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GS Advanced Program 2023

Generic Booklet

Test Name/Code/No. : #29, 692041

Name			
Email ID.			
Roll No.			
Mobile No.		Date	04-01-2023 .

Allotted Time : 60 Minutes

Instructions to Candidates -

- There are 7 Questions in this Question paper.
- All Questions are Compulsory.
- For all updates, please visit the noticeboard – https://noticeboard.forumias.com/gsap-2023/

Important –

- Answers must be attempted in the QCA Booklet only.
- To upload the Answer Copies please visit to "My Course" section on – https://academy.forumias.com/
- Only those copies will be evaluated which will be submitted before the next class.

Q. No.	Grade/Score
1	
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Overall Grade/Score	

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1) How is the Finance Commission constituted ? What are its main $f^{n}(s)$?

Ans: The Finance Commission is a Constitutional body constituted by the President every 5 years. It consists of a Chairman and 4 other members. It is a non-permanent, quasi-judicial body having the powers of a civil court.

COMPOSITION

The Constitution authorises the Parliament to determine the selection criteria for F.C. members. They can be reappointed.

1) The Chairperson must have good knowledge and experience of public affairs.
2) One High court judge (or equivalent) as a member
3) one person having good knowledge of public affairs and finance.
4) a person having good knowledge of accounts.
5) a person experienced in economics.

FUNCTIONS OF F.C.

① Distribution of net proceeds of taxes between Centre & States.

② Determining the principles that will govern the grants-in-aid to States by the centre.

e.g. population, fiscal efficiency, etc.

③ Distribution of grants-in-aid and resources for Panchayats, municipalities through state finance commissions

④ Measures needed to improve fiscal health of locals bodies and improving Consolidated Funds of states.

⑤ Advisory Role: FC can advise the government on financial matters, but its recommendations are non-binding.

F.C. is known as the BALANCING WHEEL OF FISCAL FEDERALISM.

Overall Grading (√)

Poor			Average			Good		
1	2	3	4	5	6	7	8	9

Q.2) India's federalism is a CASA SUI GENERIS. Explain

Ans: India is a federal polity with clear demarcation of powers between centre and States through the Schedule VII of the Constitution which defines the legislative and executive competence(s) of Centre and States.

However, India is not strictly federal and has various deviations from a strictly federal system. This has led it to being classified as quasi-federal.

Prof ALEXANDROWICZ has described India as a 'CASA SUI GENERIS' – that is, a (unique) case in itself. The following FEATURES explain why:

① UNITARY BIAS: Indian federal scheme exhibits a strong Unitary bias, due to:

(A) Crucial subjects under the Union List
(B) Residual powers with the Union

(C) Office of Governor – Centre's representative, unlike in, say, the USA.

(D) Emergency Powers – vested with Centre

(E) single citizenship and single Constitution

(2) CONSTITUTIONAL SUPREMACY: While the US functions on a model of judicial supremacy, India functions on a model of Constitutional Supremacy, with judicial custodianship (3) ASSYMMETRICAL FEDERALISM

~~(3) Strong Judiciary: The appointment process of judiciary has little involvement of Executive & legislature, unlike in US, UK, etc.~~

Despite these deviations from ~~a truly~~ other federal schemes, the SUPREME COURT in S.R. Bomma v. UoI ruled that the FEDERAL structure is part of BASIC STRUCTURE of the Constitution and cannot be altered.

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Poor			Average			Good		
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Q.3) Explain how legislative controls public finance.

Ans: ~~[illegible]~~ Part XII of the Constitution deals with provisions related to Financial matters. While the Executive has complete autonomy to ~~direct~~ decide the financial ~~dec~~ ~~decs~~ matters, the Parliament exerts checks and balances over finances in the following way:

(1) Constitutional Relation between Government and Parliament: The Parliament must 'pass the budget' presented by the Government in order for government to raise money through taxation, borrowing, etc.

(2) Relation between the two Houses:

The Lok Sabha must authorise the expenditures and taxes, while the Rajya Sabha can merely recommend changes or hold discussion.

(3) Parliamentary FINANCIAL COMMITTEES: like

Public Accounts Committee (PAC), Estimates Committee (EC), Committee on Public Undertakings (COPU) are Standing Committees which carry out detailed financial scrutiny of public expenditure made by the Executive.

PAC – confirms that the expenditure is for the designated purpose.

EC – suggests reforms to make public expenditure more efficient (largest PC)

COPU – extracts executive accountability through examination of CAG reports on public undertakings (PSUs)

The CAG (Comptroller & Auditor General) is considered a 'friend' of PAC.

While the EC is chaired by a ruling Party MP, the PAC is headed by an Opposition MP.

The Financial Committees provide a way for Rajya Sabha members to participate in Part XII matters.

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Q.4) Is Article 3 CoI a deviation from federal structure?

Ans: Article 3 of the Constitution of India deals with the formation of new states and alteration of areas, boundaries or names of existing states.

It empowers the Parliament to:

a) increase the area of any state
b) diminish the area of any state.
c) alter the boundaries of any state.
d) alter the name of any state.

It is due to this power that the creation of states such as Uttarakhand from Uttar Pradesh, Telangana from Andhra Pradesh and various Northeastern states from Assam was possible.

FEDERAL IMPLICATIONS

The Union government does not need the consent or 'concurrence' of the concerned state(s) to 'reorganise' them, Unlike in the US Federal Scheme. It merely needs to 'consult' the state(s) concerned. The Supreme Court clarified this interpretation in Babulal Parate v. State of Bombay (1960)

→ This deviates from principles of COOPERATIVE FEDERALISM, because the states are virtually powerless in the face of reorganisation.

→ In the case of Jammu & Kashmir reorganization, even the requirement of 'concurrence' was bypassed.

SAFE GUARDS

As Article 3 deviates from the Federal Scheme, the only safeguard is democracy itself. Reorganisation is an emotive issue, therefore most instances of reorganisation ~~have~~ were born out of ~~demands~~ POPULAR DEMANDS FOR STATEHOOD (eg. Jharkhand, Telangana)

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Q.5) Analyse the gradual shift in demand for new states in India.

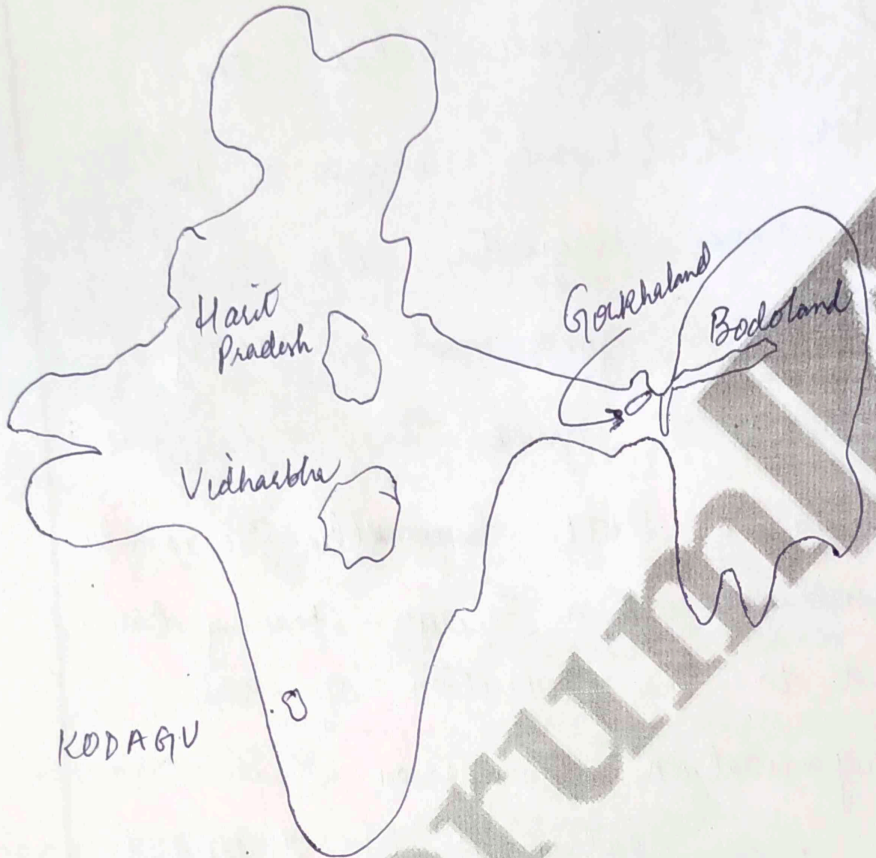
Ans: In post-Independence India, the demands for statehood began to be articulated along linguistic lines in the 1950s. The then government, wary of secessionism tried to ignore these demands until the death of Potti ~~Sreeramulu~~ Sreeramulu who was crusading for a Telugu-speaking state.

This led to the creation of the States Reorganization Commission which recommended the creation of 14 states and 6 Union Territories in 1956.

However, in the present-day India, demands for reorganisation or statehood are articulated in terms of:

a) Development deficit
b) Physical Features / Relief of the region
c) Resources
d) Ethnicity / Tribal affiliations.

Present - day demands for statehood include the following:



While the Fazl Ali Commission had outlined 4 principles, namely,

(1) Economic Viability,
(2) Administrative viability,
(3) Ecological viability &
(4) socio-ethnic viability, as the criteria

for reorganisation, the present-day aspirational states emphasize DEVELOPMENTAL

NEGLECT, CULTURAL DISTINCTIVENESS arising out of geography, large size of existing states (like UP), or Tribal demographic.

This has necessitated the formation of a new Reorganisation Commission to look into the creation of new states, to address developmental concerns and to assess the administrative and ethnic viability of the new states.

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Q.6) Criteria used by FC for horizontal distribution

Ans: Money is distributed between Centre and States in 2 ways:

Grants-in-aid to States

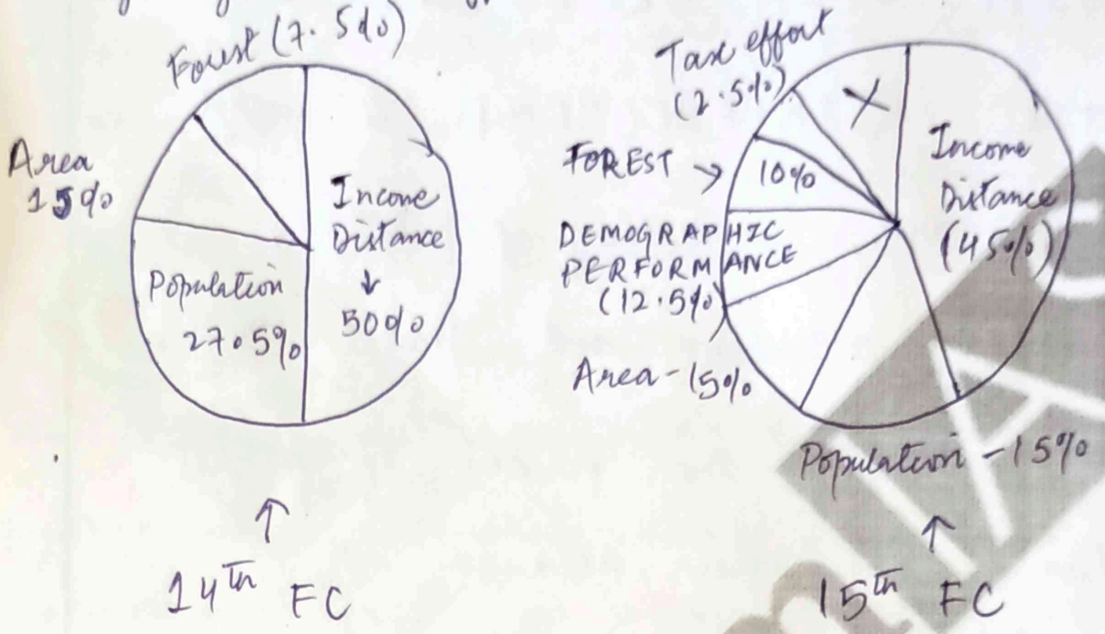
- Statutory (Art 275) → to states in need of financial assistance (on reco of FC)
- Discretionary (Art 282) → Centre's discretion (not based on FC reco)

Division of net proceeds of tax

- Vertical Devolution (Centre → States) → TOR
- HORIZONTAL DISTRIBUTION OF FUNDS AMONG STATES → CRITERIA

1) Population
2) Area
3) Income Distance
4) Forest Cover
5) Demographic Performance
6) Tax effort.

Each Finance Commission (FC) gives different weightage to different criteria. For example,



EXPLANATION

FACTORS BEARING DIRECT RELATIONSHIP to Distribution	Factors bearing inverse relationship to distribution
1) Area : more area means ~~& more funds~~ more administrative costs.	1) Income Distance : difference between the highest GSDP and state GSDP - that is, poorer state gets more funds.
2) Population : more population ~~& more money~~ means more mouths to feed.	2) Demographic performance : rewards population control.
3) Tax effort : rewards states with higher collection efficiency.	
4) Forest cover : rewarded.	

Thus, the FC uses a mix of POSITIVE REINFORCEMENT and NEGATIVE REINFORCEMENT to nudge States toward controlling population, boosting tax collection and forest cover, while recognising the needs of higher population and higher area.

It is clear that Income Distance remains the primary criterion for horizontal distribution. Thus, this model provides a mix of cooperative and competitive federalism.

Thus, the FC is known as the Balancing Wheel of Indian Fiscal federalism.

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Poor			Average			Good		
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Q.7) India moved from unilateral centralised decision-making in the 1st wave of COVID to unilateral decentralised decision-making-by-default in 2nd wave. Discuss

Ans: The COVID-19 Pandemic took most of the world by surprise and India is no exception. In countries that did not impose mask mandates and lockdowns, the Governments faced criticism for failing to act (eg. USA). In countries where measures were taken, the public complained about infringement upon rights (eg. Canada)

Nobody knew how to respond to the Pandemic. China — where the virus had originated — imposed lockdowns and this model was replicated worldwide.

India, too imposed a lockdown in March, 2020. The Union government unilaterally decided to impose the lockdown to minimise casualties and 'flatten the curve'.

WHY THE LOCKDOWN WAS DESCRIBED AS 'UNILATERAL'

① Public order and Police are State list subjects [Entry 1 & 2 of State list] but states were not consulted before imposing lockdown which they had to implement.

② Abrupt stopping of all economic activity which led to mass migration of labourers to their native villages and native states, spreading the infection to remote areas with primitive healthcare facilities.

③ Centralised vaccine procurement, even as public health is a State list item [Entry 6].

④ Vaccine certificates bearing PM's image → states asked to share on social media.

⑤ FISCAL CENTRALISATION : delay in GST payment to states, accompanied by lack of clarity over extension of GST compensation led to discontent among states.

This was contrasted with 'Unilateral Decentralisation' in the second wave: (Louise Tilling, scholar on federalism)

① Centre issued no protocols – asked states to decide on lockdown.

② procured the vaccines but entrusted the states with distribution and administering.

Finally, between the Centre-State tussles, the Tier-3 governments (local bodies) emerged as 'Unsung heroes', representing 'Decentralisation by Default':

① Various states delegated substantial powers to local bodies ~~Eg~~ Odisha gave powers of District Magistrate to Sarpanch; Kerala entrusted contact tracing, etc. to local bodies; the Bombay Municipal Corporation was lauded for its handling of contagion prevention measures.

② This paves the way forward for greater role to local bodies in the future especially in Disaster Management

Overall Grading (√)

Poor			Average			Good		
1	2	3	4	5	6	7	8	9