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RESEARCH ARTICLE

ECONOMIC GRANTS AND DEMOCRACY

*Dr. Mahuamita Deb

Assistant Professor, Gobardanga Hindu College, North 24 Parganas, West Bengal

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***Corresponding author:**
Dr. Mahuamita Deb

ABSTRACT

The fruits of globalization are unequally shared by countries particularly the developing ones and income disparities have grown over time. Growth does not necessarily imply equal distribution of income and wealth. Thus, equity can be a worthy goal of economic policies because of its strong link with social justice. Right to equality is inextricably associated with democracy. Grants based social schemes, helpful in promoting equity are now a days gaining importance in economic policy making. But these schemes are taking the shapes of freebies in Asian and Latin American countries making ways to the election agenda of political parties. Such populist excesses by political parties tend to mobilise the support of a large mass of people somewhat undermining democracy. The paper argues through game theoretic approach, that the ruling parties tend to familiarize such social schemes and once initiated by a political party before the elections is followed by the others to increase their respective vote shares, consequently weakening the power of democracy. Also mounting pressure of non- developmental expenditures due to fiscal profligacy by the governments causes them to fall into a debt trap.

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INTRODUCTION

The success of economic growth is unequally shared, particularly in the developing countries and income inequality grows inevitably. This is an issue faced by the policymakers today and establishing equity is considered as one of the goals of pro-growth policies. Since equal distribution of income and wealth may not follow economic growth some economists' view equity as a worthy goal due to its strong link with fairness and social justice. Economic equality supporting an equitable and fair distribution of wealth and resources is a subset of social equality. Grant based social schemes often popularised by modern democratic governments though effective in promoting equity are taking the form of freebies in poor developing countries. Ruling parties as well as the opposition are exploiting these schemes to win elections often ignoring the ideologies of the respective parties and the economic consequences of fiscal profligacy. A grant is afree cash benefit given to a recipient who meets certain eligibility criterion. For example, an elderly person who has attained an age of say sixty years and is not receiving any pension from the government or any other organization receives an old age pension from the state government. A female household devoid of any source of income obtains an unemployment compensation from her home state. This paper aims to study the use of grant based social schemes by political parties either to retain or raise their vote shares using the apparatus of game theory. The paper is structured as follows; the theoretical framework of the paper is introduced in section 2. In section 3 previous study on political economy of economic grant and entitlement is presented. Section 4 deals with the game theoretic model concerning strategic interactions of rival political parties and it reports the result; section 5 considers the effect of grant based social schemes on the Indian economyand her democracy. Finally, section 6 concludes the paper. The paper ends with the list of references.

Economic Grants and Social Welfare: Social welfare means the aggregation of the satisfaction or utilities of all individuals in a society. Optimal or efficient allocation of scarce resources- the primary goal of an economy ensures maximization of social welfare. Welfare economics a part of the general body of economic theory has concerned itself primarily with policyissues (Scitovsky). It has certain principles and norms to judge alternative economic policies from the viewpoint of efficiency or social welfare. These criteria or norms serve as the basis for endorsing economic policies which will maximize social welfare. There exists an inter-relationship among various parts of the economy in the sense that a change in one part of the economy affects resource allocation in its other parts. Thus, a central problem in welfare economics relates to whether a particular change in resource allocation will increase or decrease social welfare. It is somewhat difficult to measure social welfare objectively as it requires interpersonal comparison of utilities or welfares across individuals in the society. The interpersonal comparisons of utilities can be avoided if one uses Pareto optimality (following Vilfredo Pareto who coined the term) criterion (1906) for evaluating whether social welfare increases or decreases as a result of a change in economic state or policy. According to Pareto criterion of optimality or efficiency, any change that makes at least one individual better off without making any other worse off is an improvement in social welfare. Consequently, when a policy makes some individuals in the society better off, without making anyone worse off social welfare will undoubtedly increase. On the contrary, social welfare will decrease if certain policy makes no one better off while at least one individual is made worse off. Establishment of welfare state is the fundamental objective of modern democratic governments. The states should play significant role to satisfy the wants of maximum number of individuals of the society. Welfare is the outcome of satisfaction of collective wants. Economists have mostly used Pareto-optimality criterion for evaluating whether social welfare increases or decreases due to a change in economic situation or introduction of a policy. An economy suffering from severe unemployment problem has to choose say from two policy options viz. providing unemployment allowance to those who meet stated eligibility requirements or subsidizing courses imparting industry-specific skills to the unemployed youths so as to make them employable. The desirable policy predilection would be the one that makes some individuals better off without making anyone worse off or betters the lives of more individuals than those who are made worse off. We may distinguish different sections of the society who are differently advantaged or harmed by these two policy options.

Providing unemployment allowance to those satisfying some specified eligibility criterion leads to Pareto improvement if it does not harm anyone. But the economy needs to bear a cost for financing the government expenditure to afford the unemployment allowance. If the individuals who are hurt, shouldering the cost, outnumbers those receiving the unemployment grant, Pareto optimality or improvement of social welfare has not happened. Analogously, we can argue for the other strategy of subsidizing vocational training courses to enhance the skill components of unemployed youths. The concept that if the gainers in case of each policy option could compensate the losers in such a way that on balance everybody is better off then welfare would increase. Considerable debate has resulted on the issue of whether it is sufficient that adequate compensation could be made or whether it is necessary for the inference that compensation actually be made. Regarding the efficacy of such compensation criterion I.M.D. Little (A Critique of Welfare Economics-1950) was of the opinion that anyone would scarcely want to say that all changes such that gainers could overcompensate the losers, must be good for it would all depend on who the uncompensated losers were. Even if we assume that compensation was made, a rational policy maker wo uld tend to adhere to the one which benefits maximum individuals while hurting the minimum. Alongside Welfare economics, Macroeconomics another branch of economics (dealing with structure, performance, behaviour of an economy as a whole and decision-making by its government) can propel one to undertake the suitable policy option. The macroeconomic theories dictate, human capitalisprerequisite to achieve stable economic growth and high standard of living. Human capital is the knowledge and skills acquired by individuals, as a result of specific investment in education, health, training etc. and it is an important driver of growth as demonstrated by the Endogenous growth models. Viewing the two policy options viz. providing unemployment allowance and subsidizing skill-imparting vocational/technical courses through the lenses of macroeconomic Growth Models, a policy makerwill adhere to the pro-growth strategy having long-run consequences. Instead of swaying the uneducated youths with populism, schemes that can improve human capital must be welfare priorities.

Political Economy of Grants, Entitlements: The notions of economic grants, entitlements etc. together constitute an important political force influencing the motivations that determine whether and how people vote in poor developing countries. Economic grants are access to cash benefits provided by a government or other institution for a particular purposeto an individual who meets certain criterion. An entitlement is a guarantee of access to governmental benefits based on established rights or by legislation (Review of Entitlement Systems for LLL, prepared for the UNESCO & ILO; August,2019) the claimants meeting stated eligibility requirements. Leading political parties of the world's largest democracies in their run to elections often adopt policies that seem to run counter to their political ideology and natural interests. The construction of the social security system in developing countries is based upon the notion of grants whereas entitlement forms the structure of the social security system in the developed countries. While creating the social security system both the ruling and the opposition parties actually fight over something far more important than providing the benefits to the targeted population. They are often seen to made important tactical concessions to win the war over public's sense of entitlement.

Paul Romer (1996) argued that most conventional models of political economy are based on the assumption that people prefer more wealth to less[(i)]. Such models also assume that a person will vote for a policy that would increase the voter's wealth. Conventional models fail to accommodate the concept of entitlement or grants. The workings of the formal models of voting assume utility maximization as an important motivation of an individual voter. According to Romer we have to go beyond the assumption that conventional consumption goods are the only arguments in a person's utility function and allow the act of voting to be a consumption activity that provides utility. Thus, the wealth maximizing behaviour of an individual voter will cause that party to win which brings policies under social security net having an underlying feature of entitlement or economic grant. Romer in an extended model showed that there are good reasons to expect that people will care about promises (relating to variables that increase their wealth) made to them by different political parties and the party will be in a favourable position which has a good record of keeping their assurances. But such models fail to accommodate the notion of grants or entitlements. People usually vote for the party irrespective of its political ideology which assures more future benefits (in terms of cash and kind) having direct impacts on their income and wealth. Romer in an extended model (1996) showed that there are good reasons to expect that people will care about promises made to them by the leading political parties and they will be willing to punish someone who had made and broken a promise. If anger is a potential motivation, it can be manipulated by politicians who behave strategically.

Strategic Interaction of Rival Political Parties: Assuming the existence of two leading rival political parties we allow the parties to choose mixed strategies (e.g. targeting specific voter segments with grants while emphasizing creation of job opportunities for others). This could be modeled using probability distributions over strategies. The expected payoffs assume voters are rational and their preferences are influenced mainly by the promises and actions regarding their strategies. By this, the game becomes more nuanced and reflective of real -world political dynamics. We assume that the ruling party provides grants (in the form of direct cash payment) to women and promises to increase the amount if re-elected and opts to create jobs opportunities for youths. The opposition declares that they would pay more than what the ruling party promises if brought to power. The parties are willing to bear costs to win significant vote shares in the election. Suppose one of the parties (the ruling party) decides to provide grants say in the form of cash transfer to unemployed women below sixty years as its election strategy. Devising such a strategy and pledging for its implementation if re-elected, the ruling party can exploit its political power as a leader. The ruling party has another strategy of creation of job opportunities having long-run impact on social and economic conditions of youth and working-age individuals. The opposition party makes the same promise of providing grants to unemployed women and decides to create job opportunities. Creating job opportunities involves long run developmental expenditures in the capital account, while provisioning grants and campaigning for it causes the respective party to incur huge costs in the revenue account. Incurring massive costs to woo voters is a short-cut to win elections, compared to those requiring proper planning, political prudence, and sincere efforts to attract investments. Political parties ready to make such spending, because grants are more effective in winning the minds of voters rather than the promises of future job creation. This assumption introduces a more symmetric competition, making the outcome more dependent on how well each party aligns its strategy with voter preferences. To model this scenario with probability distributions over strategies, we need to consider the mixed strategies of both the ruling and the opposition parties; as well as how voters respond to each party's decisions.

Mixed Strategies for the Parties

- Ruling Party Strategies (R):

a) Providing grants (direct cash payments) to unemployed women (g).
b) Create job opportunities for youths (j).

- Opposition Strategies (O):

a) Increase cash payments to unemployed women (g')
b) Create more job opportunities (j')

Both parties can allocate their campaign efforts probabilistically across these strategies. For example:

- **Ruling**: p_g is the probability that the ruling party chooses grants and $p_j = 1 - p_g$ the probability that it chooses job creation
- **Opposition**: q_g is the probability that the opposition goes for increased grants and 1- q_g for job creation. Voter preferences depend on the effectiveness and appeal of the strategies.

Since parties have two strategies (Grants g and jobs j), the vote shares depend on voter demographics, distributing votes based on credibility, historical performances and policies. If the ruling party has a strong record, it could retain more voters, based on its old promises. Conversely, the opposition could gain more votes if the ruling party has performed poorly. Again, if voters perceive one party as more likely to deliver on its promises that party gains an advantage. Well-articulated, attractive policies could sway a significant portion of the vote. We again assume that some voters refrain from voting and other parties get a portion of the votes. If the total voter base is normalized to 1(100%) then the remaining vote share available for the ruling and opposition is (1-r-o), where r is the proportion of voters refraining from voting and o the proportion of votes going to other parties.

Payoff Matrix with Probabilities: The ruling party's payoff (U_R)for each combination of strategies can be modeled as the expected vote share, depending upon the available votes, weighted by the strategy probability's p_g and q_g.Thus, the expected payoff of the ruling party:

$$U_R = (1-r-o)\{p_g q_g V_{gg'} + p_g(1-q_{g'})V_{gj'} + (1-p_g) q_{g'} V_{jg'} + (1-p_g)(1-q_{g'})V_{jj'}\}$$

The expected pay-off for the opposition:

$$U_o = (1-r-o) - U_R$$

$V_{gg'}$,$V_{gj'}$, $V_{jg'}$and $V_{jj'}$ represent the vote shares for each strategy combination representing relative preferences among the ruling and opposition parties within the available votes of the ruling party. Thus, $V_{gg'}$ represents the vote share for the ruling party when both focus on grants. Likewise, $V_{jg'}$ is the ruling party vote share when it focuses on jobs and the opposition on grants. Similarly, for $V_{jg'}$and $V_{jj'}$.

Modeling Voter Preferences: Let us suppose

Women Voters: Represent a percentage of voters likely to prefer grants (direct financial support). We assume that 50% of the electorate is women.

Youth Voters: A proportion of voters likely to prefer job creation (long-term employment opportunities). 40% of the electorate is assumed to be youth.

Other Voters: Consist of those other than women and youth who split their votes. It is assumed that 10% of the voters fall in this group.

Computing Vote Shares: Since both parties offer grants, voters 'decisions depend primarily on the credibility and trustworthiness of each party regarding grant implementation, historical performance in delivering promises and alignment of party ideology with voter demographics (e.g., women benefiting from grants and youths from job creation).The ruling party emphasizing on grants and the opposition following the same strategy of providing more grants (if brought to power), the voters are likely to favour the former if they are found credible enough, based on their historical performance in delivering promises. When the ruling party goes for job creation and the opposition sticks to grants, voters valuing employment generation may shift toward the ruling party or abstain if they doubt its ability to deliver. Let C_R and C_O denotes the credibility of the ruling and opposition parties. Accordingly, we get the following vote shares for different strategy combinations by the ruling and the opposition. Thus, the vote shares of the ruling party for each strategy combination could be computed as:

•**If both parties choose Grants (G_R , G_O):** Women (50%) distribute votes based on credibility of grant policies. Youth (40%) may abstain or be indifferent. Other (10%) of the voters split their votes.

Vote Share

$V_{gg'}$= 50% $\times \frac{C_R}{C_R+C_O}$ + 10% $\times \frac{C_R}{C_R+C_O}$

•**If the ruling party chooses Grants, opposition chooses Jobs (G_R, J_O):** Women (50%) favour the ruling party while the youth favour the opposition. Other voters (10%) distribute votes based on credibility.

Vote Share

$V_{gj'}$=50% + 10% $\times \frac{C_R}{C_R+C_O}$

If the ruling party chooses Jobs, opposition chooses Grants (J_R, G_O): Women (50%) favour the opposition and 40% youth favour the ruling party.Other voters (10%) distribute votes based on credibility.

Vote Share

$V_{jg'}$=40% + 10% $\times \frac{C_R}{C_R+C_O}$

If both parties choose Jobs (J_R, J_O): Women (50%) may vote randomly or abstain based on their past experience of job creation effort by the ruling party for women and 40% youth distribute based on credibility. Other voters (10%) distribute votes on the basis of credibility.

Vote Share

$V_{jj'}$ =40%$\times \frac{C_R}{C_R+C_O}$ + 10% $\times \frac{C_R}{C_R+C_O}$

Let us assume that the credibility of the ruling and opposition parties is as follows:

- Ruling party credibility: C_R= 0.6 and
- Opposition party credibility C_O= 0.4

The ruling party has a slight edge due to higher credibility.

Expected Vote shares: Using our earlier formulas and substituting the values of $C_R$and $C_O$we get the following expected vote shares of the ruling party,

If both choose Grants: $V_{gg'}$= 36%

If ruling chooses Jobs, opposition chooses Grants: $V_{jg'}$= 46%

If ruling chooses Grants, opposition chooses Jobs: $V_{gj'}$= 56%

When both choose Jobs: $V_{jj'}$ = 30%

We now solve for the Nash equilibrium in the above game involving mixed strategies. Nash equilibrium guarantees that each player's pure strategy is a best response to the other player's pure strategies. To apply this definition in the game including mixed strategies, we merely require that each player's mixed strategy be a best response to the other player's mixed strategies.

Solving for Equilibrium Probabilities: For Mixed-strategy Nash equilibrium, the ruling party must be indifferent between

Grants and Jobs, meaning:

$p_g V_{gg'} + (1-p_g)V_{jg'} = p_g V_{gj'} + (1-p_g)V_{jj'}$

Substituting the values of expected vote shares we get

$p_g = \frac{16}{36} = 0.44$

Similarly, for the opposition party, we solve:

$q_g V_{gg'} + (1-q_g)V_{gj'} = q_g V_{jg'} + (1- q_g)\, V_{jj'}$
to get $q_g = \frac{26}{36} = 0.72$

Interpretation

- Ruling party will choose Grants with 44% probability and Jobs with 56% probability.
- Opposition party will choose Grants with 72% probability and jobs with 28% probability.

This means the ruling party is more balanced (44% Grants, 56% jobs), trying to appeal to youth while still securing some women voters. The opposition party relies more on Grants (72%) since women voters prefer them. We consider the possibility that the ruling party tries to capture the women votes more than the youth's (since, the former consists of 50% of the electorate). It will prioritise grants over job creation to align with women's preferences. This shifts the equilibrium probabilities, making the ruling party more likely to choose grants, while the opposition may adjust its strategy accordingly.

Adjusting Voter Preferences

- Women (50%) → Prefer Grants, more likely to support the ruling party.
- Youth (40%) → Prefer jobs, but the ruling party does not prioritise them as much.
- Other Voters (10%) → Split their votes based on credibility.

If the ruling party focuses more on women, it gains an advantage in the grants strategy and loses some appeal among youth.

We introduce a bias factor B to capture this shift.

Thus, the ruling party credibility for women: $C_R^W = C_R$ + B

And that for youth: $C_R^W = C_R$ – B

The opposition's credibility remains the same.

Let us assume that the ruling party is 20% more appealing to women than the youth due to its focus on the former. So, B=0.2 and the ruling party's adjusted credibility is:

For Women: C_R^W = 0.6+0.2= 0.8

For Youth: C_R^Y = 0.6-0.2= 0.4

Recalculating Vote Shares of the Ruling Party

If both parties choose Grants: V_{gg} = 39.3%

If ruling chooses Grants, opposition chooses Jobs: $V_{gj'}$= 56%

If ruling party chooses Jobs and the opposition chooses Grants: $V_{jg'}$= 46%

If both parties choose Jobs: $V_{jj'}$= 26%

Solving For New Equilibrium Probabilities. For the ruling party we again equate the expected ruling payoffs with grants and no grants strategies:

$p_g V_{gg'} + (1-p_g)V_{jg'} = p_g V_{gj'} + (1-p_g)V_{jj'}$

giving p_g= 0.54

For the opposition: $q_g V_{gg'} + (1-q_g)V_{gj'} = q_g V_{jg'} + (1- q_g) V_{jj'}$

which gives q_g= 0.82

Ruling party now chooses grants more often, 54% of the time (up from 44%) while opposition still strongly favours grants 82% of the time (up from 72%). Since the ruling party appeals more to women, it shifts its strategy to focus more on grants, competing more directly with the opposition. The opposition responds by doubling down on Grants, reducing its emphasis on Job creation. Thus, competition intensifies for the women's (comprising of 50% of the electors) vote, making credibility even more important.

Incorporating a Third-Party and Abstention into the Game
We introduce voters (V_T) who prefer alternative policies (other than grants and job creation) and vote for third parties and voters (V_A) who avoid voting. We assume third parties receive 15% of votes (V_T=15) and abstention rate is 10% (V_A=10). Remaining 75% split between the ruling and opposition parties.

Adjusting Vote Shares: Since 25% of voters are now outside the ruling-opposition contest, we normalise the effective vote share calculations for the ruling party given the strategies of the main opposition party.

If both choose grants the vote share of the ruling party is given by

$V_{gg'}$ = 75% of 39.3%

Hence, $V_{gg'}$ =29.5%

If ruling chooses Grants, opposition chooses Jobs: $V_{gj'}$ = 42%

If ruling chooses Jobs, opposition chooses Grants: $V_{jg'}$ = 34.5%

If both choose Grants the vote share of the ruling party is: $V_{jj'}$ = 19.5%

Solving equilibrium probabilities, we get: p_g= 0.55 and q_g= 0.82

Third-party voters and abstainers reduce the available vote share, making the competition for remaining voters more intense. The ruling party is more aggressive in continuing with grants because it competes for women's votes more. The opposition doubles down on grants, as job creation looses relative effectiveness when the youth vote pool shrinks. With fewer voters, a small credibility boost can shift the balance between the two main parties.

Possible Strategic Shifts: If the third-party leans towards jobs, the ruling party may shift slightly back towards job creation to avoid losing too many youth votes. If the third party offers a hybrid policy, the two main parties might be forced to differentiate themselves further. The above results reveal, given the credibility's of the ruling and opposition parties and aligning with the voter's preferences, providing grants by both the parties is the mixed strategy equilibrium. Even, in the presence of third party and abstention the result remains unaltered. The strategy of providing grants is pare to inefficient- one party is made better off making the other worse, also there is no other strategy choice that makes both parties better off.

Democracy and economic grants in India: Grant based social schemes to provide different facilities to the people are taking the form of freebies in India. Freebies are facilities obtained from the government free of cost or at minimum cost. Free electricity, water supply, pensions for poor elderly persons, free rations, free transport facilities, laptops, cycles to students, cash transfers to poor housewives below sixty years and female students above eighteen years (irrespective of annual family income) so that the latter can opt for higher studies, waiving off farm loans etc. are freebies offered by the political parties in India. The promises of doling out freebies to the voters (notwithstanding their economic condition) has become a common practice and the election agenda of most political parties are based on offers of freebies. Often affluent households receive such grants who are already covered by a strong social security net. When a party promises to provide facilities free of costs to the voters, it triggers competition among the rival parties, to offer freebies(as has been considered in the preceding section). It merely communicates the voters that more facilities are forthcoming at minimum or no cost in the future if the party is voted to power. Is this ethical and acceptable in a democracy?

Indian constitution has granted all eligible citizens the right to elect the government without undue influence of any kind which may distort or inhibit the free expression of the elector's will. Following Romer, considering voting to be a consumption activity that provides utility, individuals will vote for the party, whose spending has direct impact on their utility. The political parties in their run to win elections, are in this way interfering the elector's choice creating unwarranted impact, that somehow distort the free expression of the electorate. People tend to lose control over their freedom to vote for leaders to represent them in the government and it does not augur well of democratic values. Viewing different grant based social schemes through the lenses of long run economic development, such schemes mostly consist of non-developmental expenditures. Since, parties once elected remain in power for five years, they tend to remain popular till the next election. They are devoid of the time and the resolve to spend for productive assets like human capital- an important contributor to economic growth. The expenditures on most of the so-called social schemes have short run motives. Unfortunately for those the development is meant for; the poorvoters, who are ignorant about the broader picture of development. They are simply contented with the short run gains due to the governmental grants. There is an urgent need to frame laws governing such grant-based schemes before it creates economic and political mayhem.

Grant based social schemes initiated by a political party is emulated by its rival parties (as shown by the game theoretic approach) and once started it is difficult to discontinue them as people can incur a cost to punish a party for breaking promises. But the continuation of such schemes poses a huge challenge to the governments. Their funding requires the latter to borrow from the domestic or foreign sources. Asgrantsare mostly used for immediate consumption, generation of savings and hence investment is not possible. Increase in investment has the multiplier effect of raising income of the people which in turn generates extra revenue for the governments. Grant based social schemes hardly generate revenues and to sustain them the governments graduallyfallinto debt trap. Sri Lankan economy was in shambles for spending beyond its means behind irrational freebies.

The above arguments against grant based social schemes are well founded, still it can be said indisputably that a well-planned social security income guarantee scheme, with allocations specifically for quality health and education for those who are "left behind", by the free market in the post liberalisation era is really needed.GDP growth rate has increased spectacularly post nineties causing incredible prosperity of the upper echelon of the society. A considerable section of the population, lacking requisite education and training failed to catch up and those economically solvent, exploited the fruits of globalisation. Consequently, inequality (both social and economic) increased along with growth rate. So, it's the responsibility of the state to pass on a part of the opulence to those at the bottom through redistribution. Long run development is must for a developing economy, but the poor masses cannot be allowed to wait for decades so as to share the prosperity due to development.

Some redistribution through social security measures is always desirable not only for future (as inequality hampers growth) but also for present consumption or else an entire generation of the population would have to live in penury. Also transfer payments to individuals through social welfare programs, social security net etc. have multiplier effect of raising income through increases in consumption generating more revenues for the governments. If governments need to borrow to meet the expenditures different social schemes, redistribution has not occurred. It not only hampers future developmental expenditure of the government in the capital account but also imposes a burden on the future generation. In fact, redistribution is the transfer of income from the rich to the poor say, through taxation, welfare schemes etc. Less than2% of the population in India are direct tax payers! Super rich corporates are taxed at a very low rate here, compared to other countries and the government is not spirited enough to bring rich farmers within the tax ambit. Introducinga different tax bracket (with the highest rate),to tax the super-rich and broadening the tax base by taxing rich farmers government could have generated adequate revenues to share with the states.

CONCLUSION

Liberalisation process beginning in the 1990s may have flickered growth of Indian economy in the following decades, but it raised income inequality as the redistribution of the newly created wealth has been skewed. Those already better off and well-equipped with good education and high skills have improved their living standards further, taking advantage of the free markets whereas the large majority who were lagging behind, failed to prosper in the liberalized era and stagnated or grown poor. Undoubtedly, redistributive transfer of income and wealth can pull them out of poverty and deprivation. Europe and America have world's finest social security systems under government initiatives for her citizens. If governments introduce different social schemes with the sole objective of winning next election it disdains democracy. Further government borrowing, to meet social obligation, imposes a burden on the future generation and lowers developmental expenditure. Providing the people with monetary benefits at some particular time is not redistribution they are irrational grants with no asset creating effect. Instead of transferring some cash to the underprivileged youth, the government should provide them with skill- augmenting vocational training, which create human capital. Actual redistribution would have occurred then and in sync with Constitutional welfare objectives.

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