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GS Paper III: Economics

1. Freebies versus Welfare State: Constitutional Vision, Fiscal Prudence and Democratic Responsibility

a. Constitutional Foundations of the Welfare State

India's Constitution does not imagine a minimal, night-watchman state. It envisions a transformative welfare state committed to social and economic justice. This commitment flows primarily from the Directive Principles of State Policy (DPSPs).

i. Directive Principles and Social Justice

The DPSPs provide the moral and policy framework for welfare governance.

Key Constitutional Provisions

- **Article 38** directs the State to promote the welfare of the people and reduce inequalities in income, status and opportunity.
- **Article 39** calls for equitable distribution of material resources and adequate means of livelihood for all citizens.
- **Article 41** provides for the right to work, education and public assistance in cases of unemployment, sickness and old age.
- **Article 43** speaks of securing a living wage and a decent standard of life.

Though non-justiciable, these provisions guide legislative and executive action.

Expansion through Judicial Interpretation

- **Article 21 (Right to Life)** has been interpreted to include dignity, livelihood, health and shelter.
- **Article 21A** mandates free and compulsory education for children aged 6–14 years.

Thus, welfare expenditure is not merely a political choice; it is anchored in constitutional morality.

b. Conceptual Clarity: Welfare versus Freebies

The heart of the debate lies in defining terms. Not every subsidy is irresponsible, and not every free distribution is justified.

i. Features of Welfare Measures

Welfare policies are designed to address structural disadvantage and promote long-term empowerment.

Characteristics

- Targeted towards vulnerable sections such as poor households, marginal farmers or children.
- Aim at capability enhancement — education, health, nutrition, skill development.
- Generate long-term productivity and social mobility.

Examples include mid-day meals, public health insurance for low-income families, and free textbooks for poor students.

ii. Features of Populist Freebies

Freebies are often described as schemes that provide short-term consumption benefits without strengthening productive capacity.

Characteristics

- Universal or weakly targeted distribution.
- Limited contribution to human capital or asset creation.
- Often linked to electoral promises rather than developmental planning.

For example, distribution of non-essential consumer goods irrespective of income level may not promote sustainable development.

However, the distinction is context-sensitive. During crises such as pandemics or agrarian distress, even broad-based transfers may be justified.

Welfare Measures vs Populist Freebies

Basis	Welfare Measures	Populist Freebies
Objective	Reduce structural inequality	Short-term political gain
Targeting	Focused on vulnerable groups	Often universal or weak targeting
Nature of Benefit	Capability enhancement	Consumption-based
Long-Term Impact	Builds human capital	Limited productivity impact
Fiscal Impact	Investment-oriented	Revenue burden
Examples	Mid-Day Meal, Ayushman Bharat, Scholarships	Free consumer goods irrespective of income



Exposure ≠ Replacement

c. Fiscal Sustainability and Inter-Generational Equity

The fiscal dimension sharpens the controversy.

i. Rising Fiscal Pressures on States

Many States face:

- High debt-to-GSDP ratios.
- Persistent revenue deficits.
- Large recurring subsidy commitments, especially in power and agriculture.

When revenue is heavily committed to subsidies, capital expenditure on infrastructure, irrigation, education and health may decline.

ii. Inter-Generational Concerns

Excessive borrowing for current consumption creates ethical and economic concerns.

- Future taxpayers bear the burden of present expenditure.
- Debt servicing reduces future developmental spending.
- Financial distress may affect public utilities and State-owned enterprises.

Thus, the issue is not whether to spend, but whether spending is productive and sustainable.

d. Governance and Accountability

Good intentions do not automatically translate into good outcomes.

i. Targeting and Transparency

- Are beneficiaries identified using reliable socio-economic data?
- Are affluent households excluded from schemes meant for the poor?
- Are subsidy commitments transparently reflected in budgets?
- Is there independent evaluation of outcomes?

Weak targeting can make welfare regressive rather than progressive.

ii. Role of Technology and Institutions

- Direct Benefit Transfers (DBT) reduce leakage.
- Digital identification improves precision.
- Social audits and legislative scrutiny enhance accountability.

Transparent governance ensures that welfare spending achieves intended objectives.

e. Democratic Choice and Political Economy

Welfare promises are central to electoral politics.

i. Federal Autonomy and Electoral Mandate

- States enjoy fiscal autonomy within constitutional limits.
- They may design schemes based on local needs and priorities.
- Judicial intervention must respect separation of powers.

In a democracy, citizens assess welfare promises and reward or punish governments accordingly.

ii. Limits of Popular Mandate

However, electoral approval does not automatically validate fiscal imprudence.

- Constitutional values require equity and sustainability.
- Public support cannot justify long-term economic instability.

The challenge lies in reconciling democratic choice with responsible governance.

f. Economic Evaluation: Productive versus Non-Productive Subsidies

From an economic perspective, the focus is on the multiplier effect and growth contribution.

i. Productive Expenditure

- Education strengthens human capital.
- Healthcare improves labour productivity.
- Nutrition enhances cognitive development.
- Skill development raises employability and incomes.

Such spending expands the tax base and supports sustainable growth.

ii. Non-Productive Transfers

- Limited long-term returns.
- Distortion of price signals e.g., free electricity leading to overuse.
- Financial stress on utilities and public enterprises.

The size of spending is less important than its design and outcomes.

g. Ethical Dimensions of Welfare Policy

Public finance is not merely technical; it is moral.

Fiduciary Responsibility

Public officials act as trustees of taxpayer money.

- Prudence in expenditure.
- Equity based on need, not political advantage.
- Justice for vulnerable sections.

An ethical welfare state balances compassion with sustainability.

h. Towards a Balanced and Sustainable Approach

A constructive path forward requires institutional clarity.

i. Objective Criteria

- Assess targeting efficiency.
- Evaluate long-term human development impact.
- Ensure fiscal sustainability.

ii. Strengthening Systems

- Use updated socio-economic databases.
- Expand outcome-based budgeting.
- Transparently disclose subsidy commitments and contingent liabilities.
- Adhere to fiscal responsibility legislation.

Such measures can preserve social protection while maintaining macroeconomic stability.

Conclusion

India's constitutional vision is unequivocally that of a welfare state committed to social justice. Supporting poor children, assisting distressed farmers, expanding healthcare and providing social security to the elderly are legitimate and necessary State functions.

The debate is not about abandoning welfare. It is about ensuring that welfare is targeted, transparent, development-oriented and fiscally sustainable.

The real governance challenge lies in harmonising social justice with fiscal responsibility within a competitive democratic framework. India's ability to strike this balance will determine both its economic resilience and the credibility of its constitutional promise of inclusive development.

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While every effort has been made to balance depth with brevity, please keep the following in mind:

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This compilation is curated primarily from the UPSC Mains perspective — with emphasis on conceptual clarity, analytical depth, and interlinkages across GS papers.

However, the PrepAlpine team is simultaneously developing a dedicated Prelims-focused Current Affairs Series, designed for:

- factual coverage
- data recall
- Prelims-style MCQs
- objective pattern analysis

This Prelims Edition will be released separately as a standalone publication.

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