



Mains Practice Questions

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Approach

- Introduce the topic by giving an idea of economic freedom.
- Discuss the potential of economic freedom for ensuring quality of life.
- Discuss its implications for India

Introduction:

Economic freedom is the ability of people to engage in economic pursuits — producing, selling, and buying goods, services, and labor — as they choose.

Body:

- Well being of a person doesn't only correspond to material well-being, but also social and mental wellbeing like health, education and happiness.
- Correlation between economic freedom and wellbeing: Recently released annual Economic Freedom of the World (EFW) report gives insight into this correlation.
- Material Well Being
- The average income in the freest quartile of nations is a staggering 7.1 times higher than the average income in the least free quartile (\$40,376 and \$5,649 respectively). The bottom 10 percent of income earners in the freest countries make, on average, 7.9 times more than the poorest 10 percent in the least free quartile.

- Extreme poverty (as defined by the World Bank as an income of \$1.90 per day) is almost non-existent in the freest countries and almost a third of all people in the bottom quartile of economies live in extreme poverty.
- Social and mental wellbeing
- In the freest countries, people live on average 15 years longer than those in the most restrictive systems.
- Infant mortality per 1000 births, the devastating death rate in the least economically free nations is 6.8 times higher than the rate in the freest —42.2 and 6.2, respectively.
- United Nations (UN) Gender Inequality Index, the least free countries have an average score of just 0.46—compared to 0.18 for the freest quartile(zero represents complete gender equality and one represents complete inequality).
- Economic freedom is considered as one of the fundamental rights in some constitutions e.g. right to property was earlier recognised in Indian constitution, it is considered as cardinal principle of US constitution, highlighting importance of Economic freedom and well being .
- Fundamental rights are linked to wider well being of individuals. Ability to create asset and the presence of constitutional guarantee that its possession will be protected has impact wellbeing of individuals e.g. in cases of land acquisition if low and arbitrary compensation is paid to a farmer it will influence his well being, his future aspirations and overall choices in life.
- The ability to choose profession of one's liking at a place of one's choice is important economic freedom to unlock the Individual potential. For example if migration as economic activity is restricted in India it will have very high negative impact on well being of Individuals who migrate to other states for work.
- Implications for India:
- India has made more progress against this kind of poverty in the quarter century and the scope of citizens' economic choices has widened than in all the prior decades. This has been made possible by bringing economic reforms (economic freedom) in 1991.
- By 2022, the number of Indians living in extreme poverty is expected to drop to 20 million, according to the Brookings Institution. This is startling progress seeing where India stood at the turn of the century.
- Similarly, concept of Universal Basic Income being promoted for the advantage of economic choice or freedom to provide poor individuals. It rejects the 'one size fits all' approach to poverty schemes which restricts economic freedom of beneficiaries.
- Conclusion:
- India being a developing country requires fast economic growth, social and mental wellbeing of its people and society. India is a large and heterogeneous country. Therefore, all-India measures tend to blur differences across states. Some states are economically more free than others. Consequently, economic freedom exercises need to focus on these inter-state differences.