

## ARE FREEBIES A WAY TO MASK STATE INACTION?

Relevant for: Developmental Issues | Topic: Government policies & interventions for development in various Sectors and issues arising out of their design & implementation incl. Housing

Disenchanted voters look for short-term benefits instead of building state capacity in a way that meaningfully improves their lives. | Photo Credit: File Photo

In March 2021, Thulam Saravanan, a legislative Assembly candidate for the Madurai South constituency in Tamil Nadu, offered extraordinary sops such as 1 crore and a car worth 20 lakh for each household, a robot for every homemaker, 1 crore to youth looking to start a business, a 100-day trip to the moon, a 300-feet artificial glacier to keep people cool etc. He lost the polls. Nevertheless, his promises weren't far off from those of the major political parties in power. In promising freebies, parody has increasingly meshed with reality.

All political parties offer freebies now. In 1967, DMK founder [C.N. Annadurai promised a 4.5 kg bag of rice at 1](#) if his party was elected to power. His campaign, for "three measures of rice for 1", saw the party sweep the elections. The party could provide just 1 kg of rice for 1 instead. Once launched, the scheme continued to grow, with 146 crore allocated in July 2020 to provide 5 kg of free rice per person to all PMKAY cardholders in Tamil Nadu.

Over time, freebies expanded beyond rice, to gas stoves, colour TVs, laptops, payments for household work etc. Spreading beyond Tamil Nadu, the trend has caught on in other States as well – the [Delhi government has notably offered water and electricity](#) (up to a certain limit) free for the city's voters; the [Himachal Pradesh government is offering locals free power upto 125 units](#), along with free water in villages and a 50% discount in bus fares for women; in Assam, the State government has announced direct and indirect cash benefit schemes worth 6,000 crore impacting nine lakh beneficiaries. This begs the question – has an entitlement mentality been encouraged, creating a cradle-to-grave welfare state?

Of course, welfarism as a political philosophy has long roots – whether in the West or in India . Our political economy is riven with such schemes – whether one calls them freebies, loan write-offs, waivers or simply direct transfers.

Every year, governments at the Centre and State expand the distribution of private goods such as LPG cylinders to ordinary citizens, while offering subsidies and in some cases covering the full cost. Does a shift to such policies mean that Indian policymakers have simply given up on tackling poverty and inequality? Instead of pushing for building public assets, social capacity and society, India's policymakers seem to have pivoted towards direct transfers and welfarism (via distribution of private goods for free). Is the state only going to be compensatory in nature in the future, in lieu of government inaction and a lack of focus on delivering good public services?

Over time, such frivolous promises have had consequences – Andhra Pradesh annually spends close to 1.62 lakh crore across various such schemes; the push in Punjab to offer free electricity to 51 lakh households will inevitably add to the unpaid dues to the tune of 7,117 crore of the State discom (Shroff, Kaushal, August 2022); five States, namely Uttar Pradesh, Madhya Pradesh, Himachal Pradesh, Andhra Pradesh and Punjab are noted to have raised 47,316 crore over a period of two years by mortgaging public assets (Batra, Shubham, August 2022).

Many States will find recently announced freebies difficult to fund – for example Andhra Pradesh announced freebies in FY23 that would consume almost 30.3% of its own tax revenue; for Madhya Pradesh, this figure was close to 28.8%; for Punjab this was around 45.4%; and for

West Bengal, it came to 23.8% (RBI Bulletin, June 2022). Over the past five years, banks have written off loans worth 10 lakh crore, with the share of public sector banks in such NPA write-offs typically between 60% and 80%. And yet, the freebie culture continues to be promoted.

Of course, not every scheme or manifesto promise is a freebie – some parties may offer free electricity, LPG cylinders, public transportation and loan waivers; other schemes are more focused on the development and capital expenditure.

Free food at schools for students, as offered under the mid-day meal scheme, should not be classified as a freebie, given that it helps improve the health of our children. Under K. Kamaraj, the third Chief Minister of Tamil Nadu, the mid-day meal scheme was launched in municipality schools, with funding coming mostly from public donations (later supplemented by Centre and State funds). The impact was immediate, with student attendance going up twofold on days when the mid-day meal scheme was in place. Any scheme that offers significantly positive social externality (compared to other initiatives) should not be considered a freebie.

Reforming this will require initiatives on multiple tracks. Governments (whether State or Centre) announcing freebies should be required to provide a funding plan to bolster Parliament (and State Assembly) budgetary understanding and enhance their ability to act. A Budgetary Office should be established to aid in writing policies and conducting budgetary analysis.

Given the inherent difficulty in classifying a scheme as “essential” or a “freebie”, governments should instead be statutorily bound towards key financial indicators such as government debt-to-GDP ratio, revenue expenditure as a percentage of government income, revenue collection efficiency etc. Transfers towards capital expenditure schemes should be prioritised over other schemes. Banning political parties for promising freebies would be a step too far and hence, the Election Commission should push political parties to provide a funding mechanism for such promises.

#### Editorial | [Sop or welfare debate: On freebies](#)

More importantly, we need to have a conversation within and between political parties. Making such promises is an insult to voters, when many such promises are simply left unfulfilled. Meanwhile, for those promises that are fulfilled, over time the ordinary voter has to pay the cost in the form of higher taxes or the opportunity cost of less development. Changing this political culture will require governments to stick to fiscal probity and make credible policies — something that has been rarely seen in our polity. Enacting a scheme to win the next election, while enabling generational theft is something that should be taboo.

#### Comment | [Making sense of the ‘freebies’ issue](#)

There should be a debate on this culture of entitlement among the voters as well. They have been disappointed for so long with Indian policymakers that they would rather seek short-term benefits instead of a push to build state capacity in a way that meaningfully improves their lives. A different state and society could emerge through such conversations – one which provides a network of competent public hospitals, high-quality schools and provides an enabling environment for the working population to build skills, save up and invest. Rejuvenating India must be our singular aim for the next quarter century.

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