



## FREEBIES - GS II MAINS

**Q.** The rising culture of freebies shows the myopic opinion of Indian politicians which comes at the price of decreasing productivity and undermining the spirit of democracy. Explain (15 marks, 250 words)

**News:** *Narayana Murthy opposes freebies, says 'If you provide subsidies, there must be..'*

### What's in the news?

- Calling for a different approach to freebies, Infosys founder NR Narayana Murthy said that "nothing should be given free".
- People availing government services and subsidies should be made to contribute back to the betterment of society, suggested the IT veteran.

### Freebies:

- The term Freebies is not new; rather it is a prevalent culture in Indian politics (in the name of socialism).
- Political parties promise to offer free electricity/water supply, monthly allowance to unemployed, daily wage workers and women as well as gadgets like laptops, smartphones etc. in order to secure the vote of the people.

### Why do freebies become popular?

- **Failure of economic policies to create decent livelihood for a vast majority of Indians.**
- **Low income** along with spending a disproportionately higher amount on education and health, from which, the state increasingly withdrew.
- Prevailing **unemployment** over the years.
- **Increased cost of living and rising inflation.**
- **Increased consumerism** as the poor today also spends on things which appear to be luxuries such as cell phones and data-packs are two such examples which are shown as signs of India's increased affluence.
- **Myopic opinion of masses** as the Indian masses vote and react more on short term freebies and less on long term policies. This encourages parties to offer more freebies.

### Arguments in favour of freebies:

#### 1. Welfare State:

- The Constitution places an obligation on the State to take proactive measures for the welfare of the poor and downtrodden.



- For instance, **Art. 39(b)** calls for resource distribution for achieving common good.

## 2. Glaring Inequality in the society:

- In India there is a wide inequality between the rich and the poor in terms of income and wealth.
- The **OXFAM report 2021** showed that the income of 84% of households in the country declined in 2021, but at the same time the number of Indian billionaires grew from 102 to 142.

## 3. Sacrifices by the marginalized section:

- They gave up land for cities, roads, factories and dams. However, they largely became landless workers and slum dwellers. Their kinship, culture and lives got disrupted.
- Several economists argue that the gains of development have **hardly trickled down** commensurately, especially after 1991. The cost of freebies offered is a fraction of what the poor lose.
- The World Bank recognised in the 1980s that the prevalent policies marginalize the poor and a 'safety net' (freebies) is needed.

## 4. Cushion during Emergencies:

- **COVID-19** has been one of the biggest health emergencies in the world in over a century.
- Such extreme events warrant state support to prevent chaos and disruption in society e.g., the free COVID-19 vaccination for every individual in India led to a more prudent management of the pandemic.

## 5. Economic Push:

- They help increase the demand that prevents the rate of growth from declining further. Free education and health are anyway justified because they are cases of **'merit wants' and increase productivity of labor.**

## 6. Incentives for the rich:

- The well-off and businesses get 'freebies' that are euphemistically called 'incentives'. Since 2006, the Union Budget estimates these to be between Rs 4-6 lakh crore each year.
- If the well-off who don't really need freebies can get so much, why can't the marginalized (especially women and youth) get a fraction of it.

## 7. Social Stability:

- Freebies enable the government to release the growing discontent in the marginalized section.
- They keep a **lid on societal disruption** which would be far more expensive.

## Arguments against freebies:

### 1. Undermines the spirit of Democracy:

- This is the primary concern as many people tend to vote for parties based on the free incentives offered by them.
- They fail to judge them on their performance and don't vote as per merit.



- Even the Supreme Court has observed that freebies shake the root of free and fair elections.

## 2. Fall in Productivity:

- Freebies create a feeling in masses that they can live with minimal effort. This decreases their productivity towards work e.g., a trend has been created that whoever avails loans from banks does not repay them, expecting a waiver of loans during the election.
- This gives rise to **moral hazard and an incentive to default.**

## 3. Fiscal Stress:

- Freebies generally form part of revenue expenditure. Excess allocation towards them leaves little to spend on capital expenditure that is a sine qua non for achieving long-term growth.
- A case in point is Tamil Nadu which has been rolling out freebies in keeping with poll promises and ended up with **unsustainable fiscal conditions.**

## 4. Discourages the honest taxpayer:

- It creates a sense of discontentment in the mind of an honest taxpayer whose money is used to fund the freebie expenditure.
- This feeling is more dominant especially when the **State is unable to improve the public services due to freebie commitments.**

## 5. Sectoral Collapse:

- The populist measures of loan waiver have put significant pressure on the banking sector.
- Similarly rising power subsidies have enhanced pressures on discoms who are failing to sustain themselves.

## 6. Wastage of Resources:

- Promises of free water and electricity creates a severe stress on the water table and leads to over exploitation as seen in states of Punjab and Haryana.
- NITI Aayog has cautioned that 21 major cities of India are on the verge of running out of groundwater in a few years.

## Impact of freebies:

**1. Never ending trail:** The continuity of freebies is another major disadvantage as parties keep on coming up with lucrative offers to lure more votes to minimize the risk of losing in the elections.

**2. Huge drain on state resources:** Farm loan waiver in Maharashtra resulted in an outgo of Rs 45,000-51,000 crore during the financial year 2020-21.

**3. Lack of specific outcome targets:** No responsibility for the money spent. Telangana has committed 35% of revenue receipts, almost 63% of the state's own tax revenue, to finance populist schemes which are centered on freebies.

**4. Low tax collections:** Due to Free electricity, free water, free rides etc., there is no realization of tax on these.





**5. Ultimate loss of poor's:** The politicians and middlemen wipe away the benefits and the poor have to suffer as they are deprived from their share of benefits which was to be achieved out of the money.

**6. Inflationary practice:** Such distribution freebie commodity largely disrupts demand-supply dynamics.

**7. Lethargy in population:** Freebies actually have the tendency to turn the nation's population into: Lethargy and devoid of entrepreneurship.

**8. Money becomes the only remedy:** Everyone at the slightest sign of distress starts demanding some kind of freebies from the Govt.

**9. Popular politics:** This is psychology driving sections of the population expecting and the government promptly responds with immediate monetary relief or compensation.

## WAY FORWARD:

- **Strengthening of internal party democracy** so that promises of development and not freebies are made in the elections. This would also reduce the magnitude of criminalization of politics.
- The **Election Commission should be given greater powers** like power to deregister a political party, power of contempt etc. This would curtail distribution of liquor and other goods during elections and ensure expenditure as per the desired limit.
- Government should use the money spent on freebies towards job creation and infrastructure development as advised by Madras HC in 2021. This will lead to social upliftment and progression of the State.
- **Improve public expenditure efficiency** by focusing on outcomes and not merely outlays. One good example is the distribution of LPG subsidy through direct benefit transfer (DBT) which led to a decline in the subsidy bill.
- The Government should also focus on decreasing the magnitude of black economy. Black Economy erodes the fiscal pool of government and leads to suboptimal spending thereby enhancing the tilt towards freebies to lure voters.
- In the long run, eradication of unnecessary freebie culture requires an attitudinal change in the masses.