STUDY NOTES · BASIC CONCEPT

Difference Between Subsidy and Freebies

Polity & Governance

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Difference Between Subsidy and Freebies

Aspect	Subsidy	Freebies
Meaning	Financial support by the government to reduce cost of essential goods/services	Free distribution of goods or services, often for electoral appeal
Objective	Correct market failure, ensure affordability & access	Gain political popularity or short-term relief
Targeting	Usually need-based or sector-specific	Often universal or poorly targeted
Economic logic	Has a clear economic rationale	Weak or no long-term economic rationale
Duration	Time-bound or linked to policy goals	Often open-ended
Impact	Encourages production/consumption of essentials	Can distort fiscal discipline & behaviour
Accountability	Budgeted and audited	Sometimes outside transparent accounting

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Examples

Subsidy

- Fertiliser subsidy
- Food subsidy under PDS
- LPG subsidy for poor households

Freebies

- Free TVs, mixers, smartphones

- Free electricity without usage caps
- Cash handouts with no reform linkage

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