

Not Much Wiser

THE long awaited Final Report of the National Income Committee promised for early 1951 has at last come out. In fact it has been out for some time but it has not caused much stir and has occasioned very little comment unlike the First Report which evoked such wide interest. We do not need international experts to tell us how poor we are. Had a more accurate and more scientific measure of our poverty been the objective, neither the appointment of the Committee nor its interim report would have attracted any attention except from a handful of statisticians and national income experts. The National Income Committee came into prominence because we were told that for the first time, searching light would be thrown into the dark and hitherto unexplored crevices of our economy, the contributions made by the different sectors to the national income would be brought out clearly and the interrelation between them would be thrown into sharp relief. The planning of development would be greatly facilitated and improved by the results obtained and the study of the tax structure and its re-orientation could be helped in the same manner. Even the Parliament was told that some of the most intricate issues relating to planning and taxation could be resolved only after the National Income Committee's work had been completed.

The visit to India of two of the world's leading experts in national income computation also naturally raised expectations even higher. Economists whose knowledge of under-developed areas, large sectors of which have not yet been invaded by money economy, is admittedly poor, looked forward to the labours of this Committee for new light. The association of the foreign experts, however, produced unexpected results. During the six weeks they spent in this country, there was much exchange of compliments; both Prof Stone and Prof Kuznets expressed great humility in the face of the stupendous problems that the National Income Committee had to tackle. Like those who had come to scoff but remained to pray, they found they had more to learn than to teach about this very difficult and imperfectly explored problem.

If the interim report evoked such wide interest, it was because new ground was being broken. The Committee's work was commended for the wealth of data it had been able to gather. The very tentative estimates published in the First Report were accepted indulgently. A reviewer suggested in these columns very pertinently that the valuable appendices really constituted the major work of the Committee and therefore it was the tentative estimates which should have been put in an appendix and the source materials should have formed the main text of the report.

The Committee took much longer to issue the final report than it had expected. Nearly three years elapsed between the two reports but during this long period, the Committee does not appear to have improved much on its preliminary and admittedly tentative estimates. It has not been able, for instance, to prepare any estimates of consumer expenditure, private saving, private investment and depreciation. And having failed to prepare any of these estimates, the Committee has thought it best to drop the table on national accounts which it had presented in the First Report. There are no new ideas, no fresh analysis except in the way of comparison of real national product over time and very little use of new data or new sources of data.

If a lay critic can sit in judgment over the labours of so learned a Committee, one could perhaps ask why it was not possible to make estimates of depreciation, since these estimates of national income are derived largely from outputs; and if the estimates of depreciation are as bad as all that, would it not have been better to compute only the value of the gross national product? After all this is also an approved and accepted method of computation and is adopted in preference to income estimates in some countries, being much more 'firm'.

Another question that arises is not of statistical technique but of organisation and utilisation of available statistical resources.

Finally, the poverty of matter is matched by the poverty of presentation. Abbreviations like Ag St for "Agricultural Statistics of India" or GIF for the Chief Inspector of

Factories, not to be confused with cif quotations for imports and exports are not infrequent. Tongue twisters, such as "Data on average earnings . . . are published in the ILYB . . ." are, fortunately, rare. The Committee, however, is entitled to its own form of expression, it is the quality of technical work by which the report has to be judged. If the interim estimate of national income was only a "fluffy coat" to a body of promising materials, one can only say that the final estimates are not fluffy, but woolly. There is a long chapter running to 115 pages on estimates in which there is repeated and copious reference to the Appendix to the First Report but no improvement or addition to the sources given in it. Time obviously has not helped the Committee either to digest any better what it had collected then nor to add to the collection.

The Report claims that "The First and the Final Report . . . cover all the terms of reference of the Committee," which were "to prepare a report on the National Income and related estimates, to suggest measures for improving the quality of the available data and for the collection of further essential statistics and to recommend ways and means of promoting research in the field of national income". While the terms of reference would obviously be satisfied better by the two reports - they could technically be satisfied with much less—it is strange that the Committee should consider its task to be completed without an analysis of the data collected by the NSS, and without any attempt at answering any of the fundamental questions about our economy. It is well-known that the NSS is making experiments towards a new type of national income analysis, through estimation of the role of fundamental accounting entities—the household as opposed to non-household enterprises—in the total productive effort in the community. Not a word has been said about this; and no words have been wasted on any conceptual problems. And since this new type of analysis does not exactly fit in with the routine method of estimation developed in the National Income Unit—of what earthly use are the estimates of the net output of small enterprises which are based on a

constantly rising estimate of the working force and an estimate of increasing net output per worker derived as a function of the index of earnings of factory workers?—the Committee has gone so far as to say that "it is . . . difficult to see what precise use could be made of such data (meaning the NSS data) for policy purposes in India . . ." (p 136). On the question whether the NSS data would be of any use whatsoever, the "Committee as a whole does not express any opinion . . ." (p 136), but the Committee does feel bound to recommend *where* the NSS and the NIU should be located, should the former continue. (It is fortunate the Committee feel the NIU should continue in any case.) In this background, to speak of covering "all the terms of reference of the Committee", is a little surprising.

A detailed examination of the estimates presented in the Final Report cannot be attempted here. In any case, it is difficult for an outsider to assess the precise degree of reliability of the sectoral estimates presented in the Report. Much would depend on what alternative methods of estimation are possible, and even doubtful estimates have a place where no better is possible. There has been surprisingly little analytical work for estimation and for trying out different alternative methods for deriving the best possible estimates. A private research worker like Shri R C Desai (of *Standard of Living in India and Pakistan*) had found it possible to make a much more searching and thorough analysis of the price material available for the valuation of agricultural output than has been made by the National Income Committee. This is not an isolated instance, but a pointer to the general standard of work contained in the Committee's Final Report. Indeed, apart from the analysis of Government accounts, by and large the estimates prepared by the National Income Committee give the impression of rather haphazard and scrappy work.

The main defect of the estimates as presented in the Final Report is that over a very large area, the estimates for 1949-50 and 1950-51 are more or less conventional, and seemingly not much attempt has been made to independently check up on the estimates so prepared. Excepting for agriculture where estimates of crop output are available for different years, and for factory

industries for which annual data are available, in most other sectors the estimates are based on a projected value of output for years subsequent to 1948-49. Not even the estimates of the factory industries are free from such bias. For this sector, the Sample Survey of Manufacturing Industries for 1949 and 1950 has been utilised, corresponding estimates of 1948-49 being derived by a backward projection of these two years' estimates. No attempt has been made to make use of the Census of Manufactures in the three years 1948 to 1950, and to relate the overall estimates to the estimates derived from the Census of Manufactures. The Report shows a drop in the net output of factory establishments from Rs 550 crores in 1948 to Rs 540 crores in 1949, when by all counts—including the evidence of the Census of Manufactures—1949-50 recorded a sharp decline in the net output of manufacturing industry, both through a fall in the quantity of output and through a sharp increase in the prices of raw materials. For cottage industries, similarly, the years subsequent to 1948-49 have recorded an upward trend when it is known that 1950-51 was an especially bad year for a number of cottage industries in general and for handloom weaving in particular. For trade also, there is no independence of estimates for the different years; nor are the data on professions, domestic services, and various other sectors in any way independent for the different years. Appendix II at the end of the Report gives an estimate of sector margins of error for 1948-49. To what extent the comparisons over time are valid is not stated. In Appendix III, a comparison has been made between the estimates for 1948-49 as given in the First and the Final Reports. The net output of Government services (Administration) would be seen to have dropped from Rs 460 crores to Rs 400 crores in the Final Report—a fall of more than 13 per cent. In the table on sector margins of errors, it is estimated that the likely error attaching to the estimates for this sector would be 10 per cent. In Railways, similarly, the net output has dropped from Rs 200 crores to Rs 170 crores. This reflects a drop of 8½ per cent. It is not clear why, when the accounts of railways and of Government were available at the time the estimates were framed for the First Report, such large differences should arise at least for these

sectors. The estimate for factory establishments is made subject to an error of 10 per cent when the estimate of Government and of railways, for which proper accounts are available, are also subject to an error of 10 per cent!

If the estimates prepared by the National Income Committee are really as untrustworthy as the Committee has made out in Appendix II, it is not clear what precise use can be made of the extremely elaborate and neatly printed details of the output of different crops, different livestock products, and of the net income in different sectors of cottage industry and of trade, for the three years 1948-49 to 1950-51. It is remarkable how the *imputed* value of *lassi* has declined from Rs 58 crores in 1948-49 to Rs 45 crores in 1950-51. It is mystifying to see the number of rural houses going down from 542 lakhs in 1948-49 to 541 lakhs in 1950-51. If one is not prepared to accept that the number of rural houses has been going up one would at least have thought that until more information on the subject were available the number of the rural houses could perhaps have been estimated conventionally at a constant figure over these years.

These are only a few instances of the general pattern and quality of work in a report which has taken 57 meetings of a high power National Income Committee and which have taken about five years in preparation (or at least three years for the estimates published in the Final Report).

The above may, to some people, appear to be a rather uncharitable view of what is probably destined to become a text book in economics for all Indian Universities. There would undoubtedly be many points to praise in the National Income Committee Report, but comparing the much more hurried and smaller First Report published well nigh three years back and the Final Report, one is constrained to say that the Final Report of the National Income Committee has not added very much to the stock of knowledge on the subject of national income estimation in this country, except in the way of the rather dubious estimates for 1949-50 and 1950-51.

The printing and get up also sadly lack the excellence and distinction of the First Report,