Q3

Under what circumstances can the Financial Emergency be proclaimed by the President of India? What consequences follow when such a declaration remains in force?

UPSC Civil Services Mains 2018 · GS II · 10 marks · Indian Constitution

Indian Constitution - historical underpinnings, evolution, features, amendments, significant provisions and basic structure.

Core demand of the question

- Under what circumstances can the Financial Emergency be proclaimed by the President of India? What consequences follow when such a declaration remains in force?
- Explain Article 360's trigger, parliamentary control, and the effects on States, salaries and Money Bills

Revision summary

Article 360 is triggered only by a threat to the financial stability or credit of India or any part of it.

Parliament must approve the proclamation within two months; it then lasts until revoked.

The Union can direct States on financial propriety and reduce salaries of Union and State servants, including judges.

State Money Bills and related financial Bills may be reserved for the President.

The clause has never been proclaimed; ordinary fiscal law is the first line of defence.

Flow diagram

Threat to financial stability or credit -> President Art 360

President Art 360 -> Both Houses within two months

Both Houses within two months -> Directions to States

Both Houses within two months -> Salary cuts including judges

Both Houses within two months -> State Money Bills reserved

Conclusion

- Keep Article 360 as a last-resort constitutional valve, and rely first on the FRBM architecture, GST Council discipline, and Finance Commission conditionality.
- If ever used, Parliament should attach a clear fiscal correction plan and a sunset review, so a "until revoked" emergency does not become an indefinite Union tutelage over State Budgets.

The President may proclaim a financial emergency only when India's financial stability or credit, or that of any part of the territory, is threatened, and Parliament must approve the proclamation within two months. While it lasts, the Union can dictate canons of propriety, cut even judicial salaries, and reserve State Money Bills - which is why the clause is drastic, and why it has never been used.

Facts & figures

Article 360
Proclamation of financial emergency when financial stability or credit of India or any part of its territory is threatened.

Parliamentary approval
The proclamation must be laid before each House and approved by both Houses within two months, or it lapses.

Directions to States
While in force, the Union may require States to observe specified canons of financial propriety.

Salaries of judges
Article 360 expressly allows directions to reduce salaries of Supreme Court and High Court judges during the emergency.

Article 207 Money Bills in States
State Money Bills and other specified financial Bills may be reserved for the President's consideration while the proclamation is in force.