandated the commission to use the 2011 Census rather than the established practice of using the 1971 Census to determine revenue share across States.

This, Southern states feared, risked penalising States that had successfully controlled population growth by reducing their share in the Union’s fiscal pool. The 15th Finance Commission, through its recommendations, deftly avoided a political crisis but the growing divergence between richer and poorer States, remains an important source of tension in inter-State relations that can become a real impediment to collective action amongst States. With the impending delimitation exercise due in 2026, these tensions will only increase.

These challenges notwithstanding, a principled stance with federalism affords an opportunity for regional parties to craft a new federal bargain. At one level, the BJP’s homogenising ideological project risks creating new forms of cultural alienation and associated reallocations as occurred during the Citizenship (Amendment) Act protests in Assam. There is a very real possibility of the emergence of new forms of regional sub-nationalism, glimpses of which were visible during the recent Assembly elections particularly in West Bengal.

Fiscal management
Moreover, the realities of India’s macro-fiscal position risk increasing the fragility of state finances. Weak fiscal management has reduced the Union government on the brink of what economist Rathin Roy has called a silent fiscal crisis. The Union’s response has been to squeeze revenue from States by increasing cesses. Its insistence on giving GST compensation to States as loans (after long delays) and increasing State shares in central schemes. The pandemic-induced economic crisis has only exaggerated this.

Against this backdrop, if harnessed well, both sub-nationalist sentiments and the need to reclaim fiscal federalism create a political moment for federalism. However, there are risks along the way. As Suhas Palshikar has argued, the politics of regional identity is isolationist by its very nature. An effort at collective political action for federalism based on identity concerns will have to overcome this risk. On the fiscal side, richer States must find a way of sharing the burden with the poorer States. States will have to show political maturity to make necessary compromises, especially when they are in negotiations over existing tensions and win the collective battle with the Union.

An inter-State platform that brings States together in a routine dialogue on matters of fiscal federalism could be the starting point for building in India a democratic momentum for a new politics of federalism that can challenge the prospects of state elections being used as a budgetary instrument. The seeds of this were planted in the debates over the 15th Finance Commission and the GST.

Finally, beyond principles, a renewed politics of federalism is also an electoral necessity. No coalition has succeeded, in the long term, without a glue that binds it. Forging a political consensus on federalism can be that glue. But this would require immense patience and maturity from regional parties. Are they up to the task?

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