

4. Freebies- Governance

Supreme Court slams unchecked freebies, questions 'appeasement'

The Supreme Court has flagged the rise of electoral freebies as a form of "appeasement" that threatens the health of the public exchequer and distorts the level playing field of free and fair elections. While the judiciary acknowledges the state's duty to provide targeted welfare under Directive Principles, it emphasizes the need for an expert body to distinguish between sustainable social justice and debt-financed fiscal populism.

1. Definition and Categorization of 'Freebies'

Freebies refer to goods, services, or financial benefits distributed by governments at no direct cost to the beneficiaries. In India, they generally fall into three categories-

Universal Freebies- Provided broadly without strict income-based targeting (e.g., free bus travel for women, free electricity up to 200 units, or distribution of laptops/scooters).

Targeted Welfare Schemes- Specifically designed for vulnerable groups to ensure basic survival and dignity (e.g., free ration under PDS, scholarships for EWS, and low-income housing).

Loan Waivers- Often considered the most fiscally volatile, these include agricultural and MSME loan waivers which significantly impact banking health and state budgets.

2. Constitutional and Legal Framework

Welfare State Vision- The Directive Principles of State Policy (DPSP) encourage the State to promote social justice and reduce inequality.

1. Articles 38, 39, 41, and 47- Call upon the State to ensure access to livelihood, health, and education.

Representation of the People Act (1951)- Section 123 defines 'corrupt practices' as any gift or promise of gratification made to voters to influence their choice. However, legal interpretations vary on whether manifesto promises constitute "gratification."

3. Judicial Evolution- Key Supreme Court (SC) Observations

Case Law	Core Ruling / Observation
S. Subramaniam Balaji v. Tamil Nadu (2013)	Held that manifesto promises are NOT 'corrupt practice' but directed the ECI to frame guidelines as they may affect "free and fair elections."
Ashwini Kumar Upadhyay v. UOI (2022)	Flagged serious economic and fiscal impacts. Distinguished between "Welfare" (health/food) and "Freebies" (political gain). Suggested an expert body (RBI, NITI Aayog).
DMK v. State of Tamil Nadu (2023)	Referred to a larger bench to reconsider the 2013 judgment, indicating a shift toward stricter judicial scrutiny of fiscal populism.

4. The Great Debate- Arguments For and Against

Arguments in Favour (The Welfare Perspective)

Social Justice- Essential for bridging the gap in a society with extreme income inequality.

Human Capital- Tools like laptops or cycles for students and nutritional support yield long-term economic dividends.

Economic Stimulus- Putting money/goods in the hands of the poor increases local consumption and demand.

Democratic Accountability- Promises in a manifesto allow voters to hold parties accountable for their welfare commitments.

Arguments Against (The Fiscal Perspective)

Fiscal Burden- Many states have Debt-to-GSDP ratios far exceeding safe limits. Giveaways often lead to a "race to the bottom" in fiscal health.

iscom Stress- Free electricity has led to a financial crisis for State Electricity Boards (Discoms).

Intergenerational Inequity- Borrowing to fund current consumption shifts the debt burden to future generations.

Crowding Out– Funds used for freebies are diverted away from capital expenditure (roads, hospitals, schools, and irrigation).

5. Distinguishing Welfare from Populism

The Supreme Court and economists suggest a clear distinction is necessary to protect the economy–

Feature	Welfare	Populism (Freebies)
Targeting	Targeted to specific vulnerable groups.	Universal, often without income checks.
Economic Impact	Improves long-term productivity.	Short-term consumption boost.
Sustainability	Financially sustainable within budget.	Debt-financed without a repayment plan.
Transparency	Clear, transparent funding source.	Unclear fiscal roadmap; "off-budget" borrowing.

6. Way Forward– Structural Reforms

Targeted Delivery– Use Aadhaar-linked DBT to ensure benefits reach only those who truly need them, minimizing "leakage" to the affluent.

Adherence to FRBM– States must strictly follow Fiscal Responsibility and Budget Management norms to keep debt sustainable.

Outcome-Based Evaluation– Periodically assess whether a scheme has actually improved social markers (like literacy or health) or just served as a consumption tool.

Disclosure Norms– Mandate that political parties disclose the funding source and long-term financial implications of their promises during elections.

Balanced Growth– Protect the vulnerable while ensuring that the "growth engine" (infrastructure and industry) is not starved of funds.

Source– https://www.thehindu.com/news/national/sc-slams-freebies-culture-says-states-should-provide-employment/article70651293.ece#google_vignette