

NOTE

## Centre-State Relations

A Correspondent writes :

The Union Government of India has been imposing neo-liberal policies on the states. Simultaneously the 13th Finance Commission has reduced the share of every state, in the total grants-in-aid available to the states. While meagre resources are allocated to the states, the imposition of the central government's policies limit the manoeuvrability of different states. The centrally sponsored schemes have over the years resulted in the shrinking of the divisible pool. In recent times, the union government has arbitrarily and unilaterally reduced its share in financing such schemes. The states have scarcely a role in the formulation of central schemes. Already struggling with limited resources, the state governments are burdened with the additional responsibility of financing central schemes. The central government has consistently refused to furnish adequate funds to the states, for implementing the Right to Information Act.

The state governments are spending huge amounts from its own coffers, for implementing central legislations. There are several other schemes, such as the comprehensive health insurance scheme, where the state governments are compelled to transfer substantial sums to the union government, in the form of service tax. In the manner in which private capitalists pressurize the state governments for larger concessions, the union government too decides on the location of central projects, on the basis of which the state delivers larger concessions. Contrary to the spirit of co-operative federalism, if a railway project is to be located in a state, then the state government has to offer free land of the railway's choice, for the selected project. The central ministry frequently enters into a public-private partnership, without giving the state government any say in the project. Airport renovations and numerous other projects of the central government and its undertakings are public-private partnerships.

For 2009-10, the fiscal deficit of the union government has been about 6.8%. The deficits have been caused by a combination of duty cuts, leading to revenue loss; and increased expenditure under various heads, many of them questionable, from fiscal prudence. Subsidies for a host of projects, including fertilizers and petroleum products threaten to raise the fiscal deficit. Revenue deficits are increasing as economic growth alone has been unable to support sustained revenue mobilization, for fulfilling the government's rising expenditure requirements. Subsidies and the rising pressure of new rights and entitlement laws on finances lead to increased expenditure, where the share of the government's capital expenditure has fallen steadily, from 4.46% of GDP in 1991-92, to less than 2% in 2009-10.

Surprisingly no political party is raising the issue of centre-state relations, albeit centralisation of power at the centre is taking place at an alarming rate. It's neo-liberalism that demands more centralisation, not federalism. □□□