

## **COOPERATIVE AND COMPETITIVE FEDERALISM: RELEVANCE IN INDIA'S CURRENT SCENARIO**

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### **Abstract**

This paper revolves around the idea of two types of federalism i.e cooperative and competitive federalism. Through this paper, the authors try to establish the fact that India has significantly making a step to make the India more inclined towards cooperative and competitive federalism. The first part of the paper talks about how the concept of cooperative federalism has already imbibed in our constitution since its inception. To substantiate this claim, the paper further dwells on different spirit of cooperative federalism observed in India.

Today, with the changing socio-economic world, India is aiming towards competitive federalism. A healthy competition is necessary for any state or country to achieve the advancement in different sectors. The scope of this paper is restricted to three major government initiative i.e., MAKE IN INDIA , GST, NITI AAYOG; in order to showcase how government of India has been adhering to different types of federalism in order to accomplish the goals of nation as a whole.

Lastly, it is concluded that cooperative and competitive federalism is not mutually exclusive concept. They are the two sides of a same coin. They have the same basic principle underlying - progress of the nation as a whole. Hence, in order to achieve the developmental goals and having good governance, there is need to ensure that there is enough balance between the two types of federalism.

## **INTRODUCTION**

India is known as the largest democratic country in the world. However, this democracy is meaningful significantly because it has encapsulated federal structure in it. Indian constitution framer was well aware that to absorb such huge diversity of the country, but at the same time they gave the unitary bias. This unitary bias was necessary taking into account the turbulent and bloody circumstances prevailing at that time. The distribution of power between centre and the states under Indian constitution owes much to historical and political factors. In the first chapter of this paper, we have briefly discussed how historical and political factor give boost to cooperative federalism in India.

Cooperative federalism is the concept which reflects the relationship between centre and state where they both come together and resolve the common problems with each other's' cooperation. With the collaborative efforts and cooperation, different level of governments in a amicable manner, contributes towards the growth of the country. It shows the horizontal relationship between union and states and shows neither is above the other. To ensure this relationship between centre and state, Indian constitution has incorporated certain instruments like inter-state council, Zonal council, 7<sup>th</sup> schedule etc. These Instruments have been discussed deeply in the second chapter of the paper.

Further, the authors has discussed the concept of competitive federalism and how this is different from cooperative federalism. Briefly, competitive federalism is a federalism when units of federation pursue a healthy competition for economic interests. It is the vertical relationship between centre and state which competes with each other which leads to the overall growth of the states.

It is worth to note that, both the cooperative and competitive federalism is needed to achieve the proper growth of the nation. There should be balance between both. The idea of "One shoes fits all" is against the concept of cooperative federalism which had been greatly criticised and leads to the formation of new governing system Like NITI AAYOG. Therefore, the cooperation plays a crucial role in dealing with many economic and social policies. Also, a healthy competition is

always appreciated. Though Union government is responsible only for making rules of this competition but States compete with each other to attract funds and investment, which facilitates efficiency in administration and enhances developmental activities. These competitive spirit leads to the formation of new initiatives taken by government like Make in India, Team India etc. under which different states has come up with different programme's like Vibrant Gujarat, Madhya Pradesh global summit etc. to develop their economic stand.

Lastly, It is concluded that both the type of federalism is not mutually exclusive concept. They are the two sides of a same coin. They have the same basic principle underlying - progress of the nation as a whole.

### **Historical Roots of Cooperative Federalism**

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*This chapter talks about that the idea of cooperative federalism is not new to India. It gives brief insights regarding the roots of the cooperative federalism that can be traced in the history. Also the subpart of this chapter gives a brief timeline of development of cooperative federalism after independence.*

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“Since the ancient period, kingdoms or empires has ruled Indian subcontinent through a federal policy of non-intervention in local affairs. Hence, chieftains were left very much alone. This policy of non-intervention in local affairs was a practical necessity because natural diversities of the people of the subcontinent were so great that that they could only be made a part of a single empire if no or very little effort was made to impose a common set of beliefs. Successful monarch Akbar understood diversities of the subcontinent and hence ruled through a policy of cooperative Federalism.”

Further disintegration of Mauryas and Mughals is partly attributed to centralised tendencies of monarchs like Jahangir and Aurangzeb. Moreover, after the Revolt of 1857, when the British decided to leave the Indian Princes alone and withdrew their interventionist measures like Doctrine

of Lapse and banned use of greased cartridges of animal fat, the British were simply confirming to a pattern of Government that was already ages old.<sup>1</sup>

“Further, Cooperative Federalism was one of the major instruments used by prominent Vallabhbhai Patel to make the mind and cajole 492 princely states to join Indian union while maintaining the unity of the nation simultaneously”.

Seeds of cooperative federalism can also be found right from the Regulating Act of 1773 which set up a system whereby the British Government supervised (regulated) the work of the East India Company but did not take power for itself.

The Government of India Act, 1919 provided for a federal India, however superficial, by envisaging a dual form of government called ‘diarchy’. “The Report of the Indian Statutory Commission of 1929 gave a federal solution by proposing to introduce diarchy at the centre and to advance from diarchy to fully responsible government in the provinces”<sup>2</sup>. The same was sought to be achieved by the Government of India Act, 1935.

The Cabinet Mission of 1946 provided that Union of India should deal with Foreign Affairs, Defence and Communication and all subjects other than Union subjects and all residuary powers were to vest in the Provinces.

Also, Jawaharlal Nehru, while moving his Objectives Resolution on 13 December, 1946, reiterated that the need for a measure of uniformity in regard to apparatus and machinery of government at the Central level was to be considered in “cooperation and consultation with the states”, and that “all power and authority of the Sovereign Independent India, its constituent parts and organs of government, are derived from the people”.<sup>3</sup>

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<sup>1</sup> [www.legalserviceindia.com/article/I441-Cooperative-Federalism-In-India.html](http://www.legalserviceindia.com/article/I441-Cooperative-Federalism-In-India.html), last updated 25 September 2016.

<sup>2</sup> Supra 1.

<sup>3</sup> Ibid

### **1.1 Development of Cooperative Federalism Post Independence**

The changing dynamics and the varied experiences that the Indian State has faced - one party The changing elements and the fluctuated encounters that the Indian State has confronted - one gathering principle, coalition and the not all that assembled frames, have prompted to the move from Centralist to Federalist to Center-Federalist types of government administration. The ascent of territorial gatherings ( regional parties) the development of coalition Governments, dynamic part of the Judiciary, the move from the Right to the Left to the present trough of the Left, have formed the direction of federalism . India decided on semi government structure after autonomy. In spite of the fact that the expression "federal" has not been said in the constitution but rather the working of Indian majority rule government is basically federal in structure. Working of Indian federalism is isolated into three stages:

#### **1947 to 1967:**

This stage had single gathering predominance. Congress government was framed at central and state level aside from few like communist government in Kerala in 1959. Since the centre and state government were ruled by single and common party there was not really any issue amongst states and centre. Few examples were there like first time democratically elected communist government in the world in Kerala, was expelled by central government.

#### **1967 to 1990:**

“This phase is called as phase of confrontational federalism. First time congress lost election in 9 states. Though congress recovered in later elections but overall this phase saw confrontation between centre and states ruled by different parties. “

#### **1990 till present**

“This phase is termed as co-operative federalism phase, as state parties are having share in forming government at central level e.g. DMK of Tamil Nadu, SP of UP, and Trinamool Congress of West

Bengal.”<sup>4</sup> Thus the state’s issues has gained the importance significantly e.g. Tamil issue even gained international importance. Centre is becoming more sensitive towards states’ need.

### **Indian constitution and cooperative federalism**

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*In this chapter, the authors has thrown a light over Indian constitution’s provisions which ensure co-operation between centre and state. Hence, boost the spirit of cooperative federalism*

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“When the Constitution was adopted in the year 1950, Dr.B.R. Ambedkar, Chairman of the Drafting Committee, and Pandit Jawaharlal Nehru, both colossuses striding the political field, were in favour of adopting a unitary system. Sardar Patel, another strong leader, however, was strongly an advocate of the federal system and played a crucial role in crafting of a federal constitution.”<sup>5</sup>

Cooperative federalism is a concept of federalism in which different level of government interact cooperatively and collectively to solve common problems. It is the horizontal relationship between union and states and shows neither is above the other. Indian constitution has incorporated instruments to ensure co-operation between centre and states. It has believed the need of cooperation is necessary for the proper growth of the country. Therefore, few are the listed provision in Indian constitution which depicts the core relationship between centre and state.

These are:

#### **7<sup>th</sup> schedule**

It clearly demarcates central, state and concurrent list based on the principle of subsidiarity. Residuary power has been kept with centre. Article 249<sup>6</sup> provide authority to the parliament make on those subjects which are under state jurisdiction if resolution pass in state council with two-third majority.

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<sup>4</sup> [www.gktoday.in/topics/cooperative-federalism](http://www.gktoday.in/topics/cooperative-federalism), last update 28 september 2016.

<sup>5</sup> An article, “COMPETITIVE FEDERALISM” by Vidhi center for legal policy New delhi.

<sup>6</sup> Constitution of India, 1950.

### **All India Services**

An integrated judicial system has been established to enforce both state as well as central laws. All India services provide another uniting factor in co-operative federalism. This provision is enshrined in article 312 of Indian constitution.

### **Inter-state Council**

Under article 263 of the constitution Inter State Council has been established to discuss and investigate the subject of common interest between the centre and the states. For interstate water disputes parliament can adjudicate for the same.

In T.N. Cauvery Sangam v. Union of India<sup>7</sup>, the Supreme Court has held that once the Central government finds that the dispute referred to in the request received from the State government cannot be settled by negotiations, it becomes mandatory for the central government to constitute a tribunal and to refer the dispute to it for adjudication. Further, if the central government fails to make such a reference, the court may, on an application under Article 32<sup>8</sup> by an aggrieved party issue mandamus to the central government to carry out its statutory obligation.

In Dabur India Limited v. State of Uttar Pradesh<sup>9</sup>, the Supreme Court suggested the setting up of a council under Article 263 to discuss and sort out problems of central state taxation.

This inter-state council had been greatly recommended in Sarkaria commission.

### **Full Faith and Credit Clause**

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<sup>7</sup> 1990 AIR 1316, 1990 SCR (3) 83.

<sup>8</sup> Supra 6.

<sup>9</sup> 1990 AIR 1814, 1990 SCR (3) 294.



Article 261 of the Constitution of India provides that full faith and credit shall be given throughout the territory of India to all the public acts, records and judicial proceedings of the Union and of every State. This is a step to promote cooperation and faith between the center and the states.

Clause (2) empowers the Parliament to lay down by law the mode of proof as well as the effect of acts and proceedings of one state in another state.

According to clause(3), final judgments or orders delivered or passed by civil courts in any part of the territory of India can be executed anywhere in the country according to law.

The full faith and credit clause promotes uniformity and unity throughout the territory of India. It develops a sense of harmony and unity in the country. It promotes cooperation between the states and the center and gives due credit to all the public acts.

### **Zonal council**

These are statutory bodies established under the State reorganisation act of 1956 to ensure co-ordination. It provided for 5 zonal councils, one for each north, south, east, west, central. North eastern council has been created under separate act.

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*It is concluded that the framers of the constitution was aware of the need of cooperation between centre and state, the distribution of power between them and cooperative federalism are necessary in order to absorb such diversity of unique state that owes much to its historical and political factors. We have seen through the various provisions that how the cooperation of states to centre and vice-versa is for total development and smooth functioning of the country. Without the cooperation between the two in many policies and functioning, it would be very difficult to resolve the common problems between the units of federation which can make the growth of the state and country stagnant.*

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### **OBSTACLES TO COOPERATIVE FEDERALISM**



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*In this, the authors has discussed that it is important to evaluate the features and policies that are formulated by governmental bodies and also which are incorporated in constitution in regard to promote the cooperative federalism. It is important not to focus merely on good practices but also on the process on arriving at good practices. Therefore, with this perspective, the authors has enlisted the problems and lacunas in certain provision and areas which are the direct threat to cooperative federalism.*

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So far we have discussed that how the constitution has encapsulated the federal features and how the cooperative federalism has been given a place in the provisions of Indian constitution. But here the things does not get end, the question arises whether these provisions are being used effectively? Are these really improving the centre-state relationship? Are there any obstacles to cooperative federalism?

Simply penning down these features with the aim to make the union-state relationship stronger, without answering above questions or analysing their working in current scenario and effectiveness are of no use. Since cooperative federalism is not a theoretical subject, rather it is a practice under a continuous process of evolution. Therefore here, the author is trying to analyse the problems that hit the cooperative federalism in India. The problems which are the obstacles in the main path of it as what is important is to not to merely focus on the good practices but to also focus on the processes of arriving at a good practice.

The problem areas are:

**First**, The Inter-State Council as mentioned in Article 263 is supposed to be a body for intergovernmental consultation and co-operation. But it has not been given the powers to inquire and advise on disputes between States. It can only discuss subjects of common interest and make recommendations. It meets rarely and has not been able to work to its full potential.

**Second**, the most important thing is International treaties which are greatly overlooked the involvement of the states. it should be strengthened as while negotiating the international treaties

involvement of states should be there with greater extent as its implementing will surely going to impact on the states.

**Third**, article 262 that provides for the resolution of inter-state water disputes which also failed to contain many disputes which reached it despite repeated hearings and decisions. Failure of this can be because of both structural and procedural inadequacies. Structural inadequacies like Non-binding nature of advices of River boards, Lack of enforceability of tribunal decisions, Ad hoc instead of permanent Tribunals has given scope for politicisation and ultimately leads to judicial overview in the matter.

Procedural inadequacies like absence of SOPs (Standard Operating Procedures) , no provision for penalty for deliberate delay by parties, non-cooperation by states, leaves enough scope for ambiguities and discretions leading to inordinate delays.

**Fourth**, Governor Issue is also the concern which weaken the centre-state relationship. This has been the evident since long that as the political party gets changed in the centre the governors appointed by the earlier party were asked to resign. Governor's appointment should not be politically motivated.

**Fifth**, The 7th Schedule needs to be reformed to ensure greater empowerment of States in accordance with increased financial transfers characteristic of cooperative federalism.

**Sixth**, equal representation of states in Rajya Sabha is another blow to the cooperative federalism. There should be equal representation as there is in United States of America.

**Seventh**, State bills which are reserved for President assent should be disposed of as early as possible. This creates impediment in the growth of the country and ultimately it hits the cooperation between centre and state.

**Eighth**, there is also a thrash on Modi government regarding the setting up of Niti Aayog. Though, Niti aayog is established with the aim to foster the cooperative federalism but if we look at the structure and function of it, it is flawed in many ways. The function and jurisdiction of Niti aayog is not specifically laid down. State and UTs are given a place in governing council, making their

involvement in policy making but there is no specific mention as to whether they can reject/amend/approve Niti ayog's proposals.

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*Therefore, on the face every policies which foster cooperative federalism in India looks great but its implementation and the way it should turn out effectively is challenging. We have seen that through the above lacunas that implementation is the root cause of every problem in India which is also a blow to cooperative federalism. These obstacles need to be taken care of as soon as possible if we really want to make the centre-state relationship strong.*

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### **COMPETITIVE AND CO-OPERATIVE FEDERALISM:**

#### **IN RECENT NEW POLICIES**

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*So far the authors has discussed about the cooperative federalism and its provisions that are incorporated in Indian constitution. In this chapter, the authors discussed about the competitive federalism, why it is important and how it is different from cooperative federalism. Also, this chapter mainly focused on three broad policies that has been introduced in recent year by the government to boost the spirit of both competitive and cooperative federalism – “MAKE IN INDIA”, “GST” and “NITI AYOGE”.*

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#### **Competitive federalism:**

Competitive federalism is a concept where centre competes with states and vice-versa, and states compete with each other. It refers to relations between regional governments (horizontal competition) and between central and regional governments (vertical competition).

Consistent with classical (Locke) and neo-classical (Hayek, Nozick) liberal beliefs, proponents of horizontal competitive federalism hold that government (or, “the state”) constitutes the greatest threat to individual liberty. This is because of the government's capacity to prevent (prohibit, tax, fine or incarcerate) individuals from acting in ways that maximise their self-interests. It is also reasonable to point out that many proponents can be characterised as public choice theorists

(Buchanan) who contend that the best way to counter this threat is by limiting the size of government. Hence, they advocate the devolution of powers from the centre to the smaller, peripheral states.<sup>10</sup>

### **Competitive Federalism in India:**

The concept of competitive federalism is driving the Indian states to rush in for reforms to make an easy way for doing business in their state and expediting the pending project clearances. Many states have also boosted themselves to streamline the procedures to attract more investment for development of their state. . For example the Gujarat Vibrant Submit 2017 was also completely focused on attracting investments from different developing countries for the development. And in recent days we have seen that how Andhra Pradesh is also trying to acquire as much as foreign investment by liberalizing its investment policies. Hence under competitive federalism each state have autonomy to work for their own development by competing with other states.

It deals with the relationship among two or more states (and not between union and state) in the matters of commerce, investment and trade. Centre government is only responsible to frame rules in this kind of free market as generally states compete with each other to attract funds and investment, which facilitates and enhances developmental activities. The Investors priority is always inclined towards a developed state.. Union government devolve funds to the states on the basis of usage of previously allocated funds. Thus, funds and investments flow in greater amount (both from central government and private investors) to those states which have shown optimum use of previously allocated funds. Hence we can say that competitive federalism ensures minimum wastage and maximum use of resources as it strives for Healthy competition to improve physical and social infrastructure within the state. In a lay man terms, cooperative federalism can be defined as - No work, No money. More work, More money. States compete with each other on developmental fronts to attract more money. States are given more power and autonomy in terms of policy planning to facilitate this kind of federalism.

So this far we have understood that it helps states to learn from each other and implement the best practices as per their needs and requirements. After globalization and viewing current market

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<sup>10</sup> Buchanan, J.M. 1995/96. Federalism and individual sovereignty. The Cato Journal, 15(2/3).

requirements, one thing is clear that a nation can only grow if its states are growing on a good pace. Competitive federalism is not part of the basic structure of Indian constitution. It is the decision of executives. And somehow it is there in our policies, in our implementation method and in our way of doing business.

“Competitive federalism is welcomed by industry because healthy competition among states will pave the way towards more investment destinations in future. In turn it should lead to significant job creation and economic development. The idea that ‘a state knows what is best for it’ seems to resonate with industry, academia and the government. “However, as states compete for investment, they and the central government must avoid creating administrative hurdles or draft contradictory policies and regulations. The development ambitions and challenges of all states need be considered and appropriate support provide.”<sup>11</sup>

### **MAKE IN INDIA INTIATIVE**

#### ***“India: From Nation Branding to State Branding and Competitive Federalism”***

Make in India is the initiative by the government to encourage multi-national as well as domestic companies to invest in Indian state. It was launched on 25 September, 2014 with the aim to attract capital and technological advancement in India.

**India** has become a trendsetter in nation brand campaigns at the annual World Economic Forum in Davos, Switzerland<sup>12</sup>. It has seen in the Davos that, Make in India lounge, among Davos delegates, has become a halting point over the years for those interested in connecting with Indian policymakers and industry leaders. This was the first time, when a nation and a regional state stood side by side, each heralding their own brand message.

Andhra Pradesh has come up with their own brand name in its inaugural splash at Davos integrated and emulated the same elements of the nation brand India campaign with ***Make Andhra Pradesh Your Business.***

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<sup>11</sup> <https://www.ukibc.com/competitive-federalism-in-india/>.

<sup>12</sup> <http://placebrandobserver.com/india-nation-brand-state-branding-competitive-federalism/>.

Describing Maharashtra as the "powerhouse" of the country, Chief Minister Devendra Fadnavis today said the 'Make in India' vision has led to different states adopting "competitive federalism".<sup>13</sup> "The Make in India vision has changed the outlook of the entire country. There is a fair competitive atmosphere across states throughout the country. The states are now moving from co-operative to competitive federalism,"<sup>14</sup> Mr Fadnavis said at the event where Prime Minister Narendra Modi officially launched the Make in India Week.

### ***Vibrant Gujarat Summit***

***Another example*** for the growing strategic place brand positioning of Indian states and regions was the 8<sup>th</sup> edition of the ***Vibrant Gujarat Summit*** that is being held in Gujarat these days i.e 10<sup>th</sup> -13<sup>th</sup> January. This initiative has started in 2003 and has achieved great success. The central focus of the Summit is "**Sustainable Economic and Social Development**"<sup>15</sup>. It will bring together heads of states and governments, ministers, leaders from the corporate world, senior policy makers, heads of international institutions and academia from around the world to further the cause of development and to promote **cooperation**.<sup>16</sup>

The success of vibrant Gujarat has sent a good message to many other states, it has encouraged them and let them to follow the suit.

***Nation branding in India is giving way to state branding. Today a Vibrant Gujarat and the Sunrise State of AP are competing with a Resurgent Rajasthan, Invest Madhya Pradesh, Credible Chhattisgarh, a Happening Haryana, Odisha-New Opportunities and many more in the making.***

For example, Madhya Pradesh has also taken the step of Global Investors summit in 2015 garnered significant amount of Investment. Also, Rajasthan has highlighted the signing of 295 MoUs at its

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<sup>13</sup> <http://www.ndtv.com/india-news/make-in-india-fostering-competitive-federalism-devendra-fadnavis-1277058>,

Updated: February 13, 2016 20:14 IST

<sup>14</sup> Ibid.

<sup>15</sup> <https://vibrantgujarat.com/vg-2017.htm>, Last viewed January 12, 2017.

<sup>16</sup> Ibid.

last global business meeting held in 2015. The expected investment of about \$47 billion (approximately INR 3.2 lac crore) would create 239,000 in employment opportunity.<sup>17</sup>

Hence,

***“The unfolding competitive federalism is the new reality of Brand India”***

### **NITI AYOOG**

*Modi claims, “less government, more governance” so he plans to move away from centralised planning.”*

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*This talks about NITI AYOOG that how it is paradigm shift from 1950s Top-down based planning commission approach to modern day bottom-up approach for the need of the grass roots. It is a landmark in centre state relations. Secondly, it throws a light on GST*

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‘NITI AYOOG’ or the **National Institution for Transforming India** is a Government of India policy think-tank established by the Narendra Modi government to replace the Planning Commission. The aim of Niti ayog is to foster the participation and involvement of state government in the making of economy policy of the country. By creating this institution government has adopted bottom up approach rather than Top-down model.

The main emphasis of NITI AYOOG is to bring the effect over centre and state relationship. This step of Union government of India make the country to move towards the *Cooperative federalism*. For this purpose, NITI’s Governing council includes Chief Ministers of all States and Lieutenant Governors/ Administrators of Union Territories. Taking the involvement of state government in the country’s decision making, NITI AYOOG has also constituted the sub-groups of chief ministers

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<sup>17</sup> <http://resurgent.rajasthan.gov.in/the-summit/overview>, Last viewed Jan 12, 2017



to settle complex issues or matter.<sup>18</sup> Basically, State Chief Ministers (CMs) have been given a place in the executive body of NITI AYOOG which will give them an active voice in the body, bringing in varied views and will reduce the mistrust on planning between the centre and the states.

It has also empowered the states by aligning with the 14<sup>th</sup> Finance recommendations of allocating the 42% of total net divisible pool of taxes among the states. Through this it has cooperated the economically weak states by strengthening them. Also, it helps the state in policy formation where state lacks the expertise.

This has changed the entire dynamics of the centre-state relationship. Now the state, is no longer at the mercy and discretion of the centre for funds or resources. The state has given a active role. This has also ensure the speedy execution of policies through coordination of centre and state.

Hence, by increasing the role of states in planning, NITI AYOOG has greatly improved the Centre-State relations. It boosts the spirit of cooperative federalism and will lead to "Federal Planning" in a federal country.

### **GST AND FEDERALISM**

*“The key to the successful implementation of the GST will be cooperation — between the Centre and the States, among the States, and between the governments and the businesses.”<sup>19</sup>*

#### **What is GST ?**

GST is a single tax on the supply of goods and services, right from the manufacturer to the consumer. Credits of input taxes paid at each stage will be available in the subsequent stage of value addition, which makes GST essentially a tax only on value addition at each stage. The final

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<sup>18</sup> <http://niti.gov.in/content/fostering-co-operative-federalism>, Last viewed Jan 13, 2017.

<sup>19</sup> Satya Poddar, Tax Partner — Policy Advisory Group, Ernst and Young India

consumer will thus bear only the GST charged by the last dealer in the supply chain, with set-off benefits at all the previous stages.<sup>20</sup>

GST was passed by one hundred and first constitutional amendment, 2016 and it will come in effect from April 1, 2017. Article 279A of the Constitution provides for setting up of a GST Council by the President within 60 days of the commencement of the Constitution Amendment Act. The main agenda behind the whole concept of GST is 'ONE TAX, ONE NATION'.

### **GST will Promote Cooperative Federalism:**

Implementation of GST would be a step towards the largest-ever tax reform in the fiscal history of India. It charts a new course of federalism in India that emphasis more on cooperation instead of self-interests. Cooperative federalism requires both the Union and the State governments to function simultaneously for the development of the nation. Because of GST, both the Centre and state government have to sacrifice their fiscal autonomy in favour of a collective and single decision-making process. The giving up of the fiscal autonomy is unprecedented and shows that today's modern economy calls for an increasing cooperation among the economic players as in different states for the common good, instead of focusing on individual gains. The prime minister, in one of his speeches has also said that GST would be the best example of "cooperative federalism". "Together we will take India to new heights of progress," The step to centralized indirect taxation by Central and state governments and the removal of inter-state tariff barriers are major steps towards achieving a single national market. In the pursuance of this move the Centre and states are required to pool their sovereignty to pursue shared national economic goals leaving behind their individual interests. The states will not have veto rights on the GST Council, they will have to form alliances with the Central government that governs the operations of the new tax policy.

Through GST every state will get a share from the central government from the earnings which they have earned through tax. As earlier many of the states could not earn so much from their tax policy because of less development in their particular state but now because of GST they will get

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<sup>20</sup> Press Information Bureau, Ministry of Finance, Government of India

the share of that part of tax also which has not earned by their state. Like for example Gujarat and Maharashtra are more developed in terms of infrastructure, IT etc. as compared to some of the eastern states like Assam, Manipur etc., but as under centralization of taxation policy less developed states will also get the share of taxes which the Centre has earned from the more developed states. So in this way all the states will collectively work for the development of the nation as a whole.

Many criticisms were also raised on this kind of taxation policy as many alleged that this is hampering the autonomy of states by imposing a certain tax rate. Like for example the state which has higher growth of tobacco would promote less tax on the manufacturing of Tobacco but the state which has more consumption of it might support high tax because of the health reasons and this situation Centre would also apply higher tax rate because of the health concerns. And after centralization states would have to follow the uniform tax rate. So this will lead to loss in the taxes of states which have good manufacturing of tobacco.

But if we see this on a broad platform then GST will help many under-developed states to grow by providing that part of share which they could not earn because of many factors. Although some states would face certain loss because of the decrease in the revenue through tax but to compensate that Central government has said that will compensate for 5 years to the states who are in loss. So GST has been implemented in more than 150 countries and India is looking its way ahead for its implementation.

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Though these opinions authors have tried to explain that how GST will promote Cooperative federalism. It is difficult to assume that all the states would perform uniformly in the process of development because while some states have favourable factors like skilled labour, capital and infrastructure, innovative service industries other states lagging behind. For that states with unfavourable climate still need the help from Centre. So through this proposed GST less developed state will get an opportunity to develop under single taxation policy through where states can help each other as well as Centre to mobilize the resources in nation in an equal manner. It will empower Centre- State relations and also State to State relations.

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## **CONCLUSION**

*“TOGETHER WE STAND, DIVIDED WE FALL.”*

The Government of India has been reflecting this saying in their policies since last few years. In this paper we have tried to describe that how cooperative and competitive federalism, together fostering India's economy. Earlier when our constitution was framed only the concept of cooperative federalism was incorporated in it. As then, our economy was not so free and moreover the central wanted a hold on nation's policies. But if we evaluate the then governmental policies then we can say that somewhere they too had a thought of competitive federalism. As *“In the Constituent Assembly debates, maintaining his position that the States (then provinces) have the right to collect Sales Tax according to their necessities, B R Ambedkar even opposed an amendment to put a ceiling on the Sales Tax to be levied by provinces. He said while a large number of resources “on which the Provinces depend have been concentrated in the Centre”, it is desirable “at least to leave one important source of revenue with the Provinces”. “Therefore, I think that the proposal to leave the sales tax in the hands of the Provinces, from that point of view, is a very Justifiable thing,” he said replying to a debate on the issue in Constituent Assembly.”*<sup>21</sup>

So from his statement we can say that the idea of competitive federalism was there as he wanted states to be autonomous in certain aspects so they can compete and grow.

As above in our paper we have discussed that now GST has been introduced, and the implementation of state GST and Centre GST will give enough independence to centre and state to perform their policies and grow through competing and cooperating. So this is also step which will foster both cooperative and competitive federalism.

Now, the authors want to give some suggestions to obstacles we have found:

- Scope of Union Territories, and state should be properly defined in the structure of NITI Aayog and they should have a stand in rejecting or approving NITI Ayog's policies.
- State bills should be taken on a priority list for the assent of President as the speedy procedure of this will foster more cooperation among state and centre.

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<sup>21</sup> Constituent assembly debates

- As also recommended by Sarkaria Commission and Punchhi Commission that the duration of Governor's office should not be politically motivated as it hampers centre- state relations. What president is to the country is governor to the state , so its post should be isolated from political activities.
- There should be proper enforceability of decisions in matter related to water disputes to avoid long lasting conflicts among states. As conflict free states will give boost to competitive federalism.

So if these suggestion would be applied then the threat to cooperative federalism can be reduced.

So at last, in our research we have analysed this fact that both, cooperative federalism and competitive federalism are not mutually exclusive instead they both are two sides of the same coin. None of them can have more weightage than other as it will lead to an over centralization or decentralization state. Both should be equally present for the development of a nation as a whole.