# How has Indian Federalism Done?

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**Abstract**

Two tropes have dominated discussions of Indian federalism: fiscal and constitutional. Isolated exceptions aside, scholars have not linked India's federalism to comparative theories of nationalism, or to a comparative exploration of national identities. To examine how India's federalism has done, we may also need to ask what kind of nation India is. Once we answer that question, the oft-assumed binary—that the stronger the states are, the weaker the centre will be–loses its edge. Both can be simultaneously strong. The new exception may be the problem of cross-border terrorism, which indeed generates a binary for the new age. Secessionism also creates centre–state binaries, but that may be more on account of how the basic ideational principles of Indian nationhood have been violated, not followed, or about how far the historical process of nation-building penetrated the rebellious regions. Such problems have not been about the basic flaws of Indian federalism.

**Keywords**

State–nation, nation–state, multicultural nation, linguistic states, cross-cutting identities, cross-border terrorism

This article departs from the conventional work on India's federalism[1]. Most traditional scholarship took two forms. The focus was either on what is called fiscal federalism, or on strictly constitutional matters. The literature on fiscal federalism revolved around resource transfers from the centre to the states: its logic, equity and quantum. The constitutional scholarship basically laid out the division of powers between the central and state governments, and debated whether India was a 'centralized federation', a 'quasi federation', a system more unitary than federal, etc.

While not denying that the question of resource transfers or constitutional division of powers is important, this article focuses primarily on the politics of centre–state relations. This is so for some obvious reasons. The pattern of resource transfers is embedded in the political currents of the time. So is the question of how to interpret and, more importantly, apply the various constitutional clauses.

These claims can be easily demonstrated. Everyone, for example, acknowledges that the power of states has been rising in the coalitional era of Indian politics that began in 1989. As a result, it should not be surprising that the use of Article 356 of India's constitution, used repeatedly by Delhi to dismiss state governments in the 1970s and 1980s, has dramatically declined over the last decade and a half. Article

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356 still exists in the constitution, but political realities are such that Delhi can use it to suspend state governments only at its own peril.

While the coalitional era does make the country more federal, India remains highly Delhi-centric. Most of all, Delhi continues to have remarkable control of public resources. Delhi can sometimes indeed be helpless—and a contemporary version of that helplessness, counter-terrorism, will be explored in this article—but on the whole, even in the coalitional era, Delhi's powers are enormous.

Does this mean that of late, both states and Delhi have been simultaneously strong? To answer this question, we need an understanding of the deeper dynamics of Indian nationhood. We cannot fully comprehend the logic of India's centre–state relations unless we begin with a discussion of what kind of nation India is. Is India, like France, a nation-state? Is it like the U.S. a multicultural state? Or is there another conceptual category that is better? And what are the implications of Indian nationhood, however one may characterize it, for its centre–state relations?

The article makes a contribution to the literature by linking theories of nationalism with Indian federalism. This has not been done systematically. Some recent variants of scholarship on Indian federalism are indeed explicitly political, not simply constitutional or fiscal, and have greatly advanced our understanding (Nooruddin and Chhibber, 2008; Sridharan, 1999; Stepan, Linz and Yadav, 2011; Tillin, 2007; Yadav and Palshikar, 2003, 2009a and 2009b). But the marriage of the two literatures—nationalism and Indian federalism—has not been fully attempted.[2]

In what follows, I begin with a conceptual discussion of how to think about the relationship between federalism and Indian nationhood. Having clarified conceptual matters, the second section will deal with the constitutional clauses pertaining to centre–state relations. The third section will then present an overview of the vast literature on the fiscal dimensions of federalism. The fourth section will concentrate on the reasons underlying the successes and failures of Indian federalism. The fifth section will turn its gaze towards a contemporary topic, terrorism. It will be argued that India's existing federal structure is in considerable tension the requirements of national security in an age of terrorism. The sixth section will summarize with conclusions.

## A Conceptual Framework

### *What Kind of Federation? What Kind of Nation?*

A fundamental political question has been at the heart of India's freedom movement and post-independence nation building: how should democracy and ethnic diversity be combined? For centre–state relations per se, this question takes a specific form: how should democracy and geographically concentrated ethnic diversities be brought together? Federalism, after all, is never non-territorial.[3] Federal units are always territorially organized.

India's social diversities have basically taken four forms: caste, religion, language and tribe. Of these, language and tribe are territorially concentrated. Castes have always been, and continue to be, highly dispersed. Brahmins are to be found everywhere, so are the lower castes or Dalits. Because they are geographically concentrated, language and tribe became the mainstay of Indian federalism.

Before 1947, it was also claimed that Muslims were heavily geographically concentrated. Whatever one thinks about that claim, the formation of Pakistan broke the link between territory and religion. The

heavy overlap between Punjab and Sikhs is about the only major exception to the otherwise ubiquitous geographical dispersion of religious groups in India. More importantly, the partition carnage also made it impossible for India's post-independence leadership to privilege religion in politics. Religion came to be seen as India's principal fault line. The immediate post-independence leadership thought it necessary to counter it by delegitimizing religion-based demands for states within the federation. Of course, religion could not be expelled from the politics of a highly religious society, but religion as the foundation of state-making was a different proposition altogether. It was to be discouraged or fought.

Thus, so long as the demand for a state of Punjab in the Indian federation was couched in terms of the distinctiveness of Sikhism vis-à-vis Hinduism, Delhi did not allow a separate Punjab state. Once the argument became linguistic and it was claimed that Punjabi as a language was different from Hindi, Haryana and Punjab were born as separate states, one Hindi speaking, the other Punjabi speaking (Brass, 1973). In the end, the safeguarding of religious distinctiveness took the form of freedom of worship, separate 'personal laws', such as the religiously governed codes for property inheritance, divorce and marriage for minorities and privileges for minority educational institutions. After partition, religion could not be the basis of federal statehood, a principle followed consistently for the more than six decades of Indian democracy regardless of which party ruled in Delhi.

In short, language and tribe became the foundations of Indian federation—partly because of their geographical concentration, and in part because these two identities were not viewed as profound existential threats to India. Nehru was initially ill-disposed towards language as the basis of statehood, but over time, he came around to accepting its legitimacy (Gopal, 2011).

But what sort of federation, based on language and tribe, did Indian leaders construct? How were state powers conceptualized? Did India's founding fathers follow the same federal principles as the USA did? If not, what accounts for the difference?

Following Stepan (1999), it is best to call India a 'holding together' federation, not a 'coming together' federation. The US is the prime example of the latter kind of federation. Stepan (1999) also plausibly demonstrates that 'most democratic countries that have adopted federal systems have chosen not to follow the US model' (p. 21).[4] 'Holding together' federations are more common, and they typically have a stronger centre than the US does. Unlike the US, pre-existing states did not put together a centre in India. Rather, it would be more appropriate to say that the centre created the states as they came to be.

If this is how India's federation can be classified, what can we say about its relationship with Indian nationhood? It is logical to suppose that the design of Indian federation would have some identifiable linkage with how the nation was to be viewed. This is not a question normally asked in the vast literature on Indian federalism. Its absence has made the existing arguments needlessly bipolar. Scholars often argue that a strong centre inevitably means that the states would be weak, and vice versa. Some politicians and bureaucrats also take the same view. Indira Gandhi, in particular, was associated with the claim that India's national unity depended on a strong centre and the stronger the states were, the weaker would be India. Roughly in the same vein, it is sometimes argued that with the rising strength of states, India is beginning to look like the European Union, as Delhi has become too weak.[5]

This binary—that a strong centre requires weak states and vice versa—is conceptually flawed. To understand why that is so, we need to ask a deeper question about Indian nationhood. Is India a 'nation state' in the classical sense of the term? The concept of a nation state, developed most clearly in recent times by Gellner (1983), essentially represents a coincidence of the territorial boundaries of a state and the cultural boundaries of a nation. France is viewed as the best historical example of such fusion.

But in the current literature on nationalism, the French model of undifferentiated citizenship is viewed as a nineteenth century curiosity, to be studied primarily to understand why the Basques and Bretons did not rebel against the profoundly assimilationist thrust of Paris.[6] Weber (1976) shows that through conscription armies and public schools, peasants were turned into Frenchmen and diversities of France were flattened. At the time of the French Revolution, more than 50 per cent Frenchmen did not speak French at all, and 'only 12–13 per cent spoke it correctly' (Hobsbawm, 1990, p. 61).

Of the current nations in the world, Japan, Portugal and some Scandinavian countries approximate the French nation-state model. But most of the contemporary world is either 'multicultural', as for example the US, or it consists of states that have strong cultural diversity, some of which is territorially based and can potentially create demands for independence. In a conceptually novel and highly plausible formulation, Stepan, Linz and Yadav (2011) call the latter political entities 'state-nations', not 'nation-states'. They concentrate on India, Canada, Spain and Belgium as key examples. The list, of course, can be made longer: Thailand, Pakistan, Nigeria, Sri Lanka and the Philippines can also be included. Each has geographically concentrated ethnic differences. State-nations are not only different from nation-states, but they are also different from multicultural countries like the United States, where ethnic or cultural diversity is not territorially concentrated.

Nation-states tend to be assimilationist in character. Removal of ethnic or cultural diversities is one of the key features of nation-states. In contrast, state-nation policies work on two levels: creation of a sense of belonging with respect to the larger political community (in this case, India), while simultaneously putting in place institutional guarantees for safeguarding politically salient diversities, such as language, religion and culturally sacred norms. If territorially specific, federalism is normally a necessary condition for the protection of such diversities. And having two or more political identities is not considered subversive to the nation.[7]

One can thus simultaneously be a Punjabi and an Indian, a Catalan and a Spaniard, a Quebecois and a Canadian. Undifferentiated and singular Indians, Canadians and Spaniards do exist. But a lot of citizens in such countries tend to have multiple, though complimentary, identities. To try to hammer these various identities into a singular national identity would in fact fracture these political communities, not solidify them.

### *Melting Pots and Salad Bowls*

This new formulation of state-nation allows us to interrogate the standard discussions of Indian nationhood. The metaphors of 'melting pot' and 'salad bowl' were widely used in the older discussion.[8] It was argued that since the 1920s, two different versions of Indian nationhood have been in contestation: secular nationalist and Hindu nationalist. Let us briefly look at each and their institutional implications, especially for federalism, and then re-engage the new concept of state nation.

Secular nationalism, or 'composite nationalism', constituted perhaps the basic ideological force guiding the freedom movement under Mahatma Gandhi and Jawaharlal Nehru. The country's constitution makers accepted this idea of India after independence. All religions have an equal place in the national family and as a principle, none would dominate the functioning of the state. The state would be neutral between the religions. Though the main focus of this narrative was religion, this narrative also emphasized that neither one's language, nor caste or tribe, would determine citizenship in the country and the rights that go with it. Birth in India, or naturalization and acceptance of Indian culture, would be the sole criterion. Acceptance of the various forms of diversity as intrinsic to Indian nationhood came to be called the 'salad bowl' view of the nation.

This view accepts pluralism as central to Indian nationhood, and protects it through laws (such as personal laws and protection of minority educational institutions) and through political institutions (such as federalism). Federalism, in short, ties up neatly with this view of nationhood.

Hindu nationalists have historically disagreed with this narrative of Indian nationhood. A 'salad bowl', according to them, a recipe for disunity; a 'melting pot' produces national cohesion.[9]

Hindu nationalism insists on assimilation.[10] Initially, the term covered linguistic assimilation as well, as Hindu nationalists emphasized the centrality of Hindi to Indian nationhood (Graham, 2007). The realities of political life have led them to drop such insistence. Their view, by now, concentrates primarily on religious minorities, who, according to them, must assimilate, which for all practical purposes means acceptance of Hindu dominance and/or an abandonment of special privileges such as maintenance of religious personal laws. Ekya (assimilation) is the proof of loyalty to the nation.

To begin with, this view was much more in favour of political centralization and not hospitable to federalism. But political experience has changed Hindu nationalism. Hindu nationalists may not explicitly debate whether federalism is about the multiple identities of Indians. But at the very least, they have accepted federalism as perhaps the only way to administer India, as a convenient administrative device for running a continent-size polity.

### *India as a State-Nation*

The new concept of state-nation takes the previous discussion significantly forward. In two ways, it adds a new perspective and clarity to arguments about Indian federalism. First, an understanding of India's federalism does not require adherence to the notion of Indian exceptionalism, which is an underlying current in much India-specific literature. Insights from Spain, Canada and Belgium show that state-nation is a larger category, not just a single case. India's diversities may be greater than those of Spain, Canada and Belgium, but essentially all these countries belong to the same conceptual category. They have territorially-centred cultural differences. For stability and unity, state-nations generally require policies that are respectful of such territorially concentrated cultural diversities.

The India–Sri Lanka contrast is worth briefly noting here. Sri Lankan Tamils were heavily concentrated in the North and for long years, demanded federal autonomy, not independence. Despite the desirability of state-nation policies such as federalism under such circumstances, Sri Lanka followed nation-state policies *a la* France, leading to one of the nastiest civil wars in Asia, lasting a quarter century.

Few significant political leaders in India have made a case for Sri Lanka-style unitary policies: imposition of Hindi, for example, over the entire population.[11] Even under Mrs Gandhi, when Delhi often used its powers to undermine state governments, the argument was never about the imposition of Hindi for the sake of national cohesiveness. Mrs Gandhi's argument was about the respective powers of the centre and states. Similarly, even after they came to power, the Hindu nationalists, generally viewed as centralizers, never attacked the linguistically based federalism.

Second, the concept of state-nation does not simply indicate an institutional safeguarding of diversities, but also a simultaneous nurturing of commitment to the larger Indian political community. The 'salad bowl' metaphor does not adequately capture this dualistic dimension of nation-building; it primarily speaks of embracing diversities as a way of building the Indian nation. The concept of state-nation is both about recognizing diversities and building larger all-India loyalties.

In India, the institutions that have played a key role in generating all-India loyalties, historically or currently, include the Congress party, the armed forces, the Indian Administrative Service (IAS),

educational institutions such as the Indian Institutes of Technology and Indian Institutes of Management, central high schools, the Supreme Court and over the last two decades, the Election Commission. Though no good studies of the film industry and sports are available, the hypothesis that Bollywood and Cricket have enlarged the corpus of all-India loyalties has enormous plausibility and is worth exploring later.

Some might object to the inclusion of the IAS in this list. The IAS is often criticized for its red tape and for obstructing India's economic progress. That may well be true, but from a nation-building perspective, another side of the IAS deserves fresh scrutiny. Since IAS officers are part of both centre and states—in that they are selected by Delhi but assigned to a state cadre and they go back and forth between Delhi and states during their careers—they are in many ways an embodiment of the state-nation concept. They simultaneously belong to a state as well as to the Indian nation. Their incentives are structured in such a way that even when they serve states, Delhi is never far away from their consciousness. Had India had a civil service that was entirely state-based, or wholly Delhi-centric, the problems of nation-building would have been far more, not less, serious.

A simultaneous pursuit of recognizing diversity and building unity is not an easy political undertaking. India's record is not perfect, as secessionism in some states, to be discussed later, clearly demonstrates. But it is worth asking how the concept of state-nation has empirically fared thus far.

Luckily, survey research provides evidence. Table 1 summarizes data, collected in four surveys, on whether Indians are proud of India. The proportion that is 'very proud' or 'proud' adds up to more than 85 per cent in each survey. Table 2 presents data on subjective national identity in India, collected between 1998 and 2005. Roughly two thirds of Indians say that their identity is (*a*) only Indian, (*b*) more Indian than

**Table 1.** Pride in India, 1990–2005 (per cent)

| | WVS1990 | WVS1995 | WVS2001 | SDSA2005 |
|---|---|---|---|---|
| Very Proud | 67 | 66 | 67 | 61 |
| Proud | 25 | 19 | 21 | 28 |
| Not Proud | 8 | 9 | 7 | 3 |
| Don't Know/No Answer | 0 | 6 | 5 | 8 |
| (Sample Size) | (2466) | (2040) | (2002) | (5387) |

**Source:** 1990, 1995 and 2001 rounds of the World Values Survey (WVS), and the 2005 round of the State of Democracy in South Asia survey (SDSA). WVS is conducted by the Inter-University Consortium for Political and Social Research, headquartered at the University of Michigan, Ann Arbor, USA. SDSA is conducted by the Centre for the Study of Developing Societies, Delhi.

**Table 2.** Subjective National Identity in India, 1998–2005 (per cent)

| | NES 1998 | SDSA 2005 |
|---|---|---|
| Only Indian | 50 | 35 |
| More Indian than state identity | NA | 12 |
| As Indian as state identity | 16 | 19 |
| More state identity than Indian | NA | 10 |
| Only state identity | 20 | 12 |
| Don't know/No answer | 14 | 12 |
| (Sample Size) | (8140) | (5385) |

**Source:** 1998 round of the National Election Study (NES) and 2005 round of State of Democracy in South Asia survey (SDSA), both conducted by the Centre for the Study of Developing Societies, Delhi.

state-based and (*c*) equally Indian and state based. Only 20–22 per cent of the random sample says that it has either an (*d*) entirely state-based identity or (*e*) more state-based than an Indian identity. Comparative research on this question suggests that these are very high numbers for commitment to a larger political unit, despite the institutional safeguarding of state-based diversities (Stepan, Linz and Yadav, 2011).

In sum, it would appear that the simultaneous pursuit of nationalism and subnationalism has been reasonably successful in India. The commitment to the larger polity has not been achieved not by a suppression of diversities, but by their recognition.

## The Linguistic Principle and Constitutional Division of Powers[12]

Of all of India's cultural identities, as already explained, language and tribe are the only geographically based ones. Religion and caste tend to be unevenly spread all over the country.

Because language was the rationale for statehood for most parts of India, the federal scheme came to be called linguistic. Each state has its own official language; central government business is conducted either in Hindi or in English. Fifteen languages are spoken by an overwhelming majority of people in their respective states (Table 3). These fifteen form the basis of most Indian state boundaries. With the exception of Hindi (which is the lingua franca in six states), each of the fifteen languages is both the main language in a single state and only marginally spoken outside that state.

From a national perspective, multiple languages as a basis of state communication were viewed initially as problematic. For greater national cohesion, Article 351 directed the central government to promote Hindi 'so that it may serve as a medium of expression for all the elements of the composite culture of India', and Article 343 provided for the English language only for a period of fifteen years. In practice, however, the inability to quell political mobilization that followed the attempts to introduce Hindi as an all-India language was decisive. After the bad experiences, the central government restrained its excessive enthusiasm for Hindi and, every fifteen years, Parliament reinstates English as an official language. Basically, a multi-lingual India has been accepted as a reality, especially after it became clear that the linguistic formation of states had led to a dissipation of language-based violence.

**Table 3.** India's Principal Languages

| Language | Spoken by Percentage of India's Population |
|---|---|
| Hindi | 39.9 |
| Bengali | 8.2 |
| Telugu | 7.8 |
| Marathi | 7.4 |
| Tamil | 6.3 |
| Urdu | 5.1 |
| Gujarati | 4.8 |
| Kannada | 3.9 |
| Malayalam | 3.6 |
| Oriya | 3.3 |
| Punjabi | 2.8 |
| Assamese | 1.5 |

**Source:** Census of India, 2001.

The discussion of the concept of state-nation might have suggested that the choice of linguistic identities as a basis for statehood in the federation was a principled act of far-sighted statesmanship, but that would not be entirely true. Understanding the nature of Indian diversities as early as 1921, the Congress party did commit itself to a linguistic federation. But doubts about the validity of the idea also developed.[13] Many of India's violent political mobilizations in the post-independence period were organized along linguistic lines. The first linguistic state, Andhra, was created in 1953 following riots touched off by a 'fast unto death' by a linguistic promoter. As it finally emerged, the linguistic basis of federalism was a synthesis of considered principles and learnt pragmatism. This principle was given concrete institutional and administrative form only following linguistically based political mobilization in the 1950s. By the late 1960s, India's state boundaries had been fundamentally restructured along linguistic lines.

## Constitutional Division of Powers

The debate in India's constituent assembly showed a fair degree of consensus on the subject of centralization. The horrors of India's 1947 partition provided the context for such a consensus. Nehru contended that 'it would be injurious to the interests of the country to provide for a weak central authority which would be incapable of ensuring peace, of coordinating vital matters of common concern and of speaking effectively for the whole country in the international sphere' (Bhattacharya, 1992, p. 96). Ambedkar, chair of the Constituent Assembly, also liked 'a strong united Centre, much stronger than the Centre we had created under the Government of India Act of 1935' (*ibid*, pp. 88–89).

Eventually, the constitution created three lists: Union, State and Concurrent. The Union list of legislative powers includes 99 subjects and the State list 61 and Concurrent powers belonging to the union and the states extend to 52 items.[14] The first list includes defence, external affairs, major taxes, etc.; the second covers law and order, police, agriculture, primary and secondary education, etc; the third includes economic and social planning and higher education. All the residual powers are vested in the centre.

The most Delhi-oriented constitutional provisions cover the powers of the national cabinet and parliament with respect to the making of states. Articles 2 and 3 of the constitution enable Parliament by law to admit a new state, increase or reduce the area of any State or change the boundaries or name of any State. The consent of the state is not required.

Articles 352–360 of the constitution have generated the maximum debate. Under these emergency provisions, the country begins to function more or less like a unitary state. The emergencies are broadly defined as: financial emergency, external threat to the state and cases of internal disturbance.

In June 1975, Prime Minister Indira Gandhi declared emergency under Article 352 on grounds of internal disturbance. During the term of the emergency, lasting till March 1977, the 42nd amendment was passed which made the constitution quite centralized. Later, when Indira Gandhi and the Congress party were electorally defeated in 1977, the 43rd and 44th amendments corrected the imbalance.

In the event of a state-level break down of the constitutional machinery, Article 356 allows for the invocation of 'President's Rule', whereby the president, on the recommendation of the Union cabinet, can assume the normal powers of a state, remove a state government, dissolve the state legislature, and empower the Union legislature to exercise the respective state's power for a temporary period.

Over the past five decades, Article 356 has been used on more than a hundred occasions. A commission appointed by the Government of India—the Sarkaria Commission—to investigate the abuse of this

provision found that out of 75 cases until then, only in 26 was the use clearly justified or inevitable. The pattern, however, changed in the 1990s, when the frequency of President's Rule and the use of Article 356 went down significantly. In 1994, the Supreme Court ruled—in the S.R. Bommai case—that a proclamation under Article 356 can be judicially reviewed and the central government would have to reveal to the court the relevant material justifying its decision to exercise its power under the provisions of this article. In the 1990s, the President also exercised the constitutional privilege to return to the cabinet the executive request to impose President's rule on a state. Over the past decade and a half, three such requests have either been denied or sent back for review.

These interventions, by the Supreme Court and President, have seriously reduced the risk of arbitrary central intervention in state politics and begun to restrain central leaders from using exceptional powers for partisan purposes. Another important constraint is simply the coalitional nature of politics. Both major coalitions that have ruled Delhi over the last two decades have depended on regional parties for their survival. Suspending state governments would undermine coalitions and bring about the downfall of national governments. A political consensus that the use of Article 356 should be minimized has emerged in India, which appears to have made federalism deeper and more secure.

## Resource Transfers

The literature on fiscal federalism that deals with the transfer of resources from the Centre to states is truly voluminous.[15] Abstracting from details, an overview of the basic edifice of resource transfers is presented below. For the purposes of this article, especially important is the question of how and in what ways, politics influences the distribution of resources.

Resource transfers from Delhi to the states takes place in implicit and explicit ways. Not easily calculable for each state but increasingly part of the discourse, the implicit transfers consist of subsidies, especially for food, fertilizer and fuel; tax concessions for special economic zones; and subsidized loans to states from the central government or the banking system, etc.[16]

The explicit mechanisms of transfer are three-fold:

1. Devolution of taxes through the Finance Commission, set up by the central government every five years under Article 280;
2. Grants and loans given by the Planning Commission for implementation of development plans;
3. Transfers for various projects wholly funded by central government, or for the so-called centrally sponsored schemes, for which states typically bear a proportion of the cost.

In the early 1950s, only 10–12 per cent of the central tax revenue used to be given to the states. By the 1990s, that share rose to roughly 30 per cent, and since then, has fluctuated between 26 and 30 per cent (Figure 1). On the whole, the poorer and bigger states with larger populations receive more, though if their own tax effort is not substantial and fiscal discipline is lax, the share will be lower than would be justified purely in terms of population, area and income.

'Plan transfers', in the form of grants and loans and routed through the Planning Commission, constitute the second mechanism of resource transfer. The so-called Gadgil formula, approved in 1969, is the cornerstone of plan transfers. Accordingly, India is divided into two types of states: special category

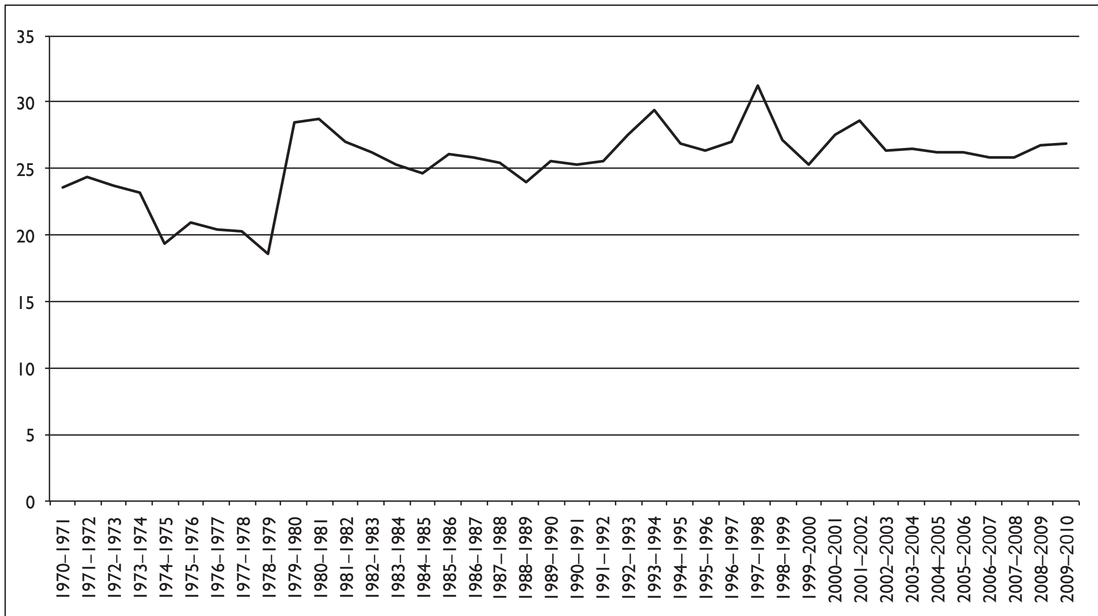


**Figure 1.** Percentage of Central Tax Revenue Transferred to the States

**Source:** Indian Public Finance Statistics 2011–2012, Ministry of Finance, Government of India.

states and general category states. Special category states are basically the border states of the North and Northeast. They get 30 per cent of all central assistance for their state economic development plans, of which 90 per cent comes in the form of grants and 10 per cent in the form of loans. General category states are the bigger states. They get 70 per cent of the total central plan assistance, of which 30 per cent comes in the form of grants and 70 per cent as loans. On the whole, special category states rely heavily on central transfers and general category states considerably less so. And within the latter category, the poorer and the more populous states rely on Delhi's transfers more than the richer and less populous states do (Table 4).

Transfers made under the third mechanism, central projects and centrally-sponsored schemes, are basically discretionary. Neither governed by the Finance Commission, nor by the Gadgil formula for plan transfers, these resources rose from 12 per cent of the total transfer in the early 1970s to roughly 20 per cent by the end of the 1990s (Rao and Singh, 2005, p. 196). Since then, they appear to have risen further.

Interviews done for this study indicate that the third mechanism is where, according to economic bureaucrats and scholars, politics matters most.[17] Which states would get central resources for power plants, higher educational institutions, roads and ports on the one hand and which ones would get bigger shares of centrally sponsored schemes on the other? The answer to these questions has a lot to do which states and/or political parties wield power in Delhi. It is widely believed that Tamil Nadu has received a disproportionate amount of discretionary transfers since 1991.[18] While it is hard to clinch this point statistically, the perception is consistent with a political reading of the power structure in Delhi. Ever since coalitions have ruled Delhi, especially after 1991, each major regional party of Tamil Nadu has been

**Table 4.** State-wise Revenues and Expenditures, 2006–2007

| State | Per Capita State Domestic Product (₹) | Poverty Ratio (%) 2004–2005 | Per Capita Revenue (₹) | Per Capita Transfers (₹) | Per Capita Current Spending (₹) | Own Revenue as % of State Domestic Product 2000–2003 | Own Revenue as % of Current Spending |
|---|---|---|---|---|---|---|---|
| **High income states** | 35249 | 10.9 | 4287 | 800 | 5286 | 7.5 | 81.1 |
| Goa | 52530 | 1.7 | 16798 | 2207 | 17271 | 6.5 | 97.3 |
| Gujarat | 27027 | 12.5 | 3478 | 926 | 4640 | 7.7 | 74.9 |
| Haryana | 35779 | 9.9 | 4605 | 692 | 5347 | 8.3 | 86.1 |
| Maharashtra | 30750 | 25.2 | 4245 | 690 | 4923 | 7.8 | 86.2 |
| Punjab | 30158 | 5.2 | 5138 | 985 | 7339 | 7.1 | 70.0 |
| **Middle-income states** | 24773 | 15.7 | 3177 | 1170 | 4562 | 7.4 | 69.6 |
| Andhra Pradesh | 22835 | 11.1 | 3277 | 1245 | 4567 | 7.3 | 71.8 |
| Karnataka | 21931 | 17.4 | 4211 | 1112 | 3804 | 8.3 | 110.7 |
| Kerala | 30044 | 11.4 | 4268 | 1164 | 6315 | 8.1 | 67.6 |
| Tamil Nadu | 27101 | 17.8 | 3440 | 1120 | 5337 | 9.0 | 64.5 |
| West Bengal | 21953 | 20.6 | 1781 | 1178 | 3780 | 4.3 | 47.1 |
| **Low-income states** | 14211 | 30.8 | 1449 | 1514 | 3134 | 5.8 | 46.2 |
| Bihar | 8056 | 32.5 | 481 | 1650 | 2774 | 4.5 | 17.3 |
| Chattisgarh | NA | 32.0 | 2509 | 1583 | 3262 | NA | 76.9 |
| Jharkhand | 13984 | 34.8 | 1737 | 1608 | 2198 | NA | 79.0 |
| Madhya Pradesh | 12577 | 32.4 | 1661 | 1372 | 3490 | 6.5 | 47.6 |
| Orissa | 15096 | 39.9 | 1487 | 1880 | 4423 | 5.8 | 33.6 |
| Rajasthan | 16401 | 17.5 | 2094 | 1238 | 4318 | 6.5 | 48.5 |
| Uttaranchal | 22178 | 31.8 | 2577 | 2651 | 6148 | NA | 41.9 |
| Uttar Pradesh | 11188 | 25.5 | 1389 | 1436 | 2492 | 5.9 | 55.7 |
| **General category states** | 24744 | 19.1 | 2535 | 1263 | 3958 | 6.9 | 64.1 |
| **Special category states** | 20077 | 12.0 | 2241 | 3176 | 8233 | 2.9 | 27.2 |
| Arunachal Pradesh | 20380 | 13.4 | 1447 | 5980 | 9513 | 1.5 | 15.2 |
| Assam | 15152 | 15.0 | 1289 | 1662 | 5311 | 4.6 | 24.3 |
| Himachal Pradesh | 28236 | 6.7 | 3029 | 4472 | 12795 | 5.1 | 23.7 |
| Jammu and Kashmir | 16817 | 4.2 | 3147 | 3534 | 7100 | 4.5 | 44.3 |
| Manipur | 15047 | 13.2 | 837 | 5326 | 10952 | 1.2 | 7.6 |
| Meghalaya | 19292 | 14.1 | 1815 | 3506 | 6128 | 3.3 | 29.6 |
| Mizoram | 20618 | 9.5 | 1085 | 9688 | 12295 | 1.0 | 8.8 |
| Nagaland | NA | 14.5 | 43792 | 6936 | 9531 | 1.2 | 8.3 |
| Sikkim | 22167 | 15.2 | 3547 | 6274 | 13578 | 4.6 | 26.1 |
| Tripura | 22987 | 14.4 | 1499 | 4884 | 8170 | 2.2 | 18.4 |
| **All States** | 22411 | 15.6 | 2263 | 1230 | 3767 | 4.9 | 60.1 |

**Source:** 1.) Public Indian Finance Statistics, 2008–09, Ministry of Finance, Government of India; 2.) Twelfth Finance Commission Report, Annexure 3, 6 and 10 (Projections for 2005–2010).

linked with one national party or the other. As a result, Tamil Nadu has had major ministers in Delhi regardless of whether the coalition was Congress-led, BJP-led or Third Front-led. No other state has this character.

Some statistical studies have also sought to estimate the role of politics in resource transfers. Rao and Singh (2005) review existing econometric work and present their own results. They find 'some evidence for the importance of variables that may proxy bargaining power of the components of Indian federal system' (p. 277). They also detect 'a positive effect of the proportion of ruling party/coalition MPs on per capita statutory transfers', though they admit that 'econometric results such as these' suffer from 'the general problem of potential fragility' (p. 278). In her econometric study, Khemani (2003) divides up resources into those transferred through the statutory mechanisms, such as the Finance Commission and those transferred through a non-statutory route. She finds evidence of politics shaping transfers in favour of powerful states in the latter category, but finds the opposite in the former. Greater shares of statutory transfers often go to states not powerful and in need of resources.

However, to call the latter non-political is to unduly truncate the concept of 'the political'. Politics is not simply about the sectional accrual of benefits to states with more ruling MPs or more important ministries.

Another notion of politics is also relevant here. This second notion concerns visions about how geographically centred cultural diversities ought to be handled. Two kinds of states require special economic attention for nation-building: those that are large and poor; and those that are far off from the centre and might feel excluded or neglected. If statutory transfers have gone more in the direction of such states, it gives evidence of the kind of politics that is consistent with the concept of state-nations discussed earlier. Moreover, the fact that for plan purposes, India has been divided into special category and general category states and transfers to special category states are primarily grants, not loans, is also consistent with the notion that India is a state-nation, whose policies must pay attention to diversities and felt exclusions. Both forms of politics—those focusing on sectional benefits and those dealing with larger political visions—appear to have played a role in how the centre has transferred resources to states.

## Successes and Failures of India's Federal Experiment

Though India's federal experiment has on the whole been a success, there have also been some failures. Let me first list the major successes and failures and then give an explanatory account of how those successes and failures have come about.

Consider the following indices of success or failure:

1. India's 1950 constitution, which laid down the federal framework, has not been overthrown and its legitimacy only occasionally challenged by states. On the central side, Indira Gandhi was perhaps the only leader, who sought to challenge the overall principles of federal functioning, but the centralization she attempted has long been reversed. Her favourite argument that if states became powerful the nation would be weakened has completely disappeared from the political sphere. Central leaders over the last decade have instead argued that the more powerful the states became, the lesser would be the governance problems for the nation as a whole. More new states have been voluntarily created, not resisted, by the Centre. In 1957, India had 14 states; in 1971, the number had grown to 17 and in 1981 to 23; by 2001, there were 28 states in India.

2. Language riots, which preceded the formation of linguistic states and continued through the 1960s, have precipitously declined since the emergence of linguistic states. Language is no longer an acutely divisive political force in India. It used to be a source of great conflict in the 1950s and 1960s.
3. Dispute resolution mechanisms between the Centre and states have become institutionalized. The disputes are either settled in the National Development Council, which is the forum for bargaining over project funds, or in the Finance Commission, which is the forum for distribution of national revenue, or in the highest reaches of ruling political parties. If nothing works, all units of the federation have learned to accept the Supreme Court's judgements. In some institutional arena or the other, disputes get resolved and problems managed.
4. The failures of Indian federalism must include five separatist insurgencies—Nagaland, Mizoram and Assam in the Northeast and Punjab and Kashmir in the North. But two facts should be noted. First, none of the remaining states, currently 28, has ever raised the banner of secessionary revolt. Second, at no point did more than two insurgencies rock the polity simultaneously. The worst year was 1990, when the insurgency in Punjab hadn't quite died out and it had recently burst on the scene in Kashmir. Even at that moment, a mere 3.5 per cent of the national population, spread over these two states, was affected. In other instances, the affected percentages were considerably lower.

After all is said and done, the greatest objective of India's federation was to hold the nation together without giving up the division of powers between the centre and states. Whatever its other deficiencies, Indian federalism has certainly achieved its paramount objective.[19]

## *Cross-cutting Cleavages*

A major reason for the success of Indian federalism, if not the only one, has to do with the country's ethnic configuration. Indian identities tend to crosscut, instead of cumulating. As we know from the theory of ethnic conflict, cumulative cleavages create greater potential for conflict; cross-cutting cleavages dampen them (Horowitz, 1985). Sri Lanka is a classic case of cumulative cleavages. Tamils are not only religiously distinct from the Sinhalese, but also linguistically and racially.

Given the geographical concentration of language and tribe, they could, in principle, have provided states with a firm resolve and a source of great power against the centre. That did not, however, happen. First of all, in each state, linguistic minorities exist, making a state-wide linguistic unity hard to achieve (Table 5). Moreover, if one reads Tables 3 and 6 together, one can see that linguistic and religious groups do not match in most states, with some exceptions discussed later. As a result, religion seriously crosscuts the political potential that language (or for that matter, tribe) might theoretically create for brinkmanship on the part of a state. Though census data on caste have not been collected since 1931, it is well known that caste also cuts across language groups. Thus, both religion and caste often cause splits within a state's boundaries, turning intra-state issues into a more enduring form of politics than a confrontation with the Centre.

Consider some examples of how the typical Indian stands at intersection of multiple identities. Depending on where she lives, the first language of a Muslim could be Hindi, Urdu, Bengali or any of the many others. The same is true of the Hindus. Moreover, the Hindus are also divided into

**Table 5.** Distribution of Languages Across States in India

| State | Language | No. of Speakers | Percentage |
|---|---|---|---|
| Arunachal Pradesh | Nissi/Daffla | 172,149 | 19.9 |
| | Nepali | 81,176 | 9.4 |
| | Bengali | 70,771 | 8.2 |
| Bihar | Hindi | 69,845,979 | 80.9 |
| | Urdu | 8,542,463 | 9.9 |
| | Santhali | 2,546,655 | 2.9 |
| Gujarat | Gujarati | 37,792,933 | 91.5 |
| | Hindi | 1,215,825 | 2.9 |
| | Sindhi | 704,088 | 1.7 |
| Himachal Pradesh | Hindi | 4,595,615 | 88.9 |
| | Punjabi | 324,479 | 6.3 |
| | Kinnauri | 61,794 | 1.2 |
| Kerala | Malayalam | 28,096,376 | 96.6 |
| | Tamil | 616,010 | 2.1 |
| | Kannada | 75,571 | 0.3 |
| Maharashtra | Marathi | 57,894,839 | 73.3 |
| | Hindi | 6,168,941 | 7.8 |
| | Urdu | 5,734,468 | 7.3 |
| Meghalaya | Khasi | 879,192 | 49.5 |
| | Garo | 547,690 | 30.9 |
| | Bengali | 144,261 | 8.1 |
| Nagaland | Ao | 169,837 | 14 |
| | Sema | 152,123 | 12.6 |
| | Konyak | 137,539 | 11.4 |
| Punjab | Punjabi | 18,704,461 | 92.2 |
| | Hindi | 1,478,993 | 7.3 |
| | Urdu | 13,416 | 0.1 |
| Tripura | Bengali | 1,899,162 | 68.9 |
| | Tripuri | 647,847 | 23.5 |
| | Hindi | 45,803 | 1.7 |
| West Bengal | Bengali | 58,541,519 | 86 |
| | Hindi | 4,479,170 | 6.6 |
| | Urdu | 1,455,649 | 2.1 |
| Andhra Pradesh | Telugu | 56,375,755 | 84.8 |
| | Urdu | 5,560,154 | 8.4 |
| | Hindi | 1,841,290 | 2.8 |
| Assam | Assamese | 12,958,088 | 57.8 |
| | Bengali | 2,523,040 | 11.3 |
| | Bodo/Boro | 1,184,569 | 5.3 |
| Goa | Konkani | 602,626 | 51.5 |
| | Marathi | 390,270 | 33.4 |
| | Kannada | 54,323 | 4.6 |
| Haryana | Hindi | 14,982,409 | 91 |
| | Punjabi | 1,170,225 | 7.1 |
| | Urdu | 261,820 | 1.6 |

*(Table 5 Continued)*

*(Table 5 Continued)*

| State | Language | No. of Speakers | Percentage |
|---|---|---|---|
| Karnataka | Kannada | 29,785,004 | 66.2 |
| | Urdu | 4,480,038 | 10 |
| | Telugu | 3,325,062 | 7.4 |
| Madhya Pradesh | Hindi | 56,619,090 | 85.6 |
| | Bhili/Bhilodi | 2,215,399 | 3.3 |
| | Gondi | 1,481,265 | 2.2 |
| Manipur | Manipuri | 1,110,134 | 60.4 |
| | Thado | 103,667 | 5.6 |
| | Tangkhul | 100,088 | 5.4 |
| Mizoram | Lushai/Mizo | 518,099 | 75.1 |
| | Bengali | 59,092 | 8.6 |
| | Lakher | 22,938 | 3.3 |
| Orissa | Oriya | 26,199,346 | 82.8 |
| | Hindi | 759,016 | 2.4 |
| Rajasthan | Hindi | 39,410,968 | 89.6 |
| | Bhili/Bhilodi | 2,215,399 | 5 |
| | Urdu | 953,497 | 2.2 |
| Tamil Nadu | Tamil | 48,434,744 | 86.7 |
| | Telugu | 3,975,561 | 7.1 |
| | Kannada | 1,208,296 | 2.2 |
| Uttar Pradesh | Hindi | 125,348,492 | 90.1 |
| | Urdu | 12,492,927 | 9 |
| | Punjabi | 661,215 | 0.5 |

**Source:** Census of India, 2001.

thousands of local castes. For classificatory simplicity, these castes may be aggregated into the five meta-categories—Brahmin, Kshatriya, Vaishya, Sudra and Dalit—but that is not true experientially. A south Indian Dalit shares little with a north Indian Dalit; and being a Brahmin in north India is very different from being one in south India. Caste names are different, caste histories and traditions are different and spoken languages are different. Only a larger social hierarchy, in which the Brahmin is normally at the top and the Dalit always at the bottom, is what is common to this extraordinary social diversity. When politics mixes with such a social landscape, political entrepreneurs mobilize their communities on a whole variety of issues, creating serious internal pluralism in state politics. The centrality of the state versus centre scenario rarely unfolds.

The few Indian states, where identities are cumulated, instead of crosscutting, have indeed produced the most serious centre–state clashes, including secessionary movements. The majority community of Kashmir is not only Muslim, otherwise a minority in India, but the region of Kashmir is also linguistically different and geographically distinct from the rest of India. Moreover, caste distinctions do not exist among the Muslims, not in a rigid sense at any rate. In the state of Punjab, the Sikhs, a minority in the country overall, constitute a majority and their first language is Punjabi, not Hindi. Moreover, compared to the Hindus, caste distinctions are also minor among the Sikhs. Finally, in Northeastern India, some states, especially Nagaland and Mizoram, are not only tribe-based, but those tribes are linguistically as well as religiously distinct from the rest of Indians. Their respective vernaculars are the first languages of Nagaland and Mizoram, not Hindi and both are Christian-majority states (Table 6).[20]

**Table 6.** Distribution of Religions Across Indian States (in percentages)

| States | Hindus | Muslims | Christians | Sikhs |
|---|---|---|---|---|
| Andhra Pradesh | 89.14 | 8.91 | 1.83 | 0.03 |
| Assam | 67.13 | 28.43 | 3.32 | 0.07 |
| Bihar | 82.42 | 14.81 | 0.98 | 0.09 |
| Goa | 64.68 | 5.25 | 29.86 | 0.09 |
| Gujarat | 89.48 | 8.73 | 0.44 | 0.08 |
| Haryana | 89.21 | 4.64 | 0.10 | 5.81 |
| Himachal Pradesh | 95.90 | 1.72 | 0.09 | 1.01 |
| Jammu and Kashmir | 32.24 | 64.19 | 0.14 | 2.23 |
| Karnataka | 85.45 | 11.64 | 1.91 | 0.02 |
| Kerala | 57.28 | 23.33 | 19.32 | 0.01 |
| Madhya Pradesh | 92.80 | 4.96 | 0.65 | 0.24 |
| Maharashtra | 81.12 | 9.67 | 1.12 | 0.21 |
| Manipur | 57.67 | 7.27 | 34.11 | 0.07 |
| Meghalaya | 14.67 | 3.46 | 64.58 | 0.15 |
| Mizoram | 5.05 | 0.66 | 85.73 | 0.04 |
| Nagaland | 10.12 | 1.71 | 87.47 | 0.06 |
| Orissa | 94.67 | 1.83 | 2.10 | 0.05 |
| Punjab | 34.46 | 1.18 | 1.11 | 62.95 |
| Rajasthan | 89.08 | 8.01 | 0.11 | 1.48 |
| Tamil Nadu | 88.67 | 5.47 | 5.69 | 0.01 |
| Tripura | 86.50 | 7.13 | 1.68 | 0.03 |
| Uttar Pradesh | 81.74 | 17.33 | 0.14 | 0.48 |
| West Bengal | 74.72 | 23.61 | 0.56 | 0.08 |
| Delhi | 83.67 | 9.44 | 0.88 | 4.84 |

**Source:** Census of India, 2001.

It is in these states that the attempts at secession have been made. It should also, however, be noted that with the exception of Punjab, the Congress party during India's freedom movement was not allowed by the British system to penetrate these states.[21] The problem thus may be doubly serious, going a long way towards explaining the drive for secession in them. Identities tend to cumulate in Kashmir and the Northeastern tribal states, and the nation-making enterprise did not reach them.

It is interesting to note how the Indian state has dealt with separatism. Delhi has always had a three-fold approach to insurgencies: military, political and economic. Militarily, Delhi has waged counterinsurgency operations against rebel organizations, as any state must, once faced with secession regardless of whose fault it is. Politically, however, Delhi has always sought to persuade the rebel leaders and organizations to participate in elections and run state governments, if they win power electorally. Finally, Delhi has allocated more fiscal resources for developmental purposes to the disaffected states as a way to deal with the discourse of grievance, undermine the mass base of the rebels (where it exists), and win over regional political elites. If Delhi's response to separatism had taken only a military form, it is possible to argue that it would have had much greater difficulty defending national integrity. With the partial exception of the later years of Indira Gandhi (1980–1984), Delhi's fundamental approach has remained one of incorporation, not suppression. To be sure, the idea of incorporation has not been practiced perfectly, but the principle itself has never been abandoned.

## Cross-Border Terrorism: A New Problem for Federalism

In November 2008, as India painfully watched real-life terror on TV and waited for nearly a day for commandoes to land in Mumbai after the terrorists had captured two leading hotels and attacked several landmark buildings, killing scores of Indians and tourists, millions of citizens were angered by what appeared to be an inexplicable delay in providing security. Observers of Indian politics, however, were seized by a puzzle: what could possibly have prevented police counter-action for so long? Interviews and research demonstrate that India's centre–state laws and practices were the principal culprit. It is also clear that if not addressed imaginatively, Mumbai-style attacks simply cannot be ruled out in the future. For all its successes, India's federalism now faces a new and extremely serious challenge.

Central to India's internal security are the following laws and practices:[22] First, public order is entirely on India's 'state list', not on 'Central list' or 'Concurrent list'. Unlike the US, 'federal crime' is not a concept in Indian law, and it cannot be introduced unless the constitution is amended. Its relevance has been debated within government circles since the late 1960s, but the idea of federal crimes remains legally elusive.[23] Even when the Indian Airlines flight from Kathmandu was diverted to Kandahar in December 1999, leading to India's external affairs minister agreeing to a humiliating deal that released well-known terrorists from Indian jails in return for the safety of passengers, the case could not be registered as a federal crime. Indian Airlines reported to Delhi police that its plane, due to arrive at Delhi airport, was missing. It was registered as a Delhi-based—in other words, state-based—crime.

Second, central agencies—including the national security guards (or commandos), who are especially trained for urban terrorism—simply cannot function without the cooperation of the state government and state police. Often, they cannot enter a state without state request and/or permission. India's commandos were all based in Delhi when Mumbai was terrorized. After Mumbai, hubs have been created in Hyderabad, Chennai, and Kolkata. As a consequence, they can be deployed more quickly, but for operations, they still need the cooperation of the state police. They have no knowledge of ground-level specificities.

Third, India's intelligence system is deeply fractured, both vertically and horizontally. The Central Bureau of Investigation (CBI), the institution often identified as the leading intelligence agency of India, is most unlike America's Federal Bureau of Investigation (FBI). In contrast to the FBI, which combines intelligence and investigative functions, the CBI is primarily an ex-post investigation body, not an intelligence collecting agency. For the latter, it depends primarily on state police, and secondarily on Delhi's Intelligence Bureau (IB). The state police remain the greatest repository of ground-level intelligence in India.

The CBI was established under the Delhi Special Police Establishment Act, 1946. Its direct jurisdiction covers Delhi and the centrally administered Union Territories. Unlike the FBI, again, it can not pursue investigation at the state level *suo motu*. To investigate, it must receive state consent, or be ordered to do so by the Supreme Court or a High Court. In other words, for it to function well, it depends heavily on the state police. It can also team up with the IB, but the IB reports to India's Home Ministry, whereas the CBI reports to the Ministry of Personnel. The cooperation is not always forthcoming.[24]

State governments have the constitutional right to deny permission for CBI investigations. Goa, for example, did so during 1996–1998. The Maharashtra government did not hand over the cases concerning the Bombay blasts of 1993 to the CBI for almost a year. Some Northeastern states have often not given permission to the CBI.

At the root of this problem is what might be called the dark underbelly of Indian politics. The story of federalism has been told above in two political ways: one concerning the high principles of a state-nation—namely, the simultaneous pursuit of national integration and protection of cultural diversity; and the other concerning the structure of mundane politics—namely, the disproportionate benefits normally accruing to a state or a party that acquires a lot of power in Delhi.

A third political narrative, relevant here, is about the ignoble, but real, side of Indian politics: corruption and vendetta. The CBI is not trusted by state leaders for they believe it is politically used by Delhi to target adversaries. The adversaries may be accused of corruption, or even murders and kidnappings. It does not matter that such corruption or criminal conduct is often real, not imagined. But over the last 20–30 years, as politicians accused of crime have, in particular, risen in politics, the CBI has been caught in a political crossfire. Delhi often wants to use it, but the CBI faces enormous resistance at the state level, especially if the state government is run by a coalition or political party different from that ruling in Delhi.

So long as the Congress party ruled both in Delhi and states, there was no such resistance. Such matters were handled as internal negotiations within the party. The rise of a coalitional era might have made Indian politics much more democratic and competitive, but it is possible to argue that national security has suffered as a consequence.

In recent years, India's political process has thrown up a potential solution. Via a parliamentary act, a National Investigation Agency (NIA) was created after the Mumbai attacks. In theory, the NIA can become India's FBI, but serious impediments remain.

The NIA Act was created using an entry related to defence of India on the central list. Of all security matters, only defence of India is handled by Delhi. What is generally called internal, as opposed to external, security is almost entirely under state jurisdiction. The NIA Act is not a constitutional amendment, which would have required approval of two-thirds of parliament and half of states, not easily possible in a coalitional era. The concept of a federal crime, requiring a constitutional amendment, has still not been introduced precisely for the same reason. States would not give consent if they believe that the NIA might become a much more powerful CBI.

Basically, Delhi cannot legally force a state government to accept the dictates of the NIA unless a constitutional amendment introducing the concept of federal crime is put through. However desirable such a concept in the twenty-first century might be, India's federal polity will not easily allow it to come about.

## Conclusion

The main arguments of the article can be summarized as follows. First, India's federalism is fundamentally rooted in two simultaneous pursuits of nationhood: an embrace of state-based cultural diversities and a commitment to the larger Indian political community. This idea was politically implemented through organizations, especially the Congress party, during the long freedom movement, which changed the framework within which India's centre and states bargained after independence. The same political party ruled both the centre and states after independence, and internal federalism was one of its key

organizational principles. In the critical early years of independence, India's federalism thus developed a cooperative character. Many political battles were fought by the states against the centre, but few were taken to the brink of breaking nationhood. Embracing diversities, the centre also did not on the whole seek to obliterate the many identities of Indian citizens, regions or states.

Second, the dispersed and crosscutting nature of India's ethnic configuration has also contributed to the survival of federalism. Had the identity structure been bi-polar, reducible to 'the majority' and 'the minority', and had the identities been cumulative in nature, battles over federalism could have acquired deadly political proportions. There are so many ways to construct a majority in India, both in states and the nation as whole. As a result, remarkable fluidity is lent to the majority-minority framework of politics. In Indian politics, permanent majorities are virtually inconceivable. This gives a certain benign edge to India's federalism.

Third, a coalitional era has emerged in Indian politics in the last two decades. It has deepened democracy at one level, but also made national security more cumbersome. The laws concerning India's centre–state relations, especially those concerning states having the exclusive responsibility for public order, are obstructing the evolution of a solid organizational structure to deal with cross-border terrorism. Constitutional amendments may resolve this problem, but such amendments are extremely unlikely to go through in a coalitional political atmosphere.

## Notes

1. This article has been presented in seminars at the National Institute of Advanced Study, Indian Institute of Management (Bangalore), Delhi University, Azim Premji University, and Institute of Social and Economic Change. For comments, I am grateful to the many participants in these seminars as well as an anonymous reviewer for this journal. Research assistance of Bala Posani is gratefully acknowledged.
2. For an attempt at linking nationalism and federalism that is very different, see Rudolph and Rudolph (2010a and 2010b).
3. For what is sometimes called non-territorial federalism, see Lijphart (1977).
4. Stepan argues that only Australia and Switzerland approximate the U.S. federal model.
5. Interview, a senior IAS officer from the Maharashtra cadre, Delhi, March 2009. Some of the recent scholarly analysis also discusses this point. See Trillin (2007) and Yadav and Palshikar (2009b).
6. See, for example, Kymlicka (1996).
7. See also Rudolph and Rudolph (2010a and 2010b).
8. Ashis Nandy popularized these metaphors. For a detailed discussion, see Varshney (1993) and Varshney (2002, Ch. 3).
9. See Deshmukh (1989) Sheshadri, Sudarshan, Rao and Madhok (1990) and Upadhyay (1992).
10. There is another streak in Hindu nationalism, certainly in its original versions. It drew heavily upon the Europe-based racial notions of nationhood current in the 1930s. See Golwalkar (1947).
11. In an interview given to me in 1985, the late Chaudhry Charan Singh, India's Prime Minister briefly during 1979, argued that imposition of Hindi outside North India would have made India a stronger nation. It was, in his view, badly required.
12. The discussion in this section builds upon Stuligross and Varshney (2002).
13. For a description of Prime Minister Nehru's vacillations, see King (1997).
14. For a full-length treatment of divisions of power between central and state governments, see Austin (1999).
15. The most comprehensive treatment of India's fiscal federalism is in Rao & Singh (2005). Some of the discussion and figures below are based on the book.
16. Interview, Chairman, Finance Commission, Delhi, June 2009.

17. Interviews with Secretaries of Finance, Industry and Planning in Mumbai, Chennai and Bangalore; Indian government economists in Delhi; joint secretaries in the Prime Minister's office; senior members of think tanks in Delhi; all interviews conducted in April, May and June 2009.
18. Politicians of Tamil Nadu have no such hesitation in announcing how the state has gained from its association with power in Delhi. Just before the Tamil Nadu round of 2009 general elections, the DMK-led government placed a front-page colour advertisement in Chennai's leading newspapers, entitled 'Benefits Accrued to Tamil Nadu under the UPA Government'. Many benefits were listed, including new institutions of higher education and new railway bridges and lines, but the emphasis was on 'four-lane highways, gigantic flyovers, expansion of sea ports, container terminals and waterways', adding that 'such a huge amount has not been spent so far on infrastructure in Tamil Nadu after independence' (*The Hindu*, Chennai, May 6, 2009). This celebration was dramatically in contrast to the dominant sentiment in the state in the late 1960s and early 1970s. M. Karunanidhi, who proudly brought out the advertisement above, was also Chief Minister in 1969. He had, then, set up an expert committee to 'consider in what manner the powers of the states should be increased to ensure them complete autonomy'. The recommendations of the committee are available in the Government of Tamil Nadu (1971).
19. One could also argue that the making of Indian nation during the freedom movement benefited the post-1947 working of federalism. See Ahuja and Varshney (2005).
20. However, the differences between Mizoram and Nagaland insurgencies are worth noting. For a succinct discussion, see Stepan, Linz and Yadav (2011).
21. This makes the 1980s insurgency in Punjab especially analytically complex. See Singh (2000) and Brass (1973). Assam is another state which has witnessed a separatist insurgency. It appears to be a special case, in which migration has played a decisive role. See Weiner (1978).
22. This section is based on interviews with high-ranking police officers and home secretaries in Mumbai, Chennai, Bangalore and Delhi.
23. A 1970 debate between two attorney generals, one outgoing, another incoming—C.K. Daphtary and Niren De—is legendary in several government circles.
24. Moreover, the IB does not have the same intelligence-gathering machinery as the states do.

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