



## Freebies v/s Welfare

This editorial is based on [“Sop or welfare debate: On freebies”](#) which was published in The Hindu on 05/08/2022. It talks about the political dialogue that is built around freebies and related issues.

**For Prelims:** Elections, Directive Principles of State Policy, Fiscal Deficit, Cooperative federalism, Model Code of Conduct For Guidance of Political Parties and Candidates, Election Commission of India

**For Mains:** Impacts of Freebie Culture, Measures to Regulated Irrational Freebies

The political parties in India try to outdo each other in **luring the Indian voters with assorted goodies** called [freebies](#). This trend has gained more momentum in recent times with the political parties being innovative in their offerings as the **‘traditional free water and electricity’ is no longer sufficient as election goodies.**

The political dialogue built around freebies is **fraught with danger** as it **shakes the root of free and fair elections to a large degree.**

The unviable pre-election promises adversely **affect the informed decision-making by voters.** This calls for fixing the gaps in **design, execution and accountability of freebie culture.**

### What is the Positive Side of Freebies in India?

- **Foundation for Welfare Schemes:** Freebies **not only include unviable pre-election promises** but **also a number of services that the government provides** to meet its constitutional obligations ([Directive Principles of State Policy](#)) towards citizens like [Public Distribution System \(PDS\)](#), [Free Covid Vaccine](#) and [Mahatma Gandhi National Rural Employment Guarantee Act \(MGNREGA\)](#).
  - The [‘Mid-day Meal Scheme’](#) was first introduced in 1956 by **Tamil Nadu's Chief Minister K. Kamaraj** and then it was **adopted as a national programme** a decade later.
  - **NT Rama Rao's promise of rice at Rs. 2 per kg in Andhra Pradesh** is the **original avatar** of the current day [National Food Security Programme](#).
  - **Rythu Bandhu** of Telangana and **Kalia** of Odisha were **forerunners** of what is now [Kisan Samman Nidhi](#).
- **Upliftment of Lower Class:** As the **states with comparatively lower levels of development** have a greater percentage of their population living in [poverty](#), such **freebies become more useful for upliftment of lower strata in these states.**

### What are the Negative Impacts of Freebies?

- **Drain on Public Spending:** Most of the times, **freebies ultimately lead to an excessive and**

**unnecessary drain on public spending**, and adds economic burden on states as most Indian states suffer from a poor financial condition and have limited revenue resources.

- **Revti (Freebies) for One, Disaster for Other:** As a result of reducing prices for consumers beneficiaries, the government **overcharge industrial and commercial contracts in order to maintain the internal fiscal balance**. Subsequently the competitiveness of growing industries is reduced, which results in slower industrial growth and commercial price hike.
  - Therefore, it is not how cheap the freebies are for the beneficiaries, but how expensive they are for the economy, life quality and social cohesion in the long run.
- **Increased Fiscal Deficit:** Subsidies and freebies creates **pressure on government revenues**, leading to an **increased fiscal deficit** and **increased interest payments**.
- **Distort Informed Decision Making of Voters: Unregulated populism** by offering and distributing 'irrational freebies' during election campaigns often **create bias in the minds of voters, specially the unprivileged class** as they are **easily swayed by freebies** and impact the informed decision making to choose their representative.
- **Temporary Nature:** Freebies sometimes suffer negative transitions **from universal, then optional**, then a halfway house through surcharges, these promises are **only valid till incumbents face fiscal constraints** and are forced to withdraw benefits.
- **Private Goods- Based Freebies: Freebies on Private goods** and services do not lead to a **tangible social benefit**.
  - For example, **free distribution of electricity does not provide any collective social benefits** thus can be **contemplated as Private Goods**.

## Public Goods v/s Merit Goods v/s Private Goods

In **Economics** the products or services are of three types:

- **Public Goods:** These are **non-excludable and non-rival in consumption** like **national defense, food control system, railways, highway** and information on **Covid** etc.
  - Such services are difficult to be owned by the individuals even if they are willing to pay for these and are **necessarily to be provided by the governments**.
- **Merit Goods:** In contrast to pure public goods, merit goods are, **provided through the market, but not necessarily in sufficient quantities** to maximize social welfare like **education, health care, welfare services**, housing, fire-protection, refuse collection and public parks.
  - These **can be acquired by the individuals at a personal level** and can provide certain benefits to the larger society.
  - For example, an individual can buy a mask which would prevent Covid from infecting others and promote social good. Therefore, **the government is justified in undertaking free distribution of masks**.
- **Private Goods:** A product or service **produced by a privately owned business** and purchased to **increase the utility, or satisfaction, of the buyer**.
  - The **majority of the goods and services consumed in a market economy are private goods** and their prices are determined to some degree by the market forces of supply and demand.
    - These **can be acquired at the individual level** and also provide most **benefits to the individual** and **do not lead to a tangible social benefit**.
- The **distinction between merit and private goods** is laid bare by comparing the sanitization movement in the country with the free or subsidized distribution of electricity.

## What Should be the Way Forward?

- **Drawing a Line Between Welfare and Freebie:** Freebies must be understood from an economic perspective and **connected to taxpayers' money**.
  - **Differences between subsidy and freebie are also essential** since subsidies are justified and specially targeted benefits meant to meet specific demands. The freebies, on the other hand, are quite different.
- **Clear Rationale and Indication of Funds:** Governments and states should have the capacity to

create subsidy programs to assist the needy, but such programs must provide a **clear rationale for investing more in basic amenities** and have a **clear indication of the funds to sustain the state's economic health.**

- **Voter Awareness:** In a democracy, the **power to block or allow the march of freebies rests with the voters.** There is a need for **consensus between regulating the irrational freebies and making sure voters don't get swayed** by the irrational promises.
  - All of this requires **eternal vigilance on the part of the voting class.**
- **Strengthening Cooperative Federalism:** **Cooperative federalism** will facilitate the coordination between the Center and States to look forward to the **National Development Agenda** between the **Center and States** can **reduce the need for glorifying and irrational political agendas to some extent** and lead to **collective growth of the nation as a whole.**
- **Judicial Intervention:** A **constructive debate and discussion in parliament is difficult since the freebie culture has an impact on every political party,** whether directly or indirectly. Therefore, judicial involvement is required in order to propose measures.
  - The **Supreme Court** has recently recommended creating an apex authority to provide recommendations on how to regulate gifts given out by political parties.
- **Strengthening ECI Model Code of Conduct:** The **Election Commission of India** can anticipate enforcing the **Model Code of Conduct For Guidance of Political Parties and Candidates** effectively to regulate **election manifestos** in order to **prevent the manipulation of informed voter behavior.**
- **Focus on Skill Development Rather than Freebies:** *Give a man a fish and you feed him for a day, teach a man to fish and you feed him for a lifetime. It is always better to provide useful skills to the people than to give them freebies.*
  - The subsidies in basic necessities such as **giving free education to younger children and offering free meals at schools** are rather **positive approaches.**
  - **If the political parties go for effective economic policies** where the welfare schemes have good reach to the targeted population, then **infrastructure and development will take care of itself** and the **people will not require such kinds of freebies.**

#### ***Drishti Mains Question***

“Freebie culture is not a road to prosperity, but a quick passport to fiscal disaster.” Comment.