Examrace

Financial Emergency: Types of Emergency and Emergency in India

Emergency in India - Article 352,356, 360

- The first instance was between 26 October 1962 to 10 January 1968 during the India-China war, when "the security of India" was declared as being "threatened by external aggression" .
- The second instance was between 3 December 1971 to 21 March 1977, which was originally proclaimed during the Indo-Pakistan war.
- It was later extended along with the third proclamation between 25 June 1975 to 21 March 1977 under controversial circumstances of political instability under Indira Gandhi's prime minister ship, when emergency was declared on the basis of ″ internal disturbance

National Emergency under Article 352 – FR Suspended

State emergency also called as President Rule, under Article 356 - It is imposed for an initial period of six months and can last for a maximum period of three years with repeated parliamentary approval every six months. the administration of a state is taken over by the Centre through the Governor of the state for breakdown of constitutional machinery in the state. President's rule financial emergency under Article 360.

Financial Emergency

The president under Article 360 of the constitution has the power to declare financial emergency if he is satisfied that the financial stability or the credit of India or any part of its territory is threatened.

India Has Not Witnessed It So Far

- The Government can reduce salary of govt employees including IAS, IPS officers and judges of the Supreme Court and High Courts. Every bill is strictly scrutinized before passing of it due to financial stringency. The bills passed by the state Governments are placed for approval of the President. However, the fundamental rights are not suspended during state or financial emergency
- Financial emergency never occurred in India so far, although possibility of such a situation loomed large in 1990. The situation was managed when the Government of India pledged 40 MTs of gold with Bank of England and Swiss Bank to secure credit limits for imports.

- Under such a situation, the executive and legislative powers will go to the center. It must be approved by both Houses of Parliament within two months.

A Proclamation Issued under Art. 360

- shall be laid before each House of Parliament
- shall cease to operate at the expiration of two months, unless before the expiration of that period it has been approved by resolutions of both Houses of Parliament.

The Effects of the Proclamation of Financial Emergency

- The Union Government may give direction to any of the States regarding financial matters.
- The President may ask the States to reduce the salaries and allowances of all or any class of persons in government service.
- The President may ask the States to reserve all the money bills for the consideration of the Parliament after they have been passed by the State Legislature.
- The President may also give directions for the reduction of salaries and allowances of the Central Government employees including the Judges of the Supreme Court and the High Courts.
- If president is satisfied that the financial stability or credit of India or any part of the state is in danger than he can issue a proclamation declaring financial emergency.
- His satisfaction is subject to judicial review.
- Such a proclamation has to be approved by a simple majority in both houses.
- If Lok Sabha is dissolved Rajya Sabha can approve it but Lok Sabha has to approve too within 30 days of first sitting after its been reconstituted.
- Once approved it continues indefinitely [no max period] without repeated legislative approvals
- optional reduction of salaries of government servants under union or state President can revoke this proclamation anytime; this doesn’t need parliament’s approval.

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