

Gujarat tops list of most economically-free states

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Narendra Modi-led Gujarat continues to remain the top-ranked Indian state in terms of “economic freedom,” an index that measures governance, growth, citizens’ rights and labour and business regulation among the country’s 20 largest states. “Gujarat has widened its lead at the top of the economic freedom table, with an index score of 0.65 (on a scale from 0 to 1.0). Tamil Nadu remains in second position, but some distance behind, with a score of 0.54,” said the latest “Economic Freedom of the States of India” report 2013.

Bihar, which continues to remain at the bottom of table, however, has progressed by leaps and bounds after Nitish Kumar assumed charge as the state’s chief minister, the report said.

The report, published annually, estimates economic freedom based on data for 2013, using a methodology adapted from the Fraser Institute’s Economic Freedom of the World (EFW) annual reports. The report is published through a joint effort of the Friedrich-Naumann- Stiftung für die Freiheit, the Cato Institute and the Academic Foundation, New Delhi.

A reading of the index closer to 1 indicates greater economic freedom and shows the correlation between economic freedom and the well-being of citizens.

The latest findings come amid a raging debate over the “Gujarat model” of development with Modi’s critics pointing out that the BJP-prime ministerial candidate’s poll pitch showcasing the state’s progress over the last decade was based on faulty premises.

The three states recording the fastest improvement in economic freedom have been among the fastest-growing states. Growth has averaged 12% in Gujarat, 10.6 % in Chhattisgarh and 10.4% in Andhra Pradesh between 2005 and 2011.

“Gujarat is not only the freest state, but it has also registered the fastest rate of improvement in the index (from 0.46 in 2005 to 0.65 in 2013),” the report said.

“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,” said the report, co-authored by economists Bibek Debroy and Laveesh Bhandari and Swaminathan S. Anklesaria Aiyar.

Bihar with an index score of (0.31) remains that bottom of the table, behind Assam (0.32) and Jharkhand (0.33), the report said even as it underlined the rapid strides in Bihar’s economic development after Nitish Kumar assumed charge as chief minister in 2005.

“Under chief minister Nitish Kumar, its GDP growth rate averaged 11.8% between 2004-05 and 2010-11,” it said.

It used to be the poorest state but slashed its poverty headcount ratio from 56% in 2009-2011 to just 33.74% in 2011-12, and is no longer the poorest. Its overall literacy rate improved by 16.8 percentage points and its female literacy rate by 20 percentage points in the decade 2001-2011 (the highest among states in both cases).

“The main pillars of Nitish Kumar’s strategy were the improved provision of two essential government services (technically called public goods) needed for the proper functioning of the state—public order and good road connectivity,” it said.