

# Deregulation in states

XKDR Forum | New Thinkers' Colloquium

Bhuvana Anand | 06 March 2026

# An undertaking

Focussing on List 2 and List 3 subjects to enable growth

# The republic faces a steep challenge ahead: Grow rich before we grow old

- 30-year demographic window
- India has historically been inimical to economic freedom
  - We centralised, we prohibited, we controlled, we gate-kept EVERYTHING
- The case for freedom => growth => prosperity is clear
  - The road to human flourishing in India is through the freedom to make, buy, sell, cooperate, exchange, build, innovate

# Growth and prosperity cannot come about without liberalising List 2+3 subjects.

## The dissent

B.R. Shenoy's dissent to 2nd Five Year Plan's embrace of dirigisme; warning unheeded for 40 years

1950s

## The turning

Intellectual tradition + community of practitioners + reform playbook come together; start to chip away at List 1

1980s-1991

## List 1: Well begun; WIP

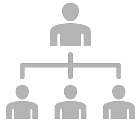
Systematic deregulation of industrial licencing, trade, finance, taxation, telecom

1991-2014

## List 2/3: Terra incognita

List 2&3 subjects, see some tinkering, but no systematic deregulation; (ok, I give you electricity!)

# Why do I care about this terra incognita? 2 out of 3 factor markets are regulated via these lists.



## Labour

The most protected employment regime



## Land

Contested since independence



## Building and construction

The Corbusier bug



## Utilities

Water is political kryptonite



## Mobility

Fenced neighbours



## Commerce

Consumer protection boogeyman



## Environment and public health

The activist strike hard



## Legal status and administration

Can't see you

# But getting deregulation in this space is not obvious.

## *The night is long and full of terrors.*

### The past

Deep political / PR losses for incumbents

Union dictates the frontier/  
model; states at the margin

Union centralised money,  
states chase *daft* revenue

### The promise

36 labs: succeed in 1, others  
follow; fail in 1, go next door

“1 Indian state = 1 XX country”  
meme landed hard

Best chance of paring down  
the concurrent list

### The peril

Subjects touch daily lives,  
every fix is a narrative battle

No community of “liberals”;  
thin body of knowledge

Cracking 1 is hard; “why  
doesn't centre do it”

# What is to be done?

A theory of change to tackle list 2 and 3

# Our theory of change at Prosperiti to engender economic freedom reforms in states

## Knowledge

Spotlight the problem with benchmarking and cost of regulation

## Salience

Drive urgency for reforms through insiders and media, ready reform agenda

## Persuasion

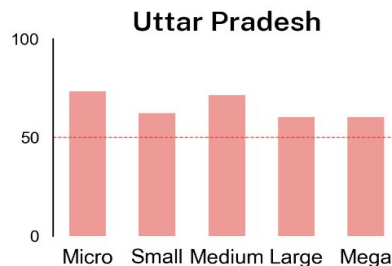
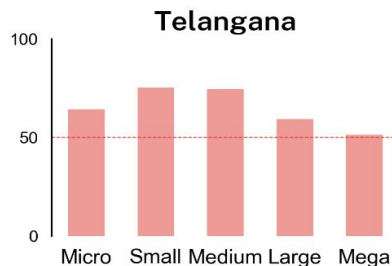
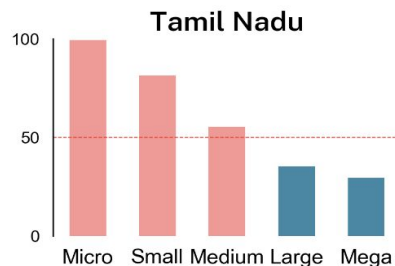
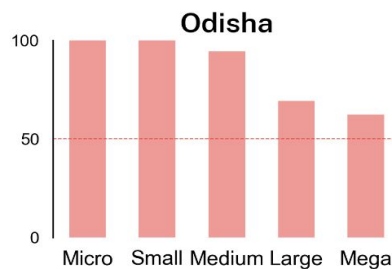
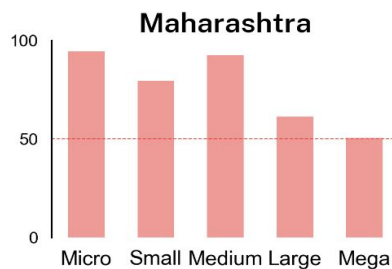
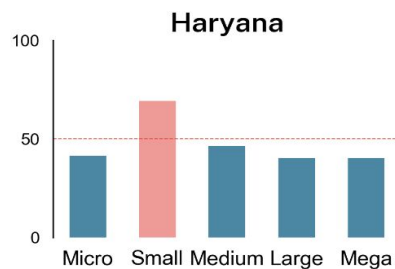
Support pioneer states, from minister to inspector, to execute reforms

## Result

Lower opportunity cost of doing business and create room for more jobs

# 1. Nullius in verba: Assembling a body of facts to let emergence happen

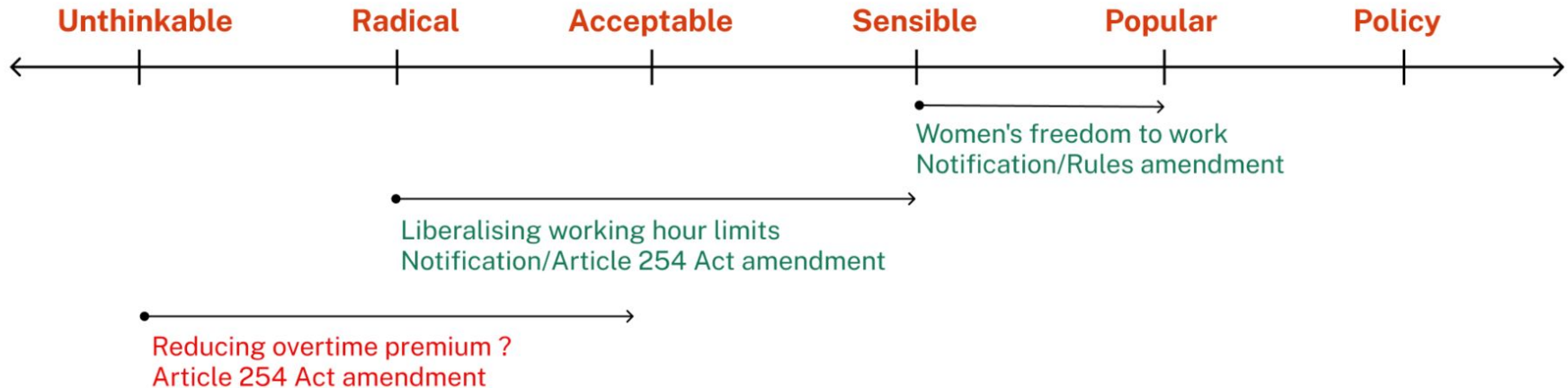
## Documenting cost of factory building regulations



- Memorable factoids for noise
- Single number to converge around
- Easy metrics to understand the problem
- Cost-benefit tradeoff

## 2. Sequencing: Making the sensible popular, make the radical sensible, make the unthinkable acceptable

### Shifting the Overton window on labour reforms



### 3. Government by discussion: Remembering that reform persuasion is a people + process business

#### How reform does not move

*"Get the big guy on board  
and the reform is done"*

- ✗ Top-down directives die in translation; departments interpret, delay, dilute
- ✗ The champion gets transferred; the reform loses its patron
- ✗ Political is at best the starting gun; sometimes the start-killer

#### How reform actually moves

*"Files move from the bottom.  
The negotiation is with the clerk."*

- ✓ The champion can open the door; Technical officers move the file
- ✓ 'Field' officers are better at thinking up "solutions", anticipating roadblocks
- ✓ Competence demonstration after building the case

# Theory of change is nice, we got many wins. But we are struggling on many many questions

**Goodhart's law** When we put out “numbers” that become the goal post; reform chasing as bean counting

**Measuring impact** How do you know reform was useful or important; how do you know it was needed

**Starting fires we can't manage** ‘Move fast break things’ becomes the norm, movement becomes jumla

**Too conservative** Much too comfortable with “second best worlds”; incrementalism leads to ad-hoc mini changes

**Policy as politics** How do we engage the astute timing-sensitive vote-chaser; how to avoid regulatory capture

**Time to think v time to do** When policy engagement starts, research suffers and vice versa

**Saying no** How to respond when the govt says ‘do this quickly’, do xx which we know is stupid

**What is the right regulation** Moving from what to deregulate to what to regulate and how to regulate



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Thank you!

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# Experiments in systematic deregulation for labour laws: Tackling a political landmine

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## Knowledge

*2022-2024*

10 blogs on working hours, survey paper on flexibility, State of discrimination report on women workers

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## Salience

*2024*

Economic survey citations, 6 academics writing papers based on labour datasets, Newspaper articles

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## Persuasion

*2022-2025*

PB: Drafted Rules for new lab codes, UP amends Act under Article 254 to increase working hours after KA

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## Result

*2025*

11 states increase reg working hours + OT; 10 states increase freedom to work for women

# Experiments in systematic deregulation for land use: Solving an urgent ask

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## Knowledge

*2023*

State of Regulation report >> 50% of factory land is lost to building standards, 14 blogs on challenges

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## Salience

*2024 (early)*

Insights fed into Gol's Rs 1.5 lakh crore state capital assistance scheme, building reforms made a pre-condition

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## Persuasion

*2024 (late)*

Line-by-line redrafting with Odisha and Punjab to prepare gazette-ready text, worked with officials through out

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## Result

*2025*

PB and OD increased land use up to 70% of plot; ~20 states revised building rules to increase factory plot utilisation

# Experiments in systematic deregulation: Building a pathway for more to be done

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## Knowledge

*July 2024*

Detailed insights presented to Chief Economic Advisor, insights summarised from public writing

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## Salience

*December 2024*

Deregulation becomes key theme for CS conference + Capital assistance scheme shared with states

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## Persuasion

*February 2025*

Intense grilling with the Cabinet Secretariat multiple times, defending the what, why, how of deregulation

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## Result

*2025*

8 citations + CH in ES, PM called for dereg task force, Budget highlights, 14 reforms notified across 4 frontier states

# Experiments in systematic deregulation for labour laws: Tackling a political landmine

**Problem statement:** *How to improve labour market flexibility to boost jobs and wages?*

## Obvious, easy

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- Allowing women to work at night with safeguards
- Increasing the threshold for contractor's licence

## Obvious, hard

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- Allowing firms to average working hours over months
- Allowing women to work in dangerous operations

## Not obvious, wicked hard

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- Reducing the overtime premium

# Shifting the

Unthinkable: Increasing working hour limits

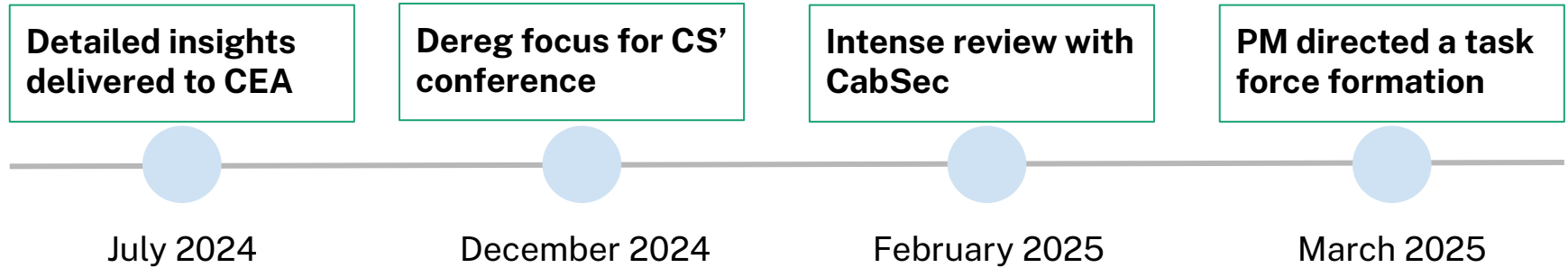
Radical: 2025: KA became the first state to increase working hour limits

Acceptable: 2025: UP, GJ follow suit

Sensible: 2025-26: 11 states allow more regular working hours and OT hours

Popular: Not yet

Policy: Not yet



*Multiple incentives aligned for engineering a national agenda for deregulation*

1. *Public shame incentive: Public writing + Economic survey*
2. *Money incentive: Capital assistance scheme for states*
3. *Shining moment incentive: CS conference*
4. *State competition incentive: Task force performance*

# What worked in our experiments

- 1 **Knowledge first:** Create ammunition rooted in data and literature to persuade.
- 2 **Top AND bottom approach:** Work your way through the system (minister-secy-inspector)
- 3 **The terrain:** List 2&3 are tough political economy problems, the gap that matters
- 4 **A list to chase:** Build momentum with quick wins, never lose sight of the structural change
- 5 **A number to rally behind:** Find that one number that will hook your audience

# 1. Nullius in verba: Assembling a body of facts to let emergence happen

- What moves collective action: Memorable factoids for noise
  - A building must comply with 100+ standards for safety, design, movement
- What problems get salience: Single number to converge around
  - Factories in India lose at least 50% of land to three building standards
- What problems+solutions get discussed: Easy metrics to understand
  - Opportunity cost through jobs lost and value of land lost
- What solutions get picked: Cost-benefit tradeoff
  - A large factory can generate 130 to 255 more jobs by halving the land lost