

PAPER 9: SPECIALISATION PAPER 3: UNION-STATE FINANCIAL RELATIONS

Objectives:

The Indian Constitution adopts federal government for various reasons. Power is divided between the Union and the States in such a way that matters of national importance are entrusted to the Centre and matters of local importance are left to the States. The Constitution departs from the model of classical federalism in many ways. This departure was made to suit the peculiar Indian circumstances. However, the constitutional provisions were in practice further distorted so as to make the states totally subservient to the Centre. Distribution of fiscal power is the nerve centre of the federal system. In this paper a student will be made conscious of various aspects of federal principle, and their working in the Indian context with a view to ultimately assessing the Indian experience critically. He must clearly understand various emerging forces such as regionalism, sub-national loyalties and nationalism. He should be able to see the working of the constitutional process as a vital element of the political economy.

Course Outcome:

On successful completion of the course the student will be able to –

1. examine the nature of Indian Constitution which adopts federal government where the subject matters are divided between the center and state.
2. examine the unique features of Indian Constitution, which departs from the model of classical federalism
3. evaluate the constitutional provisions which are in practice, distorted to make the states totally subservient to the Centre.
4. evaluate the distribution of fiscal power which is the nerve centre of the federal system. examine the various aspects of federal principle and their working in the Indian context.

Course content:

Unit I

Federalism – Essentials; Models of Federal Government - U.S.A., Australia, Canada; Difference, Between Federation and confederation; Evolution of federal government in India; Distribution of Legislative Power/Administrative Power: Indian Constitution; Centre-State relations; Factors responsible for subordination of States; Administrative relations.

Unit II

Distribution of Fiscal Power: Scheme of Allocation of taxing power; Extent of Union power of taxation; Residuary power - inclusion of fiscal power; Restrictions of Fiscal Power; Fundamental Rights: Inter-Government tax immunities; Difference between tax and fee. Distribution of Tax Revenues: Tax-Sharing under the Constitution; Finance Commission - Specific purpose grants (Article 282); Borrowing Power of the State; Borrowing by the Government of India; Borrowing by the States.

Unit IV

Inter-State Trade and Commerce: Freedom of Inter-State trade and commerce; Restrictions