

Foreword

The aim of this report—to measure the level of economic freedom within India—grows out of a larger project begun in the 1980s by the Fraser Institute and culminating in the annual *Economic Freedom of the World* report (co-published by the Cato Institute in the United States). That exercise has proved fruitful in establishing a strong empirical relationship between economic freedom and prosperity, growth, and improvements in the whole range of indicators of human well being. The global report has also produced an explosion of research by leading universities, think tanks and international organisations on the critical role of economic freedom to human progress, including its importance to sustaining civil and political liberty.

The Cato Institute is pleased to co-publish the present report on India with Indicus Analytics and the Friedrich Naumann Foundation at a time when both India's high growth prospects and its commitment to reform have come under scrutiny. The following points come from the data presented here.

- India's economic freedom rating has improved notably since the early 1990s but it is still low and it ranks poorly on a global scale (111th place out of 144 countries).
- The levels of economic freedom from state to state within India vary greatly.
- Numerous states have shown significant increases and significant declines in their economic freedom rankings.
- Greater economic freedom is positively associated with growth at the state level.

Policymakers at the state level can thus draw the strong implication that there is much they can do to improve the welfare of their citizens without having to wait for the central government to implement all policy change. In that regard, one chapter by Swaminathan Aiyar takes an in-depth look at Punjab—a state whose economic freedom rank has fallen notably since 2005—dispels myths about its disappointing performance and points to areas of progress and urgently needed reforms.

Poor policies in two areas—agriculture and the labour sector—could benefit from fundamental reform that would be especially consequential to Indian progress. This year’s report includes chapters on each. Ashok Gulati neatly describes the agricultural policy mess that ails India, and he prescribes steps to free farming from its shackles. Bibek Debroy reviews the country’s rigid labour regulations and proposes ways states might introduce greater flexibility.

We hope this report can serve policymakers and interested laypersons as a guide to better policies across India.

— Ian Vásquez
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