

# What distinguishes welfare measures from freebies?

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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 Sriram, Reetika Khera and Lekha Chakraborty discuss the rudiments of good spending and bad spending by governments:*

**Many say that welfare policies helped AAP win the Assembly election. There are two aspects to this. The first is spending on education and health, which is the fundamental obligation of the government to provide for its citizens; the second aspect is offering water and electricity free and at subsidised rates. Yet they are clubbed together when people argue that the AAP doled out 'freebies'. Is the word 'freebies' an elitist construct? There was a similar criticism of the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) in 2005. It involved discussions on how 'somebody would have to pay for the subsidy'.**

**Reetika Khera:** I think there is a general problem with the mainstream media in India. Very often, when speaking about programmes of redistribution such as MGNREGA, the labels that are used are quite derogatory. I think [providing] healthcare and education are basically the functions of the government. That's part of the reason why governments exist in the first place. [It's the same with] water and electricity or public services. So, calling them 'doles' or 'freebies' isn't exactly the right terminology.

**Lekha Chakraborty:** Talking about freebies sounds like some kind of private spending and "clientism", trying to sell it to a certain set of people. But that is not what happened in the Delhi election. The focus was on providing basic services in health and education and addressing any deficits in governance. I don't know whether the term 'freebies' exists in economics. You're

right, perhaps it's an elitist construct, but it's not accurate in describing what happened in Delhi.

**How does one explain state spending on welfare measures? What do we consider good spending and what is bad or fiscally irresponsible spending, given that AAP currently has a revenue surplus budget?**

**RK:** If the state spending on welfare is not legitimate, then what is a legitimate thing for it to spend on? A part of the function of the government is that for things that we cannot individually organise, we entrust elected representatives to do for us. Public goods/services – sewage, drinking water, water, electricity, public transport – are one set of things; education and health are what we call 'merit goods'. And they are the kinds of things where the market mechanism is not a satisfactory mechanism to deliver these things. And this is not just an Indian thing, world over, this is a well-understood principle.

**LC:** 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 basically the public finance or the fiscal space question. What's important is stability of revenue in how you design your public benefits. I think the Delhi government has that stability of revenue, whether it's the present government or the previous government, there is the comfort of having stability in revenue that other States do not have, so that's a position of strength. Second, providing these things for free is giving income in hand, a kind of disposable income to the people. Whether it's giving them free transport rides or free electricity, it is giving them disposable income to spend on something else which becomes important at a time of economic slowdown.

**RK:** I think that often when people talk about the availability of fiscal



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space, the focus is only on the expenditure side and not enough attention is paid to revenue. Even in Delhi, there is great potential for increasing revenue. The second thing is good welfare spending, whether it's on health, education or public transport, at the Central level is very low. So, what AAP did in the last term was try to bring it closer to what it should be.

**Various State governments have schemes in the name of welfare. In Tamil Nadu, for instance, Amma canteens that provide cheap food are good but other policies like giving free grinders/computers/cycles are seen as problematic. Where do we draw the line?**

**RK:** Each of these has to be evaluated on a case-by-case basis. The first thing to start with, of course, is the state's ability to finance these things. And when I say finance, let me reiterate that the focus should be both on the expenditure side as well as its ability to generate revenues. Let me give you a small example in Jharkhand that illustrates the complexity of these issues. We learned recently that the State provides an exemption from registration duty for properties that are valued at more than ₹50 lakh if they're registered in the names of women. Now, we know that women's property rights are important, but weak. But these are properties that are worth ₹50 lakh and, according to the bureaucrat who told us, it costs the exchequer a few hundred crores annually. So, you know, it's a question of balancing priorities and it's always tricky.

**'Leave nobody behind' should be the crux of a public policy or a welfare policy, rather than thinking that roads and public infrastructure are the most important.**

REETIKA KHERA

Now, as far as free grinders are concerned, it's a huge labour-saving device, especially in a State like Tamil Nadu where rice is always being ground to make idli or dosai. Ultimately, one would have to evaluate them on a case-by-case basis depending not only on the benefits in some cases but also on the cost side.

**LC:** Good welfare and bad welfare is context-specific. If I'm a girl going to school, then mobility is very precious to me. So, if a politician is providing cycles to girls, that is very valuable. And in the case of grinders, you can say it's giving people more time to pursue other things and that can ultimately have a positive effect on income poverty as well. Similarly, with rural employment guarantee, I don't know why the government is not giving adequate emphasis for this because when all else fails, the government acting as 'the employer of last resort' is very precious.

**One criticism of welfare policies is they can be targeted at certain communities and groups. Then it becomes a somewhat cynical political act.**

**LC:** Any state, or an entity that you call a state, is a heterogeneous thing. You have to take into account the religious composition, the urban-ru-

ral mix, maybe the level of the economic development, all of these things matter. Governance structures and political decisions are then built around that. So, as long as there is no implicit crony contractual relationship between the government in power and the specific interest groups they are focusing on, it's okay. All governments focus on winning over a group called swing voters and they look at how to make things attractive to those voters, but as long as there is no implicit crony contractual relationship or something like that, it's okay.

**RK:** When we speak of crony contracts, such clientelism also works in the award of contracts for infrastructure, possibly much more than in the design of welfare programmes. In general, I'm in favour of universal forms of public support and I think the principle of it is quite important. You can't say some people have the right to food or water or employment more than others. And then of course there is the need to remedy existing social and economic inequality.

**Building on what they have already achieved, what should be on the agenda for the AAP government this term?**

**RK:** It would be good to see the introduction of nutritious superfoods (such as eggs in midday meals and Integrated Child Development Services), much greater attention to children under six. Interventions like Amma canteens – which exist in Delhi, but their importance is not fully recognised – and health-related interventions – including, but not only Mohalla clinics – need to be scaled up. As far as public services are concerned, more attention to better sewage, drinking water supply, and, most importantly, the twin issue of public transport and pollution. There is so much that can be done even without increasing budgets – for example, if existing buses ran on time, rather than being clubbed; feeder services from residential colonies to metro stations will help car users switch to metro services. Higher parking (and other) fees for those who use cars to discourage them from polluting the city further. There's also a no-go list that I have: no to expensive and of-

ten useless CCTVs. Focus on better street lighting instead. In the public distribution system, they seem to have a plan to start "home delivery" of PDS commodities. That is a bad idea, because distribution in a public place in front of others is a big protection against corruption.

Between 12 and 2 p.m., on any day, you should go and stand on the road outside AIIMS. It's really heart-breaking how poor patients who have come to Delhi for treatment... their families are often sleeping outside on the footpath and then some NGO-type people come with trucks and they distribute food and people have to queue up. So the indignity involved with just the most basic need like this is something that Delhi should be working much more towards.

**LC:** What is still fresh in my mind is the Nirbhaya case. Things have not improved. And the government is not focusing much attention on the security of women and girls after sunset. Maybe that's one of the reasons why the Congress lost actually. Because they were doing good things in terms of infrastructure and constructing flyovers and the like, but when it came to the narrative about security of citizens in the capital city, 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.

**The argument about welfare policies, in Delhi and elsewhere, is that it takes money away that could be spent on roads and infrastructure. How do we square this?**

**LC:** Infrastructure is one thing, but as an economy develops, a group of people are kept vulnerable. So, to remove their un-freedoms, and for them to participate in the economy and to access schools and colleges, we need to have public policies which tackle these logical entry barriers. So, 'leave nobody behind' should be the crux of a public policy or a welfare policy, rather than just thinking that roads and the public infrastructure should be [most important]. You need to remove many barriers that people face first.



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