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MAGAZINE NOTES

EPW July 2026 - Economy and Polity Digest

1 July 2026 ·

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EPW July 2026 - Economy and Polity Digest

 Economic & Political Weekly

July 2026

GS2

GS3

**Economic & Political Weekly**

EPW · Weekly

EDITION

July 2026

MAINS:

GS Paper 2

GS Paper 3

The Economic and Political Weekly (EPW) remains India's most rigorous journal of applied economics, political analysis and social science commentary. Its July 2026 issues (Vol. 61, Nos. 28 and 29, dated July 11 and July 18, 2026) engaged three debates that dominated public life in the month: the crisis of institutional accountability laid bare by a wave of examination scams and youth protests, the fiscal and federal consequences of the GST 2.0 rate rationalisation that took effect in September 2025, and the contested push for sovereign artificial intelligence as an instrument of strategic autonomy.

This digest is an analytical, exam-oriented synthesis of those thematic threads, grounded in verified data and public debate. It does not reproduce copyrighted EPW article text; it distils the questions the journal raised and situates them against official figures relevant to UPSC and State PCS preparation.

INSIDE THIS ISSUE

- **State accountability and the examination crisis.** EPW argued that the state's ability to conduct entrance and recruitment examinations with integrity is itself a test of its capacity to govern. Repeated paper leaks, the cancellation and retest of NEET 2026, and the student suicides linked to them turned an administrative failure into a legitimacy crisis, met by a youth-led protest movement centred on Jantar Mantar in Delhi.
- **GST 2.0 and cooperative federalism.** The collapse of the four-slab structure into two principal rates (5 percent and 18 percent, with a 40 percent rate for luxury and sin goods) from September 22, 2025 simplified the tax but reopened the question of vertical and horizontal revenue balance, with several states voicing concern over compensation and buoyancy.
- **Sovereign AI and strategic autonomy.** The launch of IndiaAI Mission 2.0 at the India AI Impact Summit 2026 crystallised a debate on whether national control over compute, data and models is a genuine sovereignty imperative or an expensive detour from more pressing digital-inclusion goals.
- **The connective thread: institutional trust.** Across all three, EPW returned to a single concern, whether Indian institutions, examining bodies, fiscal councils and technology missions, retain the public trust that makes their outputs legitimate.

KEY CONCEPTS

CONCEPT	MEANING AND EXAM RELEVANCE
State capacity	The administrative and coercive ability of the state to implement policy and deliver public goods reliably; exam-integrity failures are read as capacity failures.
Intergenerational mobility	Movement in economic status across generations; competitive exams are one of India's few merit-based mobility ladders, which is why leaks provoke such anger.
Fiscal federalism	The division of taxation and expenditure powers between the Union and states; GST rate changes alter the shared revenue base under Article 279A.
Revenue buoyancy	The responsiveness of tax revenue to changes in the tax base or GDP; central to whether GST 2.0 is revenue-neutral for states.
Sovereign AI	National control over the full AI stack (hardware, data and models) to reduce dependence on foreign platforms and protect data sovereignty.
Strategic autonomy	India's foreign-policy doctrine of preserving independent decision-making; increasingly extended to technology and supply chains.

PRELIMS POINTERS

- **GST Council 56th meeting (September 3, 2025)** recommended the two-slab structure; revised rates took effect **September 22, 2025**. Slabs: **0, 5, 18 and 40 percent**; the **12 and 28 percent** slabs were removed.
- **NEET 2026** was cancelled on **May 12, 2026** and a retest held on **June 21, 2026**; EPW cited **at least 13 student suicides** linked to the cancellations between May and June 2026.
- The **2026 Delhi Jantar Mantar protests** (the youth-led movement) began on **June 6, 2026**.
- **IndiaAI Mission** was approved in **March 2024** with an outlay of about **Rs 10,000 crore**; the common compute facility offers GPU access at roughly **Rs 65 per hour**.
- **Article 279A** of the Constitution establishes the **GST Council**, chaired by the Union Finance Minister, with states holding a two-thirds weighted vote.

UPSC GS RELEVANCE

- **GS Paper 2 (Polity and Governance)**: state capacity and accountability; the right to protest; institutions of examination and recruitment; cooperative federalism and the GST Council.
- **GS Paper 3 (Economy)**: indirect tax reform, revenue buoyancy and neutrality, fiscal federalism, GDP and consumption effects of rate changes.

- **GS Paper 3 (Science and Technology):** artificial intelligence policy, compute infrastructure, data sovereignty and the economics of foundational models.
- **Essay and Ethics (GS4):** trust in public institutions, the ethics of administrative failure, and the moral weight of examinations as mobility ladders.

3 Chapters in this Edition

1**Examination Scams and the Test of State Capacity****2****GST 2.0 and the Arithmetic of Fiscal Federalism****3****Sovereign AI and the Political Economy of Strategic Autonomy**



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