

Foreword



Economists since the time of Adam Smith have pointed to the strong relationship between prosperity and open markets. But it was not until the work begun in the 1980s by the Fraser Institute on measuring economic freedom, culminating in the now annual *Economic Freedom of the World* report (published by the Cato Institute in the United States), that the relationship was studied in such a systematic way. More economic freedom is indeed associated with greater wealth, higher growth, and improvements in the whole range of human development indicators. Research spawned by the *Economic Freedom of the World* report at universities, international organisations and think tanks around the globe continue to enrich our knowledge about the central role of economic freedom in human progress, including its importance in 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, and thus add to our knowledge about the effects of policies on outcomes. At a time when India has benefited from sustained high growth as a result of liberal reforms, we considered it important to measure economic freedom within this vast country and to highlight the diverse levels of freedom from state to state. The uneven spread of economic freedom in India is a reminder to state-level policymakers that there is much they too can do to improve the welfare of their citizens. In that sense, we hope that this report can help as an empirical guide to better policies.

This report is the latest in a series of annual surveys on the economic freedom of Indian states, which started in 2004. The index of economic freedom devised for this series is derived from the Fraser Institute's *Economic Freedom of the World* report, with adjustments for data relevant to subnational entities, and whose design benefited from critical

input from the Fraser Institute and the authors of the *Economic Freedom of the World* report. The major innovation in this year's survey is a separate chapter on Andhra Pradesh, the state that improved economic freedom the most in 2009. Future annual surveys will continue to have a chapter focussing on a state that stands out for very good or very poor performance or a chapter that focuses on significant policy findings from the overall report. Earlier annual surveys were authored by Bibek Debroy and Laveesh Bhandari. This year's survey has another co-author, who has also written the chapter on Andhra Pradesh—Swaminathan S. Anklesaria Aiyar, Research Fellow at the Cato Institute.

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