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FREEBIES DEBATE IN INDIA

WHY IN THE NEWS?

Recently, the Congress party has promised to increase the free ration scheme to 10 kg/person from 5 kg. Though, this step can put a heavy burden on the exchequer but these kinds of freebies have a significant impact on the mind of the voters. It also shows deep fault lines in the Indian political economy.

These kinds of measures are quite common in Indian politics as they entail direct and fast gratification for the citizens. On the other hand, the expenditure on education, health (the foundations for building capabilities) takes time to yield results.

We will also try to understand the thin line between the freebies and the Direct benefit transfer(DBT) and how on the one hand freebies can be a negative thing for the economy, on the other side the DBT is a positive thing which empowers people in real ways.



THE FREEBIES DEBATE

1. **Election Promises:** Freebies are frequently used by political parties as election promises to attract voters for vote bank politics. Parties may promise these benefits in their manifestos with the aim of garnering support from various demographic groups, especially those in need or marginalized communities.
2. **Poverty Alleviation vs. Vote Buying:** Advocates of freebies argue that they play a crucial role in poverty alleviation and improving the standard of living for disadvantaged sections of society.

However, critics often view these offers as vote-buying tactics, where parties use public resources to secure electoral support without addressing long-term developmental issues.

3. **Fiscal Sustainability:** One of the major concerns surrounding the freebies debate is the fiscal sustainability of such policies. Implementing freebies can strain government finances, leading to budget deficits and increased public debt. Critics argue that these populist measures may undermine fiscal discipline and long-term economic growth.
4. **Distortion of Incentives:** Providing free goods and services can distort market incentives and discourage productive behavior. For example, free electricity or water may lead to wasteful consumption, while cash transfers without conditions may disincentivize workforce participation or investment in education and skills development.
5. **Selective Targeting:** Another criticism of freebies is their often selective targeting, which **may exclude certain vulnerable groups** or regions from benefiting equitably. This can exacerbate existing social and economic inequalities and create resentment among those left out of the distribution scheme.
6. **Alternatives to Freebies:** Proponents of development-oriented policies advocate for alternatives to freebies, such as targeted welfare programs, investment in infrastructure and human capital, and policy reforms aimed at promoting inclusive growth and employment generation.
7. **Electoral Dynamics:** The prevalence of freebies in Indian politics is also influenced by electoral dynamics, including the competitive nature of elections, fragmented party systems, and the role of identity politics. Parties may resort to populism and short-term giveaways to gain electoral advantage in a highly contested environment.

BENEFITS OF DIRECT BENEFIT TRANSFERS

1. **Reduced Leakages and Corruption:** By directly transferring benefits such as subsidies, pensions, scholarships, and welfare payments to beneficiaries' bank accounts, DBT schemes minimize the scope for middlemen and corruption. This ensures that the intended beneficiaries receive the full amount without any siphoning off by intermediaries.
2. **Financial Inclusion:** DBT schemes promote financial inclusion by encouraging the use of bank accounts among marginalized and low-income groups. Opening bank accounts for beneficiaries enables them to access formal financial services, build savings, and participate in the formal economy, thereby empowering them economically.
3. **Targeted Delivery:** DBT schemes allow for more targeted delivery of benefits to specific groups based on eligibility criteria. This ensures that resources are directed to those who need them the most, reducing wastage and improving the effectiveness of welfare programs.
4. **Transparency and Accountability:** DBT schemes enhance transparency and accountability in the delivery of government benefits. Since transactions are recorded electronically, there is greater visibility into the flow of funds, making it easier to track disbursements and monitor the utilization of funds.
5. **Efficiency and Cost Savings:** DBT schemes streamline the administration and disbursement processes, leading to greater efficiency and cost savings for the government. By eliminating manual handling of cash and paper-based transactions, DBT reduces administrative overheads and operational inefficiencies associated with traditional delivery mechanisms.
6. **Empowerment of Women and Marginalized Groups:** DBT schemes can empower women and marginalized groups by giving them direct control over financial resources. Directly transferring benefits to women's bank accounts, for instance, enhances their decision-making power within households and facilitates their economic independence.

7. **Facilitation of Reforms and Rationalization:** DBT schemes facilitate the reform and rationalization of subsidy regimes by enabling the phased reduction or elimination of subsidies that are inefficient or prone to misuse. This allows the government to redirect resources towards more productive investments in areas such as infrastructure, healthcare, and education.
8. **Stimulating Economic Growth:** By putting money directly into the hands of beneficiaries, DBT schemes stimulate demand for goods and services, thereby contributing to economic growth and poverty reduction. Increased purchasing power among the poor can lead to higher consumption levels and stimulate economic activity in rural and urban areas.

THE WAY FORWARD

1. **Focus on Development-Oriented Policies:** Shift the focus from short-term populist measures to development-oriented policies aimed at addressing structural issues such as poverty, unemployment, education, and healthcare. Invest in infrastructure, skill development, and social welfare programs that promote sustainable and inclusive growth.
2. **Targeted Welfare Programs:** Implement targeted welfare programs that provide assistance to those who need it the most, based on objective criteria such as income levels, socio-economic status, and vulnerability indicators. This ensures that resources are directed towards the most deserving beneficiaries, reducing wastage and leakage. EG. PM KISAN yojana
3. **Fiscal Discipline and Budgetary Planning:** Prioritize fiscal discipline and prudent budgetary planning to ensure that government resources are utilized efficiently and sustainably. Avoid overburdening the exchequer with unsustainable subsidy regimes and prioritize expenditures based on developmental priorities and long-term sustainability.
4. **Enhanced Governance and Transparency:** Strengthen governance mechanisms and promote transparency and accountability in the delivery of government benefits. Implement measures such as digitization, biometric authentication, and real-time monitoring to prevent leakages, corruption, and diversion of funds.
5. **Public Awareness and Civic Engagement:** Raise public awareness about the implications of freebies on fiscal sustainability, economic growth, and long-term welfare. Encourage civic engagement and public participation in policy debates and decision-making processes to foster a culture of responsible citizenship and accountability.
6. **Promotion of Entrepreneurship and Employment:** Create an enabling environment for entrepreneurship, innovation, and job creation through supportive policies, regulatory reforms, and investment in infrastructure and human capital. Empower individuals to become self-reliant and economically independent, reducing dependence on government handouts.
7. **Inclusive Growth and Social Justice:** Prioritize inclusive growth and social justice by addressing disparities based on gender, caste, religion, and region. Implement affirmative action programs and targeted interventions to uplift marginalized and disadvantaged communities, ensuring equitable access to opportunities and resources.
8. **Political and Electoral Reforms:** Introduce political and electoral reforms to reduce the influence of money power, vote-bank politics, and populism in elections. Strengthen institutions such as the Election Commission and enact legislation to regulate campaign finance, promote transparency, and enhance accountability in the political process.
9. **Long-Term Vision and Leadership:** Adopt a long-term vision and leadership commitment to overcome the freebie challenge and achieve sustainable development goals. Invest in human capital development, innovation, and institutional capacity building to build a resilient and inclusive society that can withstand short-term populist pressures.

SUPREME COURT CURBS POWER OF ED

THIS ARTICLE COVERS “DAILY CURRENT AFFAIRS” AND THE TOPIC DETAILS OF “SUPREME COURT CURBS POWER OF ED” THIS TOPIC IS RELEVANT IN THE “POLITY AND GOVERNANCE” SECTION OF THE UPSC- CSE EXAM.

Why in the news?

Supreme Court has upheld the Right to Personal Liberty in cases related to which a person summoned by a designated special court under the Prevention of Money Laundering Act (PMLA), is not supposed to be in custody and apply for bail Under the stringent provisions of the anti-money laundering legislation.

DIRECTIONS GIVEN BY THE COURT:

- If the accused person appears before the special court on the summons, then it cannot be treated as custody, and no need to apply for bail for the accused.
- This judgement limits the power of the Directorate of Enforcement after a special court take a cognisance of the case.
- The special court directed the accused to provide bonds in terms of Section 88 of the Code of Criminal Procedure. An order accepting bond under Section 88 does not amount to a grant of bail, and hence, the twin conditions of Section 45 of the PMLA are not applicable to it,
- The ED has to apply separately for the custody of a person once he or she appears in court by giving specific reasons.
- The accused should be able to convince the judge he would not commit any offence while on bail. The burden of proof is entirely on the incarcerated accused.
- When the ED wants to conduct a further investigation concerning the same offence, it may arrest a person not shown as an accused in the complaint led under Section 44(1)(b) of the PMLA, provided the requirements of Section 19 (procedures of arrest) under the Act were fulfilled.
- When a person applies for bail under the regular provisions of the Code of Criminal Procedure, then the person has to satisfy the twin conditions imposed by Section 45 of the PMLA.

SIGNIFICANCE OF THE JUDGEMENT ON PERSONAL LIBERTY

PROTECTION OF FUNDAMENTAL RIGHTS:

1. **Article 21 of the Constitution:** The due process of law is crucial in upholding Article 21, it guarantees the right to life and personal liberty. It ensures that no person is deprived of these rights except according to procedures established by law.
2. **Judicial Safeguards:** Due process provides a legal framework that protects individuals from arbitrary actions by the state, ensuring fairness and justice in legal proceedings.

JUDICIAL REVIEW AND INDEPENDENCE:

1. **Checks and Balances:** It strengthens the judiciary to review and strike down laws and actions of the executive and legislature that violate fundamental rights.
2. **Judicial Activism:** Indian courts, particularly the Supreme Court, have used due process to interpret laws broadly, enhancing the protection of civil liberties and leading to landmark judgments expanding the scope of fundamental rights.

FAIR LEGAL PROCEDURES:

1. **Right to a Fair Trial:** Due process ensures that individuals receive a fair trial with impartial procedures, proper notice, and a chance to be heard.
2. **Equality Before Law:** It upholds the principle that all individuals are treated equally under the law, preventing discrimination and ensuring justice for all, including marginalised groups.

PROTECTION AGAINST ARBITRARY ACTIONS:

1. **Preventive Detention:** Due process is essential in cases of preventive detention, ensuring that such measures are not misused and that detainees have access to legal remedies.
2. **Property Rights:** It protects individuals from unlawful deprivation of property, ensuring compensation and legal recourse if property is taken by the state.

ABOUT ED:

- The Directorate of Enforcement (ED) is a multi-disciplinary organisation responsible for investigating economic crimes and violations of foreign exchange laws.
- Its origins date back to May 1, 1956, when an 'Enforcement Unit' was established within the Department of Economic Affairs to address infringement of the Foreign Exchange Regulation Act 1947.
- With the starting of economic liberalization, the regulatory FERA, 1973 was repealed and replaced by the Foreign Exchange Management Act, 1999 (FEMA).

- With the rise of cases of economic offenders seeking refuge in foreign countries, the government enacted the Fugitive Economic Offenders Act, 2018 (FEOA), with the ED tasked with its enforcement.

ED DERIVED POWER FROM:

- The Prevention of Money Laundering Act, 2002 (PMLA):
- The ED is authorised to enforce the PMLA by investigating and tracing assets obtained through criminal activities, provisionally attaching these properties, and ensuring the prosecution of offenders and confiscation of the assets by the Special Court.
- The Foreign Exchange Management Act, 1999 (FEMA):
- The ED is tasked with investigating suspected violations of foreign exchange laws and regulations, adjudicating these cases, and imposing penalties on those found to have breached the law.
- The Fugitive Economic Offenders Act, 2018 (FEOA):
- Under this law, the Directorate is authorised to seize the properties of fugitive economic offenders who have fled India to avoid arrest and facilitate the confiscation of their properties by the Central Government.

PMLA (AMENDMENT) ACT, 2012:

- Introduces the concept of a 'reporting entity,' encompassing banking companies, financial institutions, intermediaries, and similar entities.
- While PMLA 2002 imposed a fine of up to Rs 5 lakh, the amendment has eliminated this upper limit.
- It allows for the provisional attachment and confiscation of property belonging to individuals involved in such activities.

Prelims Based question

Q. Consider the following questions.

1. The directorate of enforcement has the authority to arrest without permission of the court.
2. The ED has to apply separately for the custody of a person once he or she appears in court by giving specific reasons.

Which of the above statements is/are correct?

- (a). 1 Only
- (b). 2 Only

- (c) Both 1 and 2
- (d) Neither 1 nor 2

Answer: B

Mains based question:

Q. Why are safeguards necessary to prevent the misuse of ED's power?

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