

Message



The *Economic Freedom of the States of India* report demonstrates the significant differences in economic governance that exist in India. It thus has focused attention on state-level reforms to improve inclusive economic growth. The Index is based on the Fraser Institute's *Economic Freedom of the World* report. This was developed on the ideas of Milton Friedman, Michael Walker and others who wanted an empirically sound way to measure whether economic freedom would lead to better economic and social outcomes. This has indeed been conclusively demonstrated, and the index has become an important contribution to the international policy debate. Its success has inspired researchers to come up with sub-national indices to capture the performance of sub-national institutions in China, Germany and elsewhere. The Friedrich-Naumann Stiftung has been engaged in developing an Economic Freedom Index for the states of India for several years now. This index has become an important part of India's reform discourse.

The Indian Index is based on the three parameters which are size of the government, legal structure and security of property rights, and regulation of business and labour. The Indian Index ranks 20 states of India for which data is available. The researchers have used objective data to produce the Index.

The researchers to the Index are distinguished economists from India. Bibek Debroy and Laveesh Bhandari are known for their work in suggesting policy recommendations for the Indian economic growth. For the current Index, Cato Institute, a prominent and leading think-tank based in Washington DC. has also joined hands. Swaminathan S. Anklesaria Aiyar, a well-known writer and commentator, is the third co-author representing Cato's initiative.

The Index shows the direct correlation between economic freedom and the well-being of citizens. As the World Index has shown a direct correlation between economic freedom and national indicators of human and material progress, the same similarity is also visible at the sub-national level. States in India which are economically more free are also doing better in terms of a higher per capita growth for its citizens, unemployment levels are lower in these states, sanitary conditions are better and the states also attract more investments.

In the current Index, we find a special focus on Andhra Pradesh. Naturally, the state has shown some major fluctuations in its economic growth. The Index is a useful instrument for policymakers to observe changes over a time period to understand the benefits and costs of policy changes.

The Index is published by the Academic Foundation, New Delhi. We would like to thank all the contributors, authors, partners who have helped in order to make this work see the light of day. We hope it will be a useful tool for research and debate for policymakers and academics alike.

— Siegfried Herzog
Regional Director, South Asia,
Friedrich Naumann Stiftung für die Freiheit