



Imperious missteps

CruX: The Centre should recall the Lakshadweep Administrator and drop his ill-conceived plans.

Highlights:

1. The draft Lakshadweep Development Authority Regulation 2021 gives sweeping powers to the Administrator to take over land and forcibly relocate people, and proposes harsh punishment to those who resist.
2. In other measures, proposed or implemented, the consumption or sale of beef, a part of the food habits of many, could be an offence punishable by seven years in prison; those who have more than two children cannot contest panchayat elections.
3. Anyone could be held in prison without reason up to a year, under a new Act, in a place that has a very low crime rate.
4. The traditional livelihood of fishing communities has been impeded by mindless regulations that deny them access to coastlines. Their sheds on the coastal areas have been demolished, saying they violated the Coast Guard Act. Dairy farms run by the administration have been shut.

All in the name of development:

1. Development, as it is coming, is not a promise, but a serious threat to the people of Lakshadweep and the fragile ecosystem.
2. Mr Patel is the first politician to become an Administrator. In the last five months, he has demonstrated a unique disregard for the people's concerns and priorities.
3. In the absence of any administrative rationale or public good in these blatantly arbitrary measures, there are fears of other motivations.
4. Commercial interests could be at play, and the land that inhabitants are forced to part with could be transferred to buyers from outside.
5. There could also be ill-advised political plans to change the demography of the islands. People have risen in protest, but far from listening to them, the Administrator seems insistent on his plans.



6. Rajya Sabha Members from Kerala, K.C. Venugopal of the Congress and Elamaram Kareem of the CPI(M) have in separate letters urged the President to recall the Administrator.

The rationale for carving out Union Territories as an administrative unit is to protect the unique cultural and historical situations of their inhabitants. The Centre is inverting its responsibility to protect into a licence to interfere. It must recall the Administrator and reassure the islanders.

Tackling rural economic distress

There is an urgent need to strengthen the public distribution system and the MGNREGS.

Hunger and distress

1. The several States are under lockdown again. This will have severe implications for the livelihoods of those in the informal sector. There is adequate evidence that migrant workers and the rural poor have been facing great distress over the past year and the crisis for food and work is only going to intensify further.
2. The Right to Food Campaign and the Centre for Equity Studies published a 'Hunger Watch' report which exposed the life and livelihood uncertainties of people belonging to low-income categories in the informal sector.
3. The migrants have again become vulnerable due to the lockdown in different cities. While many have once again headed to their villages, a large population has got stranded in different parts of the country without work.

Solution:

1. In this context, there is an urgent need to strengthen the public distribution system (PDS) and the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS).
2. The government announced 5 kg free foodgrains for individuals enlisted under the National Food Security Act (NFSA), for May and June 2021. The government should expand PDS coverage immediately and include all eligible households under the schemes.



3. According to an independent study, about 100 million people are excluded from the ration distribution system owing to a dated database based on the 2011 Census.
4. The Centre should also extend the free foodgrains programme to a year instead of limiting it to two months.
5. The economic crisis is likely to last for a long time. It is being reported that India procured record amounts of rice and wheat last year through mandis. The total procurement is way more than the current requirement for PDS. It is thus quite possible to expand the safety net of the NFSA.

Inadequate provisions

1. The Centre had allocated ₹73,000 crore for 2021-22 for MGNREGS and notified an annual increment of about 4% in wages. Both these provisions are inadequate to match the requirements on the ground.
2. The central allocation for MGNREGS is about ₹38,500 crore less than last year's revised estimate.
3. A large population is facing hunger and a cash crunch. The situation is only becoming more dire as the pandemic continues to rage on. Therefore, the Union government should prioritise food and work for all and start making policy reforms right away.

The end of the road for India's GST?

The fundamental problem is the erosion of 'trust' and 'trustworthiness' between the States and the Centre.

GST Council:

States are dependent on GST collections for nearly half of their tax revenues. The GST Council was mandated to meet at least once every quarter, but it had not met for two quarters, ostensibly due to the pandemic.

Spirit of cooperative federalism: Bitterness tail

1. Over GST compensation to the States
2. Sudden and stringent policy conditions to grant approval to States for extra borrowing



3. Forced to pay a much higher price for COVID-19 vaccines than the Centre.
4. The Centre legislated new farm laws unilaterally that affected Punjab's farmers deeply
5. Sudden lockdown imposed by the Centre with no consultations with the States threw millions of migrant workers in disarray
6. The Centre's duplicity in levying cesses that garner significant revenues for the Centre without sharing them with the States
7. Legislation to strip the elected Delhi government of its governance powers

The list is endless. These are not acts in the spirit of 'cooperative federalism.

Cooperative federalism

1. The catchy phrase 'cooperative federalism' was introduced into India's political lexicon to justify the transition to GST in 2017.
2. Cooperative federalism has a larger meaning beyond just fiscal federalism. It also entails cooperative political, administrative and governance federalism between the States and the Centre.

The Trust Game

1. The GST Council is not an inanimate economic body. It is a compact of trust between the States and the Centre, set in the larger context of India's polity.
2. Behavioural economists, such as the Nobel Laureate, Daniel Kahneman, have articulated the critical role of the twin attributes of 'trust' and 'trustworthiness' among heterogeneous participants in an economy.
3. Using a tool called 'The Trust Game', they have demonstrated that the motive of 'altruism' leads to the most optimal economic outcome for everyone in the group while a motive of 'spite' leads to the worst outcome for all.
4. The tragedy of the GST Council is that it is afflicted with spite and forced to function under the prevailing cloud of vendetta politics.
5. If the functioning of the GST Council is subject to the vagaries of elections and consequent vendetta politics, GST will continue to be just a caricature of its initial promise.



6. The 15th Finance Commission report formally acknowledges that GST has been an economic failure that did not deliver on its early promises.

Problems underpinning GST

1. Economists and commentators point to the multiple rates structure, high tax slabs and the complexity of tax filings as the problems underpinning India's GST.
2. But now, GST has a more fundamental problem — the erosion of 'trust' and 'trustworthiness' between the States and the Centre.
3. The States paid a huge price for GST in terms of loss of fiscal autonomy. The promised economic gains are invisible, and India's federalism has been ruptured.
4. GST has endured so far primarily because the States were guaranteed a 14% growth in their tax revenues every year, which minimised their risks of this new experiment and compensated for their loss of fiscal sovereignty.
5. This revenue guarantee ends in July 2022. This can lead to a crumbling of the precarious edifice on which GST stands today.

The end of India's grand GST experiment seems inevitable unless there is a radical shift in the tone and tenor of India's federal politics, backed by an extension of revenue guarantee for the States for another five years.