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“One nation,” BJP, and the future of Indian federalism

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\textbf{ABSTRACT}

On August 5\textsuperscript{th} 2019, the newly elected Bharatiya Janata Party (BJP) government in New Delhi moved the Indian Parliament to abrogate Article 370 and bifurcate the state of Jammu and Kashmir into two Union Territories. Months later, as the year came to a close, the Indian parliament passed a controversial amendment to India’s Citizenship Law. Several state governments came out in vocal opposition to the amendment, and some challenged the amendment in the Supreme Court. These events provided confirmation that the reelection of a majority BJP government has heralded far-reaching changes for India’s federal order, compounding shifts in the institutions and practice of federalism during Narendra Modi’s first term (2014–19).

In this article, we assess the implications of the 2019 Lok Sabha elections for the future dynamics of federalism in the constitutional, administrative, and fiscal spheres under the second term Modi government.

\textbf{Introduction}

On August 15, 2019, Prime Minister Modi made his first Independence Day speech after the resounding mandate his party earned in India’s 2019 general election. His speech, given ten days after the abrogation of Jammu and Kashmir’s autonomous status in the Indian constitution, was peppered with references to India emerging as “One Nation”. “I can proudly say that every Indian today can speak of one nation, one constitution,” remarked Modi.\textsuperscript{1} He drew on the “one nation” slogan to herald “one nation, one tax”, “one nation, one grid,” “one nation, one mobility card,” and “one nation, one election”. This use of the slogan “One Nation” is a central pillar of the BJP’s ideological vision and its approach to governance. The ‘One Nation’ project fuses a more unitary, Hindu nationalist conception of Indian identity (that forms the ideological core of the BJP) with a policy agenda that seeks to strengthen national coordination in a number of realms, including those in which states have previously taken the lead.

The ‘One Nation’ project appears to sit in tension with the rhetoric of deepening center-state collaboration, especially in the fiscal realm, that dominated the Modi-led BJPs first few years in power (what we refer to in
this essay as Modi 1.0). In several statements after taking office in 2014 and in keeping with his pedigree as a long-serving state chief minister, Modi stressed the pivotal role of state governments as “drivers of transforming India” and appealed to states to “imbibe the spirit” of cooperative federalism. This rhetorical framework set the stage for important policy changes. First, in early 2015 the Modi government accepted the recommendations of the 14th Finance Commission which increased state governments’ share of the divisible pool of taxes. Second, the government dismantled the Planning Commission and, in its wake, set up the NITI Aayog (National Institution for Transforming India), a new organization mandated to move the country away from centralized planning and financing for development and toward an effort that could “bring states to act together in national interest and thereby foster Cooperative Federalism.” The final element of this strategy was the establishment of a new Goods and Service Tax (GST) Council as part of the wider reform of India’s indirect tax regime. The governing body of the GST Council locked the central government and states into a model of collaboration in determining levels of indirect taxation – voting rules mean that neither the states or central government can overrule each other, rather they must work together. However, the central government has veto powers over state governments. Even before the 2019 elections, there were clear signs of growing centralization that was at odds with the stated commitment to fiscal decentralization and collaborative inter-governmental relations.

The 2019 Lok Sabha elections have enabled further important shifts in the political dynamics of federalism. The BJP not only returned to power with an improved parliamentary majority but for the first time dented the vote share of regional parties that have dominated Indian politics since the 1990s. In addition, since 2014, there has been a shift – albeit not unidirectional – toward greater political congruence between governments elected at the state level in India’s federal system and at the Center. India’s competitive political landscape has entered a new phase of single party dominance, and with this the BJP at the Center has pushed ahead more boldly with its One Nation agenda.

In this essay we begin by assessing the implications of the 2019 elections for the landscape of political regionalism. We then contextualize current trends through a discussion of the flexible characteristics of India’s federal design that enable centralization of power by a political party with a parliamentary majority. In the second half of the essay we assess the record of Modi 1.0 on federalism, considering the twin trends toward modest fiscal decentralization in its early years, giving way to greater administrative (and fiscal) centralization by 2019. We conclude by reflecting on the implications of these trends and the BJP’s victory in the 2019 elections for federalism under Modi 2.0.
2019 and the high-water mark of political regionalism?

The 2019 Lok Sabha elections confirmed that India’s party system has been reshaped around the dominance of the BJP. Three features of the BJP’s enhanced political dominance have implications for the future of Indian federalism. Firstly, the consolidation of power by Modi’s BJP is in line with voter preferences for a strong central leader. In the World Values Survey (wave 6, 2010–14), 56% of respondents in India agreed that having a ‘strong leader who does not have to bother with parliament and elections’ would be a ‘very good’ or a ‘fairly good’ thing. Only Russia and Romania exceeded this level of support for a strong leader. This level of popular support for strong, central leadership is fused by the BJP with its preference for a more unitary vision of Indian federalism, rather than one that sees federalism as an expression of India’s identity as a multi-cultural state or a state of many nations.

Secondly, while the BJP gained very substantially in the Lok Sabha elections at the expense of the once-dominant Congress Party, its performance against regional parties also improved. As Figures 1 and 2 demonstrate, the seat and vote share of regional parties declined in 2019 compared to 2014. The beginnings of the decline can be identified in the 2009 Lok Sabha elections. We can therefore say that, over the last decade, national parties have begun to strengthen their position vis-à-vis regional parties compared to the 1990s and 2000s, a process that has been consolidated under the new BJP-dominant party system. A corollary to this is the fact that the total number of parties in the Lok Sabha has further declined (from a high point in 1998) (Figure 3).
The BJP’s performance in direct contests against regional parties also improved in 2019 compared to 2014. In 2019, the BJP won 68 percent of the contests in which it competed head-to-head with a party other than the Congress compared to 49 percent in 2014.\textsuperscript{9} While this is still much lower than its strike rate against Congress (in 2019, the BJP won 92 percent of the 191 constituencies in which it was head-to-head with Congress, compared to 86 percent in 2014), it shows that the BJP is making inroads against regional parties.\textsuperscript{10}

Thirdly, the consolidation of the BJP’s dominance in the national parliament has been accompanied by its growing control of state legislative assemblies during its first phase in power. Between 2014–2019, there was a shift in

\textbf{Figure 2.} Vote share of BJP, INC and other parties.

\textbf{Figure 3.} Total number of parties in the Lok Sabha.
the composition of state assemblies. Of 36 elected state assemblies and Union Territories, the BJP headed the government in 12 in December 2019. These thirteen states cover 35% of all seats in the Lok Sabha. Allies of the BJP govern in another 5 states accounting for 15% of Lok Sabha seats. Thus, voters in half of all parliamentary constituencies see congruence between the party in power in their state and at the Center. This compares to 9 states covering 33% of Lok Sabha seats which the BJP or allies governed when the BJP came to power at the Center in 2014. There has therefore been a shift toward greater Center-state political congruence between 2014–19.11

What does BJP dominance in parliament and its substantial presence across state assemblies imply for center-state relations? First, the growing congruence between the parties in power at the state level and at the center will make the BJP’s internal party organization an increasingly important vehicle for center-state dialogue. This mirrors the situation seen during earlier periods of Congress Party dominance. This will have obvious implications for the institutional architecture of center-state relations. As we argue below, while the Planning Commission was an imperfect vehicle for center-state negotiations, its dismantling and replacement by the NITI Aayog has left an institutional vacuum. The BJP’s growing multi-level political dominance may contribute to the further hollowing out of the wider institutional capacity for center-state dialogue by eroding the boundaries between the party and the state.

Second, regional parties are important targets for the BJP in the present parliament. While the BJP improved its performance vis-à-vis regional parties in 2019, this is not an opposition-mukt Bharat. The BJP made its biggest inroads against regional parties in the eastern states of Odisha and West Bengal, which had been central targets during the campaign. In Odisha, national parties (predominantly the BJP) won 43 percent of Lok Sabha seats in 2019 compared to just 5 percent in 2014. In West Bengal, they won 48 percent compared to 19 percent in 2014. In Uttar Pradesh, the BJP won fewer seats than in 2014 but still emerged as the dominant party.12 In other states, however, the performance of regional parties either held steady or improved compared to 2014. In Andhra Pradesh and Bihar, the seat share of national parties actually fell compared to 2014 from 12 percent to 0 percent and 60 percent to 45 percent respectively.

Opposition ruled states have started to see their relations with Delhi in more zero-sum terms. Between 2014–19, the Modi-led BJP was extremely successful in centralizing credit claiming for central government policies. The direct linkages between the central government and the delivery of government programs have reversed the pattern seen in the preceding two decades of political regionalization in which state governments were able to capture a substantial portion of the credit for government policies even where these were centrally sponsored schemes.13 Between 2014 and 2019, national survey data confirms that there has been a marked centralization in the ways that voters attribute credit for government policies.14 Such patterns of credit attribution can have an important impact on
policy implementation. Scholarship on Latin America has shown that in multi-
level electoral systems, opposition-ruled state governments are less likely to
effectively comply with the implementation of social policies where voters attrib-
ute credit for them to the central rather than subnational government.\(^\text{15}\)

It seems likely that the second term of the BJP will see an intensification of the
rhetoric of One Nationism in key policy arenas from national security to social
policy, including the possibility of introducing simultaneous elections to the Lok
Sabha and state assemblies. These moves will enhance the centralization of
credit-attribution and are likely to reduce the incentives of opposition-ruled
state governments to comply with the implementation of central government
programs. These two-level games were already a feature of Modi 1.0, especially
in the center’s relations with Delhi under Chief Minister Arvind Kejriwal and
West Bengal under Mamata Banerjee. These trends became evident again in the
first six months of Modi 2.0. Opposition-ruled state governments have opposed
the implementation of the Citizenship Amendment Act and the proposal to
implement a nationwide National Register of Citizens.

Third, given the composition of the Seventeenth Lok Sabha, center-state
relations are likely to inform any efforts at coordination among non-BJP
opposition parties. As discussed below, One Nationism in the policy sphere is
likely to place significant fiscal pressures on state governments. For this
reason, fiscal centralization could emerge as a rallying point for the regional
opponents of the BJP. Glimpses of this were visible in 2018, when opposi-
tion-led state governments mounted a coordinated fight over the terms of
reference to be used by the 15\(^\text{th}\) Finance Commission in recommending how
tax revenues are to be apportioned between the central government and the
states. The political articulation of Center-state tensions may emerge as
a political brake on the centralizing project, or at a minimum is set to become
a defining element of political competition under Modi 2.0.

**India’s centralized federal design**

To understand the BJP’s approach to federalism and the implications of their
single party majority rule on the future of federalism in India, it is important
to locate this discussion in the constitutional design of federalism in India.

By design, India’s federal institutions place relatively weak checks on the
power of a single party with a parliamentary majority. This is a function both
of India’s parliamentary (rather than presidential) federalism as well as the
‘demos-enabling’ elements of the Constitution.\(^\text{16}\) Unlike an older generation
of federal systems that emerged from the pooling of sovereignty by pre-
viously independent entities, such as Germany or the United States, India’s
federal system emerged in the process of decolonization and the aftermath of
Partition. This predominantly ‘holding together’ model of federation
embedded fewer constitutional safeguards for the rights of states vis-à-vis the central government than ‘coming together’ models. The American theorist William Riker saw federalism as a counter-weight to the rise of national populist movements since ‘the populist ideal requires that rulers move swiftly and surely to embody in law the popular decision on an electoral platform.’ By contrast, what Stepan described as the ‘demos-enabling’ model in India places fewer checks on the power of national majorities. For instance, the composition of the Rajya Sabha mirrors the composition of the Lok Sabha, rather than providing equal representation to states regardless of size, and the Rajya Sabha has weaker powers than the lower house. Fewer legislative powers are exclusively allocated to federal sub-units compared to more ‘demos-constraining’ federations. All of this means that changes in the electoral landscape strongly shape the actual dynamics of federalism. This creates a dynamic ebb and flow of de/recentralization despite stability in the constitutional order and in terms of the formal allocation of policy making powers between the Center and states.

The relatively weak protections for states’ rights in the Indian Constitution – especially Article 3, which enables the central government to redraw the boundaries of states – initially led legal experts to label India’s constitution as “quasi-federal.” In the past, these provisions have helped impart flexibility to Indian federalism that enabled India to accommodate diversity and evolve in ways that have helped to protect the rights of sub-state minorities and respond to assertions of ethnic identity. By granting the central government the power to create new states or alter state boundaries under Article 3, and by not giving state governments a veto over bifurcation, the Constitution enabled the central government to accommodate linguistic and ethnic diversities. Successive episodes of states reorganization realigned the boundaries of India’s states to recognize subnational linguistic and ethnic minorities. Other asymmetric constitutional provisions were also agreed that offered different forms of autonomy, especially to Jammu and Kashmir (historically) and parts of Northeast India.

Changes in India’s electoral landscape strengthened the political and economic importance of the states, and served to bolster their autonomy vis-à-vis the Center, especially from 1989–2014. This was fueled by the rise of regional political parties who began to play an increasingly important role in re-shaping India’s federal character. As Yogendra Yadav and Suhas Palshikar argued, voters in the 1970s and 1980s voted in state assembly elections as if they were choosing their prime minister; and from the 1990s onward, voters began to vote for the Lok Sabha (lower house of Parliament) as if they were choosing their chief minister.

With state dynamics dominating national politics, power too shifted away from Delhi. This was a phase of party system regionalization in which national coalition governments, which brought together national and regional parties under one umbrella, offered a platform for a degree of
cooperation between the center and the states. While there were few formal changes to the allocation of policy competencies between the central government and state governments in this era of political regionalization, the practice of federalism changed in character.25

With the emergence of the BJP as a single party majority in the 2014 elections, this trend in regionalization of India’s politics at the national level came to a pause. Ideologically, the BJP has relatively little patience for federalism as a device to accommodate multiple ethnic and religious identities, which they believe undermine rather than empower the majority Hindu community.26 As Adeney and Bhattacharyya have argued, Hindu nationalism poses challenges to the constitutional compromise that has upheld the multi-national dimensions of India’s federal system.27 This ideological commitment to a unitary state combined with the reorganization of India’s electoral landscape and resultant political congruence between central and state governments created the opportunity for political and administrative centralization.

However, the move toward greater centralization did not begin in 2019. During Modi 1.0, the central governments’ rhetorical commitment to fiscal decentralization and working as a ‘Team India’ sat in tension with its political impetus to centralization. The government’s navigation of these tensions created a new set of institutional pressure points within the federal bargain in India which we discuss in the next section.

The emerging federal bargain 2014–2019: From the promise of decentralization to re-centralization

In 2014, deepening India’s federal dynamic was an important campaign issue for then-candidate Modi. The BJP’s general election manifesto vowed “to place center-state relations on an even keel,” “strive for harmonious center-state relations,” and “revive and make more active moribund forums like the National Development Council and Inter-State Council.”28 As Gujarat chief minister, Modi had been an important voice pushing for greater fiscal decentralization to the states. In fact, in his submissions to the 14th Finance Commission, issued before he became the prime minister, he had suggested that the central government should provide 50 percent of its tax revenues to the states instead of 32 percent.

To understand the evolution of the debate on fiscal (de)-centralization it is important to understand the constitutional and historical evolution of the inter-governmental fiscal transfer system in India. As mentioned previously, India’s constitution had an inherent centripetal bias in its allocation of fiscal responsibilities across central and state governments. To address these imbalances, the Constitution provides for the establishment of a finance commission (FC) for determining the share of tax devolution to states. The FC was created in a manner that ensured state government autonomy in budget
making processes. In 1950, the Government of India created the Planning Commission, through a cabinet resolution. Over time, the Planning Commission came to play an important role in India’s fiscal federal architecture by financing and planning for expenditures that were constitutionally in the domain of state governments. The bulk of this spending took place through specific-purpose transfers or Centrally Sponsored Schemes (CSS), financed and monitored through the Planning Commission’s plan funds, making CSS one of the most important vehicles of central transfers to states. To illustrate, during the 11th Five Year Plan (2007–2011), scheme specific transfers accounted for over 40% of central transfers to states. States had long protested this centralization through several commissions. And many of these protests found resonance in arguments to dismantle the Planning Commission, which came to be seen as emblematic of centralization because State chief ministers had to seek approval of “plan funds” (through which CSS were funded) from the PC. However, even as protests were loud, states also found political value in central schemes and in using central funds to claim electoral credit for implementing schemes. This is an important element through which the federal balance was maintained.

Early in its first term, the government introduced two reforms that had the potential to fundamentally shift India’s fiscal federal landscape. In 2015 the Government of India accepted the recommendations of the 14th Finance Commission to increase the states’ share in the divisible pool of taxes by 10 percentage points from 32 percent to 42 percent. The stated objective of this recommendation was to strengthen fiscal decentralization to states and reduce central discretion in transfers to states. This inevitably opened up the opportunity for restructuring (and even reducing) CSSs.

That same year, the government dismantled the Planning Commission, long considered the symbol of centralization, and replaced it with the NITI Aayog. The new agency was mandated to move the country away from centralized planning and financing for development and instead, create a platform to “bring states to act together in national interest and thereby foster Cooperative Federalism.” In other words, the *modus operandi* of the NITI Aayog was to reshape the fiscal federal compact. The cabinet resolution establishing the body made the case in stark terms: the “States of the Union,” it argued, “do not want to be mere appendages of the Centre” and it was for NITI to reshape this relationship such that states became “drivers of national development.” Perhaps in response to this mandate, one of the body’s first tasks was to set up a chief ministers’ sub-committee to develop recommendations to restructure the design of CSSs. Both of these changes marked an important, arguably historic, step toward decentralizing India’s fiscal federal architecture. However, despite their potential, these reforms have failed to take India forward on the path to greater decentralization.
14th finance commission and devolution to states

The 14th Finance Commission’s mandate of devolving 42 percent of the divisible pool (gross tax revenue) remained unfulfilled through most of the term of the finance commission (see Table 1). The primary reason for this is that the Center chose to levy special cesses–revenue which does not need to be shared with States–on a permanent basis. These cesses, although levied for specific purposes, were drawn into the general pool of the Government of India’s expenditure.32

The primary rationale behind increasing devolution to state governments had been to empower them to undertake expenditures in a manner that reflected their own needs and priorities, rather than centrally determined agendas. Rationalizing and reforming CSSs was critical to achieving this goal. The Finance Commission offered some suggestions regarding CSS reform, however, recommendations related to central schemes were out of the purview of the 14th FC mandate. In 2015, when the Government of India adopted the commission’s recommendations and sought to enhance devolution to the states, it significantly reduced its expenditures on central schemes. Central assistance to state plans, including for CSSs, decreased from Rs. 2.64 lakh crore (USD 38.8 billion) in 2014–15 to Rs. 2.03 lakh crore (USD 29.9 billion) in 2015–16. Months later, when the NITI Aayog was formally established, a chief ministers’ sub-committee to reform CSSs was set up. In December 2015, the Government of India increased the overall allocation to Central sector (CS) and CSSs and also enhanced the expected contribution from state governments for CSSs to 40 percent.33 The mandate to reform CSSs, as articulated through the chief ministers’ report, was never implemented. And in an ironic twist, in the four years since the implementation of the 14th FC recommendations, the center’s spending on CSSs actually increased, rather than declined. In 2016–17, CS schemes and CSSs both accounted for 9 percent of total central expenditure. In the 2019–20 budget estimates, the share of central sector schemes has risen to 12 percent, while the share of centrally sponsored schemes is the same (9 percent) (calculations from Roy 2019).

Table 1. Fiscal Position of Center and States

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<tbody>
<tr>
<td>Total Expenditure (% GDP)</td>
<td>13.34</td>
<td>13.01</td>
<td>12.95</td>
<td>12.77</td>
<td>13.04</td>
</tr>
<tr>
<td>Fiscal Deficit (center) (% GDP)</td>
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<td>3.9</td>
<td>3.5</td>
<td>3.5</td>
<td>3.4</td>
</tr>
<tr>
<td>States Share of Gross Tax revenue</td>
<td>27.14</td>
<td>34.77</td>
<td>35.43</td>
<td>35.07</td>
<td>33.87</td>
</tr>
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**NITI Aayog**

In 2015, the NITI Aayog was created with the expectation that it would further the governments’ political agenda of deepening center-state relations. When the Planning Commission was dismantled, several commentators argued that the cooperative federalism agenda would be best served through a revitalized Inter-State Council (ISC) or a new institution tasked with creating a deliberative space for center-state dialogue. In practice, however, the NITI Aayog emerged not as a platform for dispute resolution and political deliberation but as a technocratic space responding to a Union government mandate rather than political cooperation from states. Chief Ministers play a role in the agency’s work primarily through sub-committees set up by the body and the now moribund regional councils. Neither of these fora serve an agenda-setting function in any meaningful way. This is best evidenced by the fact that the chief minister’s sub-committee report on CSSs has remained unimplemented. For the most part, NITI Aayog has chosen to focus its engagement with states through the prism of scores and rankings meant to strengthen the competitive dynamic between states. While this is an important policy instrument, especially if it were to be linked to fiscal transfers, it does not represent a significant shift in center-state relations.

The NITI Aayog has also worked to further entrench centralization in at least two ways. First, it created mechanisms for establishing direct lines of accountability between New Delhi and administrative districts. A good example of this is NITI’s flagship “Aspirational Districts” program. Launched in the twilight of Modi 1.0, the Aspirational Districts program focuses specifically on accelerating development and improving welfare in India’s poorest districts. Although the NITI Aayog rhetorically positioned this as a program in which the states are in the driver’s seat, for all practical purposes their role is very limited. From the selection of districts to designing interventions and monitoring progress, it is NITI rather than the state governments that plays the driving role. Importantly, the program allowed the Government of India to forge a direct connect with district administrators, thereby bypassing the states in ways that allowed direct monitoring and influencing of the administrative process. From a political perspective, the initiative became an important channel through which the Modi 1.0 government could promote and take direct credit for its welfare programs. While it is not possible to establish causation, the BJP won 60% of Lok Sabha constituencies in the 115 districts that were covered under the program.

The second way in which Niti Aayog’s creation (and the abolition of the Planning Commission) has enhanced centralization is that it unexpectedly created an institutional vacuum by closing off institutional spaces for negotiation over plan funds. Even as state governments complained bitterly about the centralizing nature of the erstwhile Planning Commission, the
commission along with the National Development Council (NDC) provided an institutional platform through which states—specifically chief ministers—could negotiate with central officials over plan allocations. These allocations were largely discretionary (unlike the Finance Commission allocations, which are linked to a carefully designed formula), making political negotiation and deliberation an important part of the budgetary process. Moreover, the Planning Commission played a critical co-ordination function. CSSs, linked to plan funds, were administered by line departments but the Commission helped to link central schemes to state plans and to determine resource availability. Furthermore, the five-year plans and plan allocations enabled states to broadly predict the quantum of plan funds they were likely to receive, ensuring somewhat predictable expenditure over a five-year cycle.

NITI Aayog was designed to function without any financial powers and no institutional mechanism was created to replace (or embed the NDC). However, as discussed earlier, CSSs and CS schemes (which formed the bulk of plan allocations) remain an important mode of fiscal transfers to states. In the resulting institutional vacuum, decisions over the transfer of resources to states have now been entirely appropriated by central line ministries and importantly, the Ministry of Finance. The latter two wield enormous power over state bureaucrats, thus closing off the space for political leverage that states used to command under the NDC.

As this brief discussion highlights, NITI Aayog has been unable to address the federal critique of the Planning Commission. Rather, it has inadvertently served to exacerbate many of the challenges states faced in the era of the central planning and, in effect, served to further entrench centralization.

**The political economy of federalism under Modi 1.0**

What explains this deepening of centralization, despite the early rhetoric of decentralization, cooperative federalism, and “Team India?” To answer this question, it is important to examine the federal rhetoric in the context of the larger political narrative of Modi 1.0.

Two important political considerations framed Modi 1.0’s approach to federalism: firstly, the BJP’s ideological moorings and secondly, the inextricable link between the BJP’s ideological project and Modi’s personal charisma and political style. The BJP’s Hindu nationalist project is ideologically more closely aligned with the idea of a unitary rather than federal state. As Modi 1.0 began deepening its ideological project, it slowly attempted to popularize a new grammar of “federalism,” encapsulated in the slogan of “one nation”. The most powerful articulation of this new grammar was the BJP’s adoption of the slogan “Ek Bharat, Shreshtha Bharat” (one India, great/best India) in 2016 to describe a program designed to promote greater cultural interaction and people-to-people exchanges between different states in India and
celebrate India’s cultural diversity. What is important about this slogan is that it drew on the Nehruvian idea of “unity in diversity” and rearticulated it in the grammar of “one nation,” thus reframing the idea of diversity as “oneness.” This “one-ness” is more closely aligned to the Hindu nationalist ideological project of a unitary state. Since then, the slogan of “one nation” has been deployed across multiple policy projects pursued by the Modi government and is arguably getting greater political prominence in its second term.

Second, since coming to power in 2014, the BJP carefully crafted the image of the prime minister as a hardworking, tough, selfless leader working tirelessly for the nation. As Yadav argues, this persona was a critical instrument through which the Modi regime sought to secure popular consent and legitimacy. In this sense, the Modi persona became inextricably tied to the BJP’s project of securing ideological hegemony. The crafting of this agenda inevitably favors a deeply centralized political and administrative system.

In 2014, the BJP came to power on the back of slogans like “maximum governance, minimum government” and “Make in India,” projecting what Palshikar has described as a “new developmentalism” that sought to position narratives of opportunity and aspiration in opposition to state-led welfare and redistribution. The expectation was that this government would spend far less on welfare (especially in comparison with its predecessor, the Congress led United Progressive Alliance).

Greater fiscal decentralization, as adopted in 2015, could have sat comfortably with this model of governance, for it did not directly interfere with the larger project of political centralization. However, two successive state election defeats (in Delhi and Bihar), changed the policy narrative of the government. New developmentalism gave way to more focused welfarism. Budgets for central schemes were enhanced and welfare schemes were re-named and re-launched with grand ambitious targets. By 2017, BJP strategists had begun to re-craft Modi’s image as “Vikas Purush” (development man) that stormed to power in 2014 to “Gareebon ka Neta” (politician of the poor). Welfare schemes–on housing, toilets, and cooking gas connections–became hallmarks of the Modi 1.0’s policy narrative. And in 2019, just months before the election campaign began, the government launched a new cash transfer program “PM-KISAN” targeted at the country’s poor and marginalized farmers.

Given the larger political impetus, Modi 1.0’s welfare programs became a key instrument through which to achieve the larger goal of crafting the Modi persona. In this framing, centralization was inevitable. All schemes were renamed with the prefix “Pradhan Mantri” (Prime Minister) to establish a direct connection between the scheme, the persona of Narendra Modi, and the voter. And, of course, these were implemented as CSSs.

The political imperative for promoting Modi through the welfare agenda posed an important fiscal dilemma for the government. The central
government is resource strapped. Long-term structural changes in India’s fiscal framework have resulted in a significant reduction in the relative size of the central government vis-a-vis the states. According to Roy, the size of the central government (measured as the ratio of its total expenditure to GDP) has shrunk from 17.2 percent in 1990–91 to 12.95 percent in 2016–17.\textsuperscript{43} In contrast, the size of the states has risen from 11.7 percent in 1990–91 to 14.7 percent in 2016–17. The reason for this is the center’s relatively stagnant tax/GDP ratio (see Table 1).

Despite its shrinking size, over the years (dating back to the UPA regime) the center has taken on greater expenditure responsibility through CSSs and CS schemes. The only source of financing these programs has been squeezing states of their resources and imposing CSS cost-sharing on states, which draws on state finances to fund centrally determined agendas. The 14\textsuperscript{th} Finance Commission sought to address this fiscal imbalance. However, political imperatives made the fulfillment of this mandate difficult. The imposition of cesses and the continuation of CSSs became the primary means through which the center pursued its welfare agenda and persevered in its project of gaining direct political credit for Modi.

These political imperatives went on to play an important role in framing the terms of reference for the 15\textsuperscript{th} Finance Commission that were devised in 2018. The terms of reference sought to nudge the commission toward re-centralization by suggesting it review the enhanced devolution offered by the 14\textsuperscript{th} Finance Commission against the backdrop of the fiscal health of the center and the need to continue the “imperative of the national development program, including New India 2022.”\textsuperscript{44} While we will have to wait for the 15\textsuperscript{th} Finance Commission report to ascertain the future of fiscal federalism in India, the stated terms of reference indicate that, from a political perspective, the agenda of cooperative federalism has given way to centralization.

Even as the central government has resorted to greater fiscal centralization, Modi’s administrative style added a new dimension to the centralizing character of Modi 1.0 – administrative centralization. Journalists and policy observers of Modi 1.0 have highlighted the fact that the government successfully aggregated power within the Prime Ministers’ Office (PMO). All critical policy decisions (including bureaucratic appointments) were made through the PMO in a manner that undermined the decision-making authority of other members of the cabinet.\textsuperscript{45} More important, from the perspective of the current discussion on center-state relations, the PMO also sought to centralize decision-making between center and states by creating a direct line of communication between state bureaucrats and the PMO, at the exclusion of State Chief Ministers.

An interesting characteristic of Modi’s PMO was its focus on centralized monitoring as a necessary condition for infusing efficiency within administration. In 2015, PMO introduced a process titled PRAGATI (Pro-Active Governance and Timely Implementation), a monthly review of center-state
projects chaired by the Prime Minister that was attended by senior bureaucrats in Delhi and states, bypassing cabinet ministers and state chief ministers.  

This practice of centralized monitoring found its way into the administration of welfare programs. It has become common practice for senior central government bureaucrats to interact directly with district-level administrators through video conferencing in order to monitor progress. While this may make for common sense efficiency, it goes against federal practice. By convention, direct lines of communication were never encouraged between the center and district officials because district administrators are accountable to their state bosses. Direct contact with the central government increased in the last year of the government’s tenure, when national government officials were mandated to visit India’s poorest districts and ”raise awareness” about the government’s welfare schemes. The Prime Minister himself participated in a video conference discussion where he spoke directly to district magistrates and scheme beneficiaries. In April 2018, as the election drew close, the government announced new programs to send central officials across the country to raise awareness and popularize the governments flagship programs, blurring the lines between administration and political accountability.  

Direct communication with provincial administrators is not unique to the Modi government. In the 1980s, Congress Prime Minister Rajiv Gandhi attempted to open a similar direct line of communication with district magistrates. However, state governments loudly protested, accusing him of undermining their constitutional position with the slogan “Prime Minister to District Magistrate without Chief Minister.” Aided in part by the political alignment across center and states, the Modi government faced no such protest.  

This political centralization exposed tensions in the existing institutional architecture for mediating center-state relations and the ability to keep New Delhi’s centralizing impulses in check. Over decades, key constitutional authorities such as governors, who are charged with mediating the federal bargain, have become an important instrument through which the goal of re-centralization is fulfilled. Against the background of a single party majority government at the Center, this tendency has remained unchecked. From Delhi to Arunachal Pradesh, and Goa to Uttarakhand, the office of the governor has been increasingly used to impose New Delhi’s political will and encroach on state autonomy. This, in turn, has fueled new attempts to defend states’ rights, such as those made by the Delhi government in support of full statehood. These tensions also resurfaced questions about whether the Rajya Sabha’s role as part of the federal architecture of the Indian Constitution might be strengthened to enable it to act as a space for regulating center-state relations.  

As the 2019 general election drew near, the BJP began accelerating its symbolic pursuit of “one-ness.” In July 2017, the BJP launched the long
awaited and deeply contentious GST with the slogan “One Nation, One Tax.” From 2015, it has floated the idea of simultaneous central and state assembly elections with the slogan “One Nation, One Election.” These calls for “one-ness” were framed in the language of development and progress. Regardless of the argument’s merits, the political message and its implications for federalism are important in their own right. India’s path to “one-ness” was now tied to its aspirations of progress and opportunity and, in this sense, has sought to legitimize a slow movement toward centralization as a necessary condition for development. It was against this background of heightened centralization and increased center-state tensions that the Modi-led BJP was reelected in May 2019.

Conclusion

This essay has outlined how the electoral mandate received by the BJP in May 2019 has enabled the party to deepen policy shifts toward centralization – across the political, administrative and fiscal fields – that were already in evidence in the latter stages of Narendra Modi’s first term in office. We began the essay with the sudden abrogation of Kashmir’s autonomous status in August 2019 and state government reactions to the newly legislated Citizenship Amendment Act. The abolition of Article 370 has been followed by the invocation of One Nationism across cultural and policy domains, from questions of national language and citizenship to the portability of welfare schemes across borders. This intensely political project has come into profound tension with the recent trajectory of fiscal decentralization, in ways that we have sketched in this essay.

India’s ‘demos-enabling’ constitution means that changes in the party system can have a rapid impact on the practice of federalism. The BJP’s approach to federalism itself has changed as its role in the party system changed. When first in power at the Center (1998–2004), the BJP governed at the helm of a coalition government within a regionalized party landscape. In order to come to power, it had adopted a more accommodative approach to regional diversity. However, there has long been a more unitary line of thinking within the party. As L.K. Advani, then party president, set out in 1987: ‘India is multi-lingual, it is multi-religious; but it is also one nation. Indians are one people. The Indian Constitution is also based on this acceptance. It is, therefore, that our Constitution-makers made the Indian Republic federal in form but essentially unitary in content.’ The consolidation of a new phase of single party dominance around the BJP has important implications for the practice and ideology of federalism in India in years to come.
Notes


3. Details on the NITI Aayog Mission Statement can be found at “Overview | NITI Aayog | National Institution for Transforming India,” NITI Aayog, last accessed October 3, 2019, niti.gov.in/content/overview.


10. Sircar, “Lok Sabha Results.”

11. Although victories by non-BJP parties in the state elections immediately preceding the Lok Sabha elections (in Chhattisgarh, Madhya Pradesh and Rajasthan in December 2018), the party’s failure to win a majority in the Haryana and Maharashtra state elections in November 2019 and defeat in Jharkhand in December 2019, suggests that there is not a uni-directional shift toward center-state political congruence.

12. In Tamil Nadu, national parties also improved their account in 2019, but this was due to the Congress not the BJP.
17. Stepan, “Federalism and Democracy.”
30. See “Overview | NITI Aayog | National Institution for Transforming India.”
33. CSSs are designed such that state governments make a mandated financial contribution to the overall budget.
46. Ibid.
47. Aiyar and Kapur, ‘The centralization vs decentralization tug of war’.
49. LK Advani speech to the BJP’s national council in Vijayawada, January 1987. Cited in Tillin Remapping India, 60.

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