

FIRST REPORT OF THE NATIONAL INCOME COMMITTEE APRIL 1951

CHAPTER ONE INTRODUCTION

1.1. The National Income Committee was appointed under the Government of India Resolution No. 15(33)-P/49, dated the 4th August, 1949, which reads as follows:—

“The Government of India have been giving consideration for some time to the inadequacy of the factual data available for the formulation of economic policies. One important gap is the absence of authoritative estimates of the national income and its various components. The Government of India have accordingly decided to set up a committee to advise how best this gap could be filled up. The terms of reference of the committee are 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. The Committee will also guide the National Income Unit of the Government of India to compile authoritative estimates of the national income.

2. “The Committee will be constituted as follows:—

Chairman: Professor P. C. Mahalanobis, F.R.S., Indian Statistical Institute, Calcutta.

Members: Professor D. R. Gadgil, M.Litt., Gokhale Institute of Politics & Economics, Poona.

Professor V. K. R. V. Rao, Ph.D., D.Litt., Delhi School of Economics, University of Delhi.

Secretary: Shri R. C. Desai, Ph.D., National Income Unit, Ministry of Finance, New Delhi.

The Committee will have power to co-opt as and when necessary any other person to attend its meetings.

3. “Arrangements are being made to secure the advisory help of Professor Simon Kuznets, Ph.D., University of Pennsylvania and of the National Bureau of Economic Research, New York; Mr. J. R. N. Stone, C.B.E., Department of Applied Economics, University of Cambridge; and Dr. J. B. D. Derksen, Ph.D., National Income Unit, United Nations Statistical Office, Lake Success, New York.

4. “The headquarters of the Committee will be at New Delhi. The report of the Committee will be submitted to the Government of India in the Ministry of Finance.”

1.2. Dr. R. C. Desai resigned from the post of Secretary on the 25th December, 1949. Shri M. Mukherjee was appointed as the Secretary of the

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Committee from the 26th December, 1949, and has been working in this capacity since then.

1.3. The National Income Unit of the Ministry of Finance was formed under the Government Order No. 29(G) in the Memorandum No. F.8(23)-Est.I/49, dated the 30th July, 1949, as an attached office in the Ministry of Finance. Dr. R. C. Desai was in charge of the office till his resignation since when Shri M. Mukherjee has been in charge. Dr. A. K. Ghosh (from August 1950), Dr. D. N. Saxena (from February 1951) and Shri T. N. Joseph (from August 1949) are the other research workers who participated in the work of the Unit. The National Income Unit has been working in full strength only from July 1950, and even then had to undergo some dislocation in September 1950, three junior members of the staff having to be changed as a result of the U.P.S.C. decisions. On an average, roughly 6 technical man-months have been spent every month since the inception of the National Income Unit, the total technical manpower used in the work being roughly 115 man-months during a period of 20 months.

1.4. The National Income Committee held 30 meetings in all, details being given below:—

1st	Meeting	: 13th August, 1949 at New Delhi
2nd	„	: 11th November, 1949 „
3rd	„	: 13th December, 1949 „
4th	„	: 10th March, 1950 „
5th	„	: 29th July, 1950 „
6th	„	: 28th November, 1950 „
7th	„	: 29th November, 1950 „
8th-11th	Meetings	: Between 26th-29th December, 1950 at Calcutta
12th-24th	„	: Between 15th-23rd January, 1951 at New Delhi
25th	Meeting	: 20th March, 1951 „
26th-30th	Meetings	: Between 8th-15th April, 1951 „

1.5. Seven meetings were held prior to the visit of the foreign advisers in which the working papers prepared by the National Income Unit were examined, new lines of work suggested, and recommendations made for facilitating the collection of statistical information required by the Committee. Prof. Simon Kuznets, Mr. J. R. N. Stone and Dr. J. B. D. Derksen, the foreign advisers to the National Income Committee, visited India during the winter of 1950-51 and stayed here for more than a month. They attended all the meetings of the National Income Committee from the 8th to the 24th. They also had informal discussions with the different Ministries, the Indian Statistical Institute in Calcutta, the Gokhale Institute of Politics and Economics at Poona, and the Reserve Bank of India in Bombay. Dr. Rao was present throughout these

discussions; Prof. Mahalanobis was present in Calcutta and Delhi; and Prof. Gadgil in Calcutta and Poona.

1.6. The tentative estimates prepared by the National Income Unit were reviewed in the Delhi meetings, and the National Income Committee along with the foreign advisers took decisions on the shape of the preliminary report and the nature and form of the tables in which all national income data were to be presented. The form and contents of the final report to be prepared in course of the year were discussed in these meetings and certain broad decisions were arrived at. The advisers left by the end of January 1951.

1.7. The draft of the preliminary report was considered at the 25th meeting of the National Income Committee held on 20th March, 1951, and was subsequently revised by the Chairman and Dr. Rao. The revised report was again considered at five meetings of the National Income Committee held between 8th and 15th April, 1951, and was finally adopted with certain changes. Prof. Gadgil could not attend the last six meetings due to his absence abroad, but he suggested that if the Chairman and Dr. Rao so desired, the report could be published with the statement that he participated in the preparation of the general framework and the synopsis but was not able to be present at the time of the final discussion of the report.

1.8. The preliminary report is being released mainly to furnish government with an estimate of the national income for 1948-49 without delay, and does not cover all the terms of reference of the Committee. Their final report, however, will cover all the terms of reference and is expected to be presented early in 1952.

1.9. It would be useful to give here a brief indication of the form and contents of the preliminary report. The report consists of 7 chapters and an appendix. Chapter 1 is introductory. Chapter 2 deals with the concepts used in national income analysis, and gives a brief indication of the use of national income estimates in the formulation of economic policy. Chapter 3 deals with the inherent difficulties in the estimation of national income and allied data for India, and gives a broad account of the range and types of statistical material used in the preparation of the estimates presented in the report. Chapter 4 gives a general description of the methods of estimation used in the report. Chapter 5 contains estimates of the national income of India for 1948-49, in different economically useful forms, and includes brief comments on the manner in which this material can be used in the handling of various questions confronting our economy. Chapter 6

contains a social accounting framework for the presentation of national income data, symbols being used wherever actual figures are not available due to inadequacy or unavailability of data such as depreciation provision, consumer expenditure, private saving, and private investment. Chapter 7 gives a brief account of the new statistical material useful for national income work that is likely to become available in the near future, and gives some indications of the form and contents of the second and final report of the Committee. The appendix contains detailed notes on the methods of estimation used in calculating the various figures which form the basis of the tables presented in chapters 4, 5 and 6.

1.10. It would be fitting to close this chapter with acknowledgement of help received in the work of the Committee. First of all, the Committee's thanks are due to the three distinguished foreign advisers, whose participation in their discussions constituted a most valuable contribution and has left an indelible impression on the form and contents of the report.

1.11. The Committee's thanks are also due to the members of the National Income Unit for the hard and untiring work they have put in. Despite the frequent changes in staff and the shortness of time at their disposal, the Unit has carried out the arduous task entrusted to them by the Committee. It is the NIU which is mainly responsible for the details of the calculations, the results of which are presented in this report. While all the members of the Unit deserve the thanks of the Committee, they would like to make particular mention of the Secretary of the Committee and Chief of the Unit, Shri M. Mukherjee.

1.12. The Committee's thanks are also due to the various Ministries of the Central Government and their attached offices who gave their ungrudging co-operation to the Committee and the Unit in their work. Thanks are also due to the Governments of Bombay, Madras, U.P. and West Bengal who were particularly prompt in supplying information asked for by the Committee. The Reserve Bank of India gave their unstinted cooperation and undertook some valuable studies at the instance of the Committee. The Committee's thanks are due to this national institution not only for help received but also for the help which will no doubt be forthcoming in the future as well. Finally, the Committee's thanks must be extended to the Indian Statistical Institute for placing a number of its research workers at the disposal of the NIU as well as for the general co-operation that they gave to the officers of the Unit. The Committee have no doubt that the position occupied by the Chairman as Director of the Indian Statistical Institute has proved to be of real assistance to them in their work,