



THE POLITICS OF FREEBIES:

Impact on Indian Democracy and State Development

by

Parth Lathiya

Delhi CM Arvind Kejriwal's wife Sunita, Punjab CM Bhagwant Mann and RSMP Sanjay Singh unveil 'Kejriwal's 5 guarantees' in Panchkula, NIT in WTT

FREE IS NOT FAIR

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Freebies culture:
people to Give-It-It
The spreading culture of freebies in India raises questions not only
OPINION
SEMU BHATT
Freebies in India are not
...but also about sustain-
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...electricity, water, fuel,
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There are no easy answers to the freebies issue

The presumption that parties are oriented towards short-termism without any thought for the future may be incorrect



T.T. RAM MOHAN

When the then Tamil Nadu Chief Minister M.G. Ramachandran launched his now-famous mid-day meal scheme in 1982, it met with opposition both within his own party.

Economists make a distinction between 'merit' goods and 'non-merit' goods. Merit goods, such as education and health care, have positive externalities, that is, the public benefit exceeds the private benefit. Such goods are worth subsidising. Not so 'non-merit' goods. But what is 'merit' or 'non-merit' is not always readily discernible. With their acute appreciation of grassroots realities, politicians often have a better understanding than economists do of the 'merit' underlying certain freebies. They



ible and deserving persons is directly related to the directive principles of the State policy... Judicial interference is permissible when the action of the government is unconstitutional and not when such action is not wise or that the extent of expenditure is not for the good of the State. Should the Supreme Court be issuing guidelines on a matter such as freebies? The Court observed that guidelines such as the Vishakha guidelines on sexual harassment could be issued where

icit. Moreover, it is hard to argue that freebies are the sole or even primary cause of fiscal imbalances. There is no assurance, therefore, that a cap on freebies will mean a return to overall fiscal prudence. It is also incorrect to suppose that political parties are entirely oriented towards short-termism and will indulge in spending without any thought for the future. Political parties view themselves as going concerns that are in the game for the long haul. They are

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...middle and upper middle
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The Politics of Freebies: Impact on Indian Democracy and State Development

Populism is defined as a political approach where a leader claims to represent the ordinary people against the elites or power groups in society. It gets its moral foundation by claiming people's general will via creating strategic distinctions between the people and elites. According to Narendra Subramanian, Populism is considered a “thin-centred ideology with a limited set of core concepts”, i.e. it can co-exist with various ideologies and political systems. For example, a democratic country like India also has Indira Gandhi as a populist leader who successfully mobilises people based on her ‘Garibi Hatao’ campaign. However, beyond a monolithic understanding of populism, this article presents a comparative analysis of multiple state governments’ populist policies and their impact on state and Indian democracy.

Among the National parties of India, the Aam Aadmi Party has made a distinct impression when it comes to the narrative of populist policies implemented by the government. The year after forming AAP, in 2013, the party promised to provide 20,000 litre of domestic-use water and 200 units of electricity free of cost every month to every Delhi household. The freebie-based welfare model has given consistent positive results to AAP, enabling it to secure 67 and 62 seats in the capital in the 2015 and 2020 assembly elections. Over time, there has been an expansion of free schemes such as free — electricity, health, education, bus rides for women, water and ‘teerath yatra’ for older people. The party has popularised its free quality education scheme and Mahalla Clinics as flagship schemes where Aam Aadmi can get world-

class education in government schools and free treatment in government hospitals, respectively.

Ahead of the Assembly elections of 2025, the AAP announced the 'Sanjivani Scheme' under which every Delhi resident above the age of 60 will receive free treatment in private or government hospitals without any economic restraints. For women, they also promise to raise the monthly aid of Rs 1,000 to Rs 2100 under the Mukhya Mantri Samman Yojana. Even to secure the support of thousands of auto drivers, the Delhi government announced that after the formation of the AAP government, every auto driver would receive life insurance of Rs 10 lakh and accident insurance of Rs 5 lakh. Additionally, Rs 1 lakh will be provided for the marriage of their daughters, and Rs 2,500 twice a year for uniforms.

The politics of freebies can be tracked in Tamil Nadu, wherein in 1967, DMK founder C.N. Annadurai promised 4.5 kg of rice for Rs 1 through the public distribution system (PDS). Later, it reached at new heights in the upcoming assembly election as DMK and AIADMK adopted competitive populist schemes in their manifesto, such as free distribution of colour television sets, laptop computers, electric fans, grinders, laptop computers, mixers, employment and land. Additionally, In the assembly election of 2021, the ruling AIADMK party's manifesto was considered a super-populist strategy where the party made big promises to remain in power. For example, It pledges that those who are not owning a house get a house free of cost in rural and urban areas under the 'Amma Illan Thittam' (Amma Housing Scheme). Additionally, it also promises that Rs 1500 per month will be distributed to all ration

card holders via direct benefit transfer (DBT), free solar-powered cooking stoves, six LPG cylinders a year, a subsidy of Rs 7,500 per year to farmers to incentivise farm production and 2 GB data for college students to support their studies throughout the year. On the other hand, DMK also does not shy away when it comes to mobilising people based on populist schemes. In its manifesto, it assures to transfer Rs 1000 per month to all women family heads, waiver off education loans of students up to 30 years of age, reduce Rs 5 on fuel and Rs 3 per litre on milk and Rs 25, one each for 100000 people going for spiritual tourism.

Even in Jharkhand Assembly elections, the ruling Jharkhand Mukti Morcha (JMM) launched 'Maiya Samman Yojana' to counter the BJP government's 'Gogo Didi Yojana' where women aged between 18 to 50 from underprivileged communities are eligible to receive Rs 2,500 per month. Additionally, In Maharashtra, the pre-poll budget alone announced seven new flagship schemes worth Rs 96,000 crore. For example, a Rs 1,500 subsidy for eligible women aged 21 to 60 each month patterned on the Madhya Pradesh government's 'Ladli Behna Yojana', three gas cylinders to 52 lakh households annually and free power to farmers with agriculture pumps of up to 7.5 horsepower capacity.

The comparative analysis of different state parties shows that there is a patron-client relationship between the politician and voters where welfare schemes or political manifestos of parties are designed to transform citizens into clients. Political parties expect that clients will vote for the party in gratitude for the benefits it receives. However, it is essential for political parties to recognise that the state has to

authoritatively allocate its limited number of resources, but the populist schemes of the party will limit the capacity of the state to spend on capital infrastructure development such as roads, schools and hospitals. The analysis of the Punjab government's 2022-23 budget highlights that the revenue expenditure for the financial year was Rs 1,13,661 crore, reflecting an annual growth rate of 13% over the five-year period from 2018-19 to 2022-23.

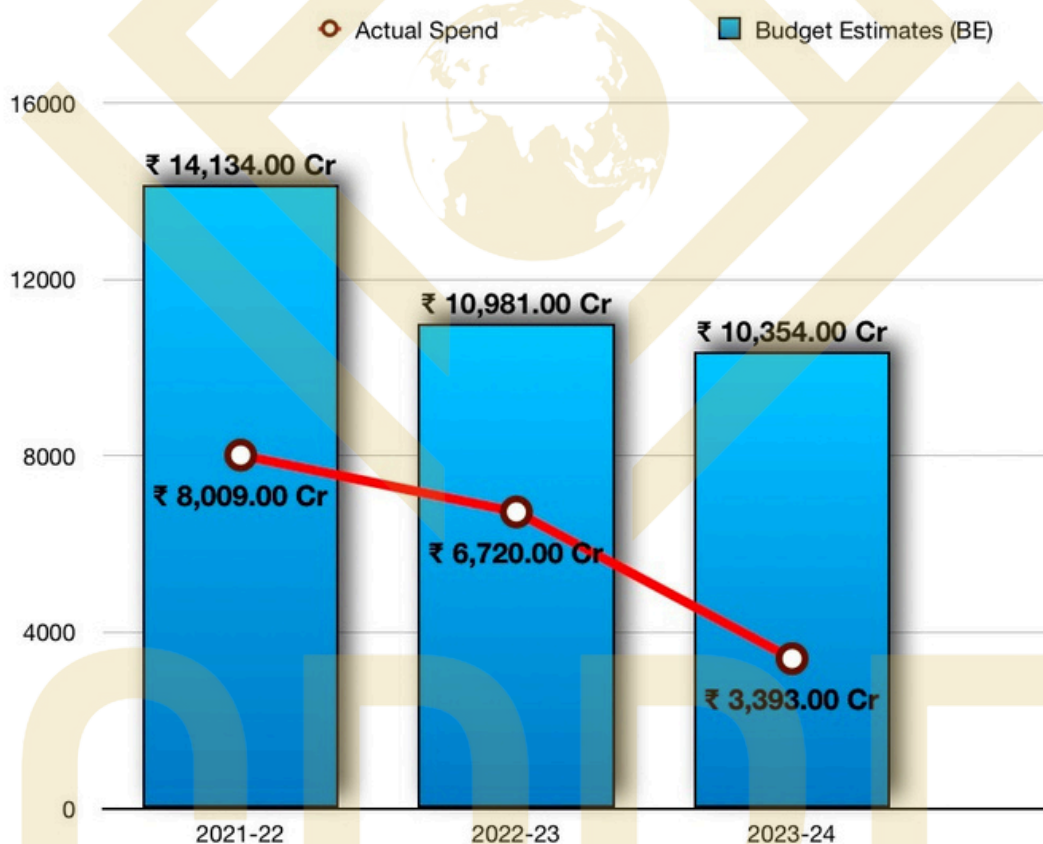


Figure 1: Capital Expenditure (Source: CAG Report)

On the other hand, Figure 1 shows that the government has drastically reduced its capital expenditure in 2023-24, i.e. around 49.51%, as compared to 2021-22. It shows that political parties are prioritising populist schemes that increase government revenue at the cost of capital expenditure. While the practice of reallocation of funds for electoral gain

may give state leadership short-term gain, it will also press immense pressure on essential services and existing programmes. For example, for the smooth functioning of the Maharashtra government's new flagship schemes, the government has initially suspended aid received from families of farmers who have died by suicide. Additionally, around Rs 800 crore of developmental projects under the public working department are on hold as the government has not released funds. The Mukhyamantri Majhi Ladki Bahin Yojana may provide temporary relief, but These schemes rarely address root causes such as poverty alleviation and employment generation, which are crucial for making women truly independent. There is an urgent need for the rationalisation of expenditure based on long-term cost-benefit analysis so that states can create space to invest more in developmental projects.

Even the logic of free transport in Buses and the proposal to make free metro for women in the national capital to improve safety are putting a burden on the already stressed public transport system in Delhi. There is no direct link between ensuring a higher degree of safety and payment. It is true that it will provide portability to women in terms of employment opportunities and travel longer distances. However, there is an urgent need for an additional 15,000 buses to ensure last-mile connectivity, according to the Asian Institute of Transport Development. To balance the welfare of women and the financial health of the capital, the Delhi government can adopt France's 'User-beneficiaries Model' to fund the public transport system. It can identify 'beneficiaries' of the system, such as real estate owners near the metro who have seen an increase in the value of their property. They are not direct 'user' of the public transport system but gain from it. France levies 40% of revenue

for public transport from the indirect 'beneficiaries'. As pink tickets represent 46% of all tickets in 2023-24, the government can compensate for that revenue loss by imposing a transportation tax on beneficiaries.

When it comes to Tamil Nadu, to a certain extent, welfare schemes have benefited the marginalised population and improved their standard of living, for example, according to A. Kalaiyarasan, the competitive populism of DMK and AIADMK not only alleviated the poverty of marginalised groups but also allowed them to negotiate their interests with the state. The flip side is the lack of intervention by the state to address social and economic inequalities, not simply washed away by patronage. Further, as per the NCRB data, Tamil Nadu has consistently remained among the top five most corrupt states in India. It shows that there is a problem of leakage or corruption within the distribution of welfare schemes through PDS. Even the state's revenue and fiscal deficits have been estimated to increase in 2024-25 over the revised figures for 2023-24 by 9.7 per cent and 15.55 per cent, respectively. One significant reason for the increase in revenue deficit is the government has a liability to pay an additional Rs 17,117 crore to the state electricity corporation (TANGEDCO) because the corporation has provided electricity at a highly subsidised rate to consumers.

The Fiscal Responsibility and Budget Management (FRBM) Act limits the fiscal deficit for the state governments, i.e. 3 % of GSDP. The state has to perform its functions with a constitutionally assigned net borrowing ceiling (NBC), but there is a need to strengthen the act for effective fiscal consolidation. India can incorporate provisions from Brazil's Fiscal Responsibility Law (FRL), i.e. monthly reports of the fiscal

performance of states, temporary restrictions on salary increases and non-essential expenditures, and disqualification of public officials from holding office in extreme cases. Additionally, there is an urgent need to establish an independent fiscal council that evaluates the long-term implications of welfare schemes. States can also implement dynamic beneficiary identification systems using machine learning algorithms. It can minimise universal spending on gas cylinders, free electricity or cash transfers to targeted marginalised groups. Further, States can introduce the conditional cash transfer (CCT) model, inspired by Mexico's Prospera Programme, which states that the benefit of cash transfer is linked to education, health, and skill development. For example, state can typically transferred to women in the household if children regularly attend school or families regularly visit government hospitals for routine checkups and vaccination of children. Additionally, every state must create a 'Subsidy Reduction Roadmap' with legal enforceability, wherein states must explicitly incorporate provisions such as sunset clauses and zero-budgeting for each welfare scheme.

Development and welfare have mutual symbiotic relations as both are required to enhance the capability of a nation. The constitution also has given a mandate in the form of directive principles (DPSP) to every state to promote social justice, equality, and the welfare of citizens. However, free schemes can create a negative pattern of self-reliance and entitlement, which may make citizens less motivated to work hard. While providing free water, gas cylinders, and electricity, there is a chance of excessive and inefficient use of resources, as people have less incentive for conservation. In conclusion, civil society and people need to be vigilant as the power to allow or prevent the spread of freebies

ultimately lies with the voter, so it is essential to educate voters about the economic and social consequences of freebies so they can make rational and ethical decisions.

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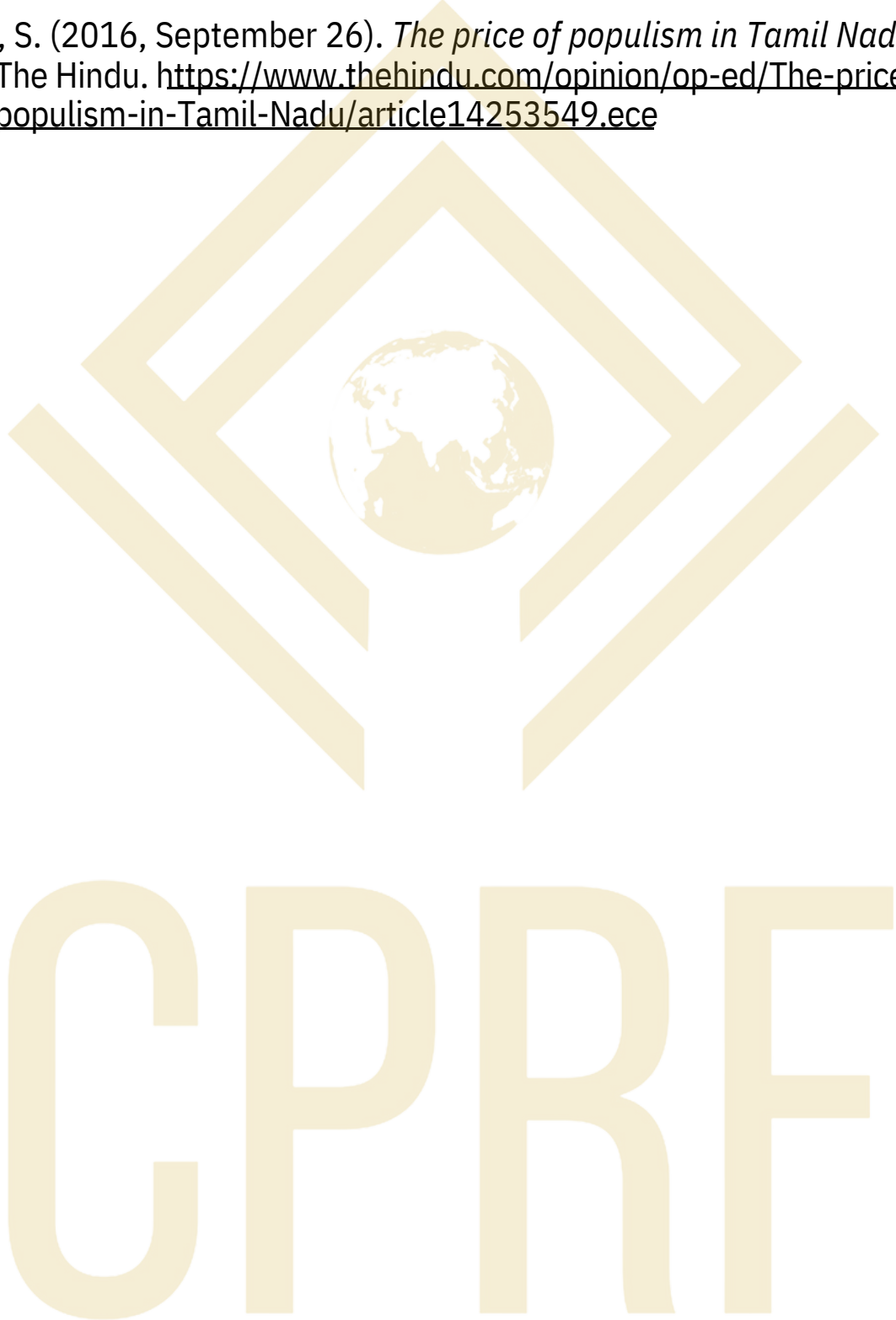
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Adequate fiscal space and socioeconomic context should be the basis for welfare policies

There is an overwhelming consensus that a slew of welfare policies initiated by the Aam Aadmi Party (AAP) government in its previous term secured the party's victory in the 2020 Delhi Assembly election. In a conversation moderated by Jayant Srivastava, Reetika Khanna and Leelika Chakraborty discuss the parameters of good spending and what governments should do to ensure that the AAP's current spending is responsible and sustainable.



CPRF

Many say that welfare policies helped AAP win the 2020 election. To this, the government's response is that it is the fundamental right of every citizen to have access to water, electricity, and other basic services. The government's response is that it is the fundamental right of every citizen to have access to water, electricity, and other basic services. The government's response is that it is the fundamental right of every citizen to have access to water, electricity, and other basic services.

How does one explain state spending on welfare measures? What do we consider good spending and what is bad or irresponsible spending? The AAP currently has a budget of Rs 1,000 crore. How does one explain state spending on welfare measures? What do we consider good spending and what is bad or irresponsible spending? The AAP currently has a budget of Rs 1,000 crore.

Reetika Khanna: I think there is a general problem with the mainstream media in India. Very often, when speaking about programmes

that are designed to improve the lives of the poor, the media often focuses on the cost of the programme rather than on the benefits it provides. This is a very narrow view of the issue. We need to look at the programme as a whole and consider its impact on the lives of the poor.

IC: It depends on the fiscal space you have. And within this fiscal space how you design public benefits is entirely up to that party or government. So the distinction between welfare and non-welfare is kind of blurred. What is important

is that the programme is designed to improve the lives of the poor. This is the key. The programme should be designed to improve the lives of the poor, and not just to provide a service. The programme should be designed to improve the lives of the poor, and not just to provide a service.

Reetika Khanna: Each of these has to be evaluated on a case-by-case basis. The first thing I would like to see is that the programme is designed to improve the lives of the poor. This is the key. The programme should be designed to improve the lives of the poor, and not just to provide a service.

IC: What is still fresh in my mind is the Nishang case. Things have improved. And the government is not focussing much attention on the security of women and girls after sunset. Maybe that's one of the reasons why the Congress lost in Delhi. Because they were doing good things in terms of infrastructure and constructing flyovers and things like that, but when it came to the real issue of security of citizens in their own cities, there wasn't much focus. So I would like them to focus on that as a first priority. Then, of course, there is social infrastructure like health and education that Reetika rightly pointed out.

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