

# Let's debate freebies



YAMINI AIYAR

The discussion hesitates to seriously engage with politics.  
And that is the problem

IN RECENT WEEKS, several arms of our polity have expressed concern over the culture of “freebies” in electoral politics. The prime minister, in a thinly disguised attempt to delegitimise welfare announcements by political opponents, has called for an end to the “revdi” culture. The Reserve Bank of India, in a report published in June, linked the precarious state of state finances to “freebies”, particularly power subsidies, and last week, the Supreme Court, waded into the debate, recommending the creation of an expert body to examine the matter.

In response, an important, although not new, debate has unfolded, including in these pages, on what constitutes good and bad freebies, their economic rationale and fiscal consequences. But this discussion hesitates to seriously engage with politics. Ultimately, the determination of what is a good or bad freebie is and always will be a political choice. A constructive debate must necessarily locate itself in the underlying political, economic and institutional context in which these so-called freebies are a feature of our electoral politics.

This is important because the terms of the current debate, as framed by the highest offices of this country, effectively delegitimise a democratically forged political bargain. The prime minister invoked the “revdi culture” to alert young voters of a “dangerous” political development that is trying to “buy the people by distributing freebies to them”. In the Public Interest Litigation filed in the Supreme Court, the petitioner has argued that “irrational freebies... is analogous to bribery”. This view was echoed by the Solicitor General, Tushar Mehta, in his submission to the Supreme Court, who argued that “populist freebies distort the informed decision-making of the voter”. The problem with this framing is that it commodifies the electoral process and strips voters of their agency. Voters, in this framing, are passive, unsophisticated actors who can be bought and therefore there is a need to be vigilant.

The honourable court had gone a step further, arguing for an expert, independent body, rather than Parliament, to tackle the issue. This is judicial overreach of the worst kind. It privileges “experts” over legitimate democratic

The prime minister invoked the ‘revdi culture’ to alert young voters of a ‘dangerous’ political development that is trying to ‘buy the people by distributing freebies to them’. In the Public Interest Litigation filed in the Supreme Court, the petitioner has argued that ‘irrational freebies... is analogous to bribery’. This view was echoed by the Solicitor General, Tushar Mehta, in his submission to the Supreme Court, who argued that ‘populist freebies distort the informed decision-making of the voter’. The problem with this framing is that it commodifies the electoral process and strips voters of their agency. Voters, in this framing, are passive, unsophisticated actors.

negotiation and strikes at the core of the political bargain. Is it really for the judiciary or even an expert body to intervene in choices made between voters and their elected representatives? In fact, experts, who are essentially urban elites, have long been sceptical of all kinds of welfare and redistribution. For decades, seminar rooms and elite power corridors have derided critical welfare investments like the PDS and MGNREGA, arguing that these are freebies that encourage corruption. It is the power of politics that preserved these schemes, which saved this country in the peak of the pandemic. Politics is central to welfare, not experts.

That said, in a democracy, political choices can and must be questioned. In that spirit, a debate on the merits and demerits of freebies is important but this debate cannot be divorced from the economic context. The truth is that the prevalence of “freebie politics” is really an indictment of our economic policy and the abject failure to build a welfare state that invests in human capital.

India’s structural transformation, particularly since 1991, has been slow and unique. Despite abundant low-skilled labour, our growth trajectory has mostly skipped manufacturing, growing instead on the back of a far smaller, high-skilled services sector. Consequently, as economist Amit Basole has shown in an important new paper, the bulk of jobs our economy generated even in its peak growth years were in the largely informal, low value add construction sector.

The distributional consequences of this have been significant. Under-employment and low inter-generational mobility have been persistent features of the Indian economy resulting in deep inequalities. Most of India continues to live in extremely precarious economic conditions with limited opportunity. Growth lifted a large population out of poverty. However, as the World Bank data show, most of those (40 per cent of the population) who escaped poverty between 2005-2012 moved into what they call the vulnerable group -- one income shock away from falling below the poverty line.

Somewhat reassuringly, democracy created pressure on our politics to respond to

these economic failures. It is in this context that the demand for so-called freebies has found legitimate place in our democracy. This is not about voters being “bought out” but voters placing democratic pressure on politics to respond to their needs.

The challenge lies in the nature of response. It has been neither robust nor enough and, in its current form, is unlikely to create genuine economic opportunity. While democratic pressures led to the halting creation of limited social protection in the form of PDS and MGNREGA, they did not translate into investments in core public and merit goods -- health and education being the most critical -- which have remained in stasis as has our weak state capacity to deliver growth to the poor.

It is these accumulated failures that have created the new political logic that we confront today. A logic where welfare freebies are being offered to compensate citizens for what economic growth has failed to do. The welfare state today has transitioned into what economist Rathin Roy has evocatively called a “compensatory state”. It is this compensatory logic that is driving the tantalising range of political announcements from free power, myriad cash transfers and indeed the new welfarism of the Modi government -- the public provision of private goods like housing, sanitation and gas cylinders. But these announcements are not embedded in a complementary economic framework for broad-based economic participation of all. The collective silence of all governments on the scarcity of jobs is an important illustration of this compensatory state.

None of this is to say that the fiscal realities that are worrying the Reserve Bank of India should be ignored. However, the answer does not lie in rapping state governments on the knuckles for being profligate. It lies in building a renewed democratic consensus on our economic and institutional growth path. Above all, it requires recognising that the freebies concerning our polity today are not a symptom of failed politics and vulnerable voters. They are about a limited economic imagination and vulnerable livelihoods.

*The writer is president and chief executive, Centre for Policy Research, New Delhi*