



Poor economic freedom plagues state

By: Saibal Sen - November 12th, 2012

KOLKATA: While Gujarat chief minister Narendra Modi has all the reasons to be happy as his state emerged as the top state in the Economic Freedom Rankings for the States of India 2012, Bengal chief minister Mamata Banerjee can at best choose to ignore it. For the report presents a gloomy picture for Bengal which turns out to be a laggard in two of the three key indexes.

It wouldn't be too easy to dismiss the findings either much as government would like to.

Some of India's best known economists - Bibek Debroy, Laveesh Bhandari, Swaminathan S Anklesaria Aiyar and Ashok Gulati - have collaborated for this study. The Indian Index is based on three parameters - the size of the government, legal structure and security of property rights and regulation of business, labour. The Indian Index ranks 20 states of India for which the data is available. Bengal ranked 18 among 20 states this year. In 2005, it ranked 18, but rose to 15 in 2009. and in 2011 it has again slipped to 18.

The states, according to the report, which are economically more free are doing better in terms of a higher per capita growth for its citizens. Unemployment levels, too, are lower in these states, sanitary conditions are better and these states attract more investments. The report has been released by the Centre for Global Liberty and Prosperity, Cato Institute, in collaboration with Friedrich-Naumann Stiftung, in Hong Kong on Wednesday.

Economist Ajitava Roy Chowdhury said the economic freedom here means the freedom for private enterprise. "These are essentially perception surveys which may not always reflect the aspirations of the society as a whole," Chowdhury said. "This is exemplified by the Doing Business in Indian cities report from where data has also been used for this study. Since 2009, this study has always put Kolkata at the least destination for business

since 2009."

Economist Aviroop Sarkar also agrees with Roy Chowdhury on this. "Economic freedom here is for private enterprises and not for all. For example, for many, the economic freedom is the ability to read and write. If the government doesn't ensure education for all, the freedom is curtailed. Here, government intervention will always be negative."

On the index of legal structure and security of property rights Bengal figures in the 18th rank. The state is the worst in regulation of labour and business, where it managed to notch the second last position - 19. Debroy and Bhandari conclude, "West Bengal and Punjab are the other two states that have shown significant declines in their ranks since 2009. A range of factors account for the decline in their performance, the most important of which is the decline in the proportion of cases registered under Prevention of Corruption Act."

They add, "With an exception of Andhra Pradesh, Uttar Pradesh and West Bengal all the other states have improved in this measure since 2009." They add, "As many as 8 states have seen a fall in their economic freedom rankings since 2005. The worst performers in 2011 are Jharkhand, West Bengal and Maharashtra. Jharkhand is one state that has performed poorly, its rating has fallen by 0.09 since 2005."

It estimates the economic freedom in the 20 biggest Indian States based on 2011 data, using a methodology adapted from the Fraser Institute's Economic Freedom of the World Annual Reports. The report has demonstrated significant differences in economic governance that exist in India and has focused on state level reforms to improve inclusive economic growth.

Bengal has relatively fared better in only one aspect of the study - the size of government, expenditure, taxes and enterprises. - Bengal fares relatively well than other states.

The more the government role is, the lesser the economic freedom for its people. Bengal is seventh in this section, whereas Haryana tops the list. and Uttar Pradesh the last. The potential of Bengal, the report feels isn't a myth but a reality where the government hasn't created much inhibitors in form of taxes and red tapes.