



Freebies: A Double-Edged Sword

This editorial is based on [The costs of poll-driven power freebies](#) which was published in The Hindu Business line on 08/06/2023. It talks about the Freebies Culture by the Political Parties and its consequences.

Prelims: [Public distribution system \(PDS\)](#), [Mahatma Gandhi National Rural Employment Guarantee Act \(MGNREGA\)](#), [Mid-day meal scheme](#), [NITI Aayog](#), [Election Commission of India](#)

Mains: Freebies - Their advantages, disadvantages and Way Forward

It is well-established that every election season, political parties across the board make ambitious expenditure commitments in a bid for electoral success.

The Political parties with an aim to win elections promise the provision of various freebies like electricity, water and transportation. Providing free electricity has been the most popular among all the promises.

High power subsidies not only jeopardise a State's fiscal health, but also impose substantial opportunity costs, limiting the funding available for social programmes in other domains.

For example, Karnataka's budget allocations for education and health are lower than the average allocations in these sectors by all States.

What is Freebie?

- In a Reserve Bank of India report in 2022, [freebies](#) have been defined as "a public welfare measure that is provided free of charge". It adds that freebies are different from [public/merit goods](#) such health and education, expenditure on which has wider and long-term benefits.

What is the Difference between Freebies and Welfare?

The difference between [freebies](#) and welfare schemes is not always clear, but a general way to distinguish them is by their long-term impact on beneficiaries and society. Welfare schemes have a positive impact, while freebies can create dependency or distortions.

- [Freebies](#) are goods and services given free without any charge to the users.
 - They are generally aimed at benefiting the targeted population in the short term.
 - They are often seen as a way of luring voters or bribing them with populist promises.
 - Some examples of freebies are free laptops, TVs, bicycles, electricity, water, etc.
- **Welfare schemes**, on the other hand, are well thought-after plans that aim to benefit the target population and improve their standard of living and access to resources.

- They are typically aimed at fulfilling the constitutional obligations ([Directive Principles of State Policy](#)) towards citizens.
- They are often seen as a way of promoting social justice, equity, and human development.
- Some examples of welfare schemes are [public distribution system \(PDS\)](#), [Mahatma Gandhi National Rural Employment Guarantee Act \(MGNREGA\)](#), [mid-day meal scheme](#), etc.

Why Freebies is a Double-Edged Sword?

▪ Advantages of Freebies

- **Public Outreach and Engagement:** Government freebies **can increase public trust and satisfaction** with the government, as they demonstrate its responsiveness and accountability to the people. Moreover, freebies can create opportunities for feedback and dialogue between the government and the citizens, enhancing transparency and democracy.
 - A study by the Centre for Policy Research found that freebies such as laptops, bicycles, and cash transfers had a positive impact on voter turnout, political awareness, and satisfaction with the government in Uttar Pradesh and Tamil Nadu.
- **Economic Growth:** Freebies **can stimulate economic growth** by increasing the productive capacity of the workforce, especially in less developed regions. For example, freebies such as laptops, bicycles, or sewing machines can enhance the skills, mobility, and income opportunities of the poor and rural population.
 - A report by the [NITI Aayog](#) stated that freebies such as bicycles given to schoolgirls in Bihar and West Bengal increased their enrolment and retention rates, reduced dropout rates, and improved their learning outcomes.
- **Social Welfare:** They can **provide basic necessities and social welfare** to the poor and marginalized sections of society, such as food, education, health, electricity, etc. For example, freebies such as uniforms, textbooks, or health insurance can improve the literacy, health, and quality of life of the needy and vulnerable groups.
 - A study by the [World Bank](#) estimated that freebies such as food subsidies under the [Public Distribution System \(PDS\)](#) reduced the poverty ratio in India by 7% in 2011-12.
 - A survey by the NSSO revealed that freebies such as health insurance under the **Rashtriya Swasthya Bima Yojana (RSBY)** reduced the out-of-pocket expenditure and catastrophic health shocks for below poverty line households.
- **Income Equality:** Freebies can reduce income inequality and poverty by redistributing wealth and resources more equitably. For example, freebies such as loan waivers, or cash transfers can empower the indebted, or low-income households by giving them access to assets, credit, or income support.
 - A report by the [Reserve Bank of India](#) analysed that loan waivers relieved the debt burden and improved the creditworthiness of distressed farmers.

▪ Disadvantages of Freebies

- **Dependency Syndrome:** Freebies **can create a negative pattern of dependency and entitlement among the recipients, who may expect more freebies in the future and become less motivated to work hard or pay taxes.** For example, freebies such as rice at Rs 1 per kg or electricity at zero cost can reduce the sense of responsibility and accountability of the beneficiaries and make them dependent on external aid.
 - A survey by the **Association for Democratic Reforms** showed that 41% of voters in Tamil Nadu considered freebies as an important factor in voting, while 59% said they were satisfied with the performance of the state government.
- **Fiscal Burden:** Freebies **can have adverse consequences on the fiscal health and macroeconomic stability of the state or the country, by increasing public expenditure, subsidies, deficits, debts, and inflation.** For example, freebies such as farm loan waivers, unemployment allowances, or pension schemes can strain the budgetary resources and fiscal discipline of the government and affect its ability to invest in other sectors or repay its obligations.
 - A report by RBI analysed that freebies such as pension schemes for senior citizens

under the **Indira Gandhi National Old Age Pension Scheme (IGNOAPS)** posed a fiscal risk for the central and state governments, as they implied an increasing pension liability with an ageing population.

- **Resource Misallocation:** Freebies **can distort the expenditure priorities and allocation of resources, by diverting funds from more productive and essential sectors such as infrastructure, agriculture, industry, etc.** For example, freebies such as mobile phones, laptops, or air conditioners can consume a large share of public spending and crowd out investment in public goods such as roads, bridges, irrigation systems, or power plants.
 - A report by the [NITI Aayog](#) criticised that freebies such as laptops given by the Uttar Pradesh government diverted funds from more urgent needs such as improving school infrastructure, teacher quality, or learning outcomes.
- **Quality Compromise:** Freebies **can lower the quality and competitiveness of the goods and services that are given for free, by reducing the incentives for innovation and improvement.** For example, freebies such as bicycles or laptops may be of inferior quality or outdated technology compared to those available in the market or those produced by other countries.
 - A report by the **Centre for Development of Advanced Computing** assessed that freebies such as laptops given by various state governments were based on obsolete technology and software, which limited their functionality and performance.
- **Impact on Environment:** Freebies can have **a negative impact on the environment, by encouraging overuse and wastage of natural resources, such as water, electricity, or fuel.** For example, freebies such as free power, free water, or free gas cylinders can reduce the incentives for conservation and efficiency and increase the carbon footprint and pollution levels.
 - A report by the [CAG](#) revealed that free electricity for farmers in Punjab led to overuse and wastage of power, low tax compliance, and poor quality of service delivery by the state power utility.

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:** Political parties should be required to disclose the financing and trade-offs of freebies to the voters and the [ECI](#) before announcing them. This would include specifying the sources of revenue, the impact on fiscal balance, the opportunity cost of public spending, and the sustainability of freebies.
- **Empower the Election Commission of India:** [ECI](#) should be provided more powers to regulate and monitor the announcement and implementation of freebies by political parties during elections. This would include giving the ECI more powers to de-register parties, impose penalties, or take contempt action for violating the [model code of conduct](#) or the court orders on freebies.
- **Voter Awareness:** In a democracy, the power to block or allow the march of freebies rests with the voters. Educating voters about the economic and social consequences of freebies and encouraging them to demand performance and accountability from political parties. This would include creating awareness campaigns, voter literacy programs, civil society initiatives, and media platforms to inform and empower voters to make rational and ethical choices.
- **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 suggested setting up an expert committee to look into the issue of freebies and their impact on the economy and democracy. The committee would consist of members from the [Niti Aayog](#), the [Finance Commission](#), the [RBI](#) and other stakeholders. The committee would make suggestions on how to control freebies given by political parties during election campaigns.
- **Focus on Inclusive Development:** It would address the root causes of poverty, inequality, and

exclusion that make people vulnerable to freebies. Inclusive development would also create a more conducive environment for economic growth and social progress, which would benefit all sections of society in the long run. Therefore, inclusive development can be a more effective and desirable alternative to freebies.

- It can be understood well through this quote - "Give a man a fish and you feed him for a day, teach a man to fish and you feed him for a lifetime."

Drishti Mains Question:

Critically examine the socio-economic implications of providing freebies by political parties to the voters.

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