

# FINAL REPORT OF THE NATIONAL INCOME COMMITTEE

FEBRUARY 1954

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, extracts from which are given below:—

“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 and Economics, Poona.

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

Arrangements were 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 Accounts Branch, United Nations Statistical Office, New York, who came to India in December 1951 and attended 17 meetings of the Committee between 26 December, 1950 and 23 January, 1951.

The National Income Unit (NIU)\* was formed under the Government Order No. 29(G) in the Memorandum No. F.8(23)-Est.1/49, dated the 30th July, 1949, as an attached office in the Ministry of Finance.

1.2. The *First Report of the National Income Committee* was signed on 15 April, 1951. In the following paragraphs an account is given of the subsequent activities of the Committee.

1.3. The estimates for 1949-50 were prepared by the NIU and were circulated to the members towards the middle of August 1951. No regular meeting of the Committee took place till 16 November, 1951, but members maintained touch with the Unit and gave instructions on preparation of the estimates. Professor D. R. Gadgil visited the Unit on a few occasions and there were a number of meetings between Dr. V. K. R. V. Rao and the Secretary. The Chairman also looked after the detailed work of the Unit in certain directions.

1.4. Four meetings of the National Income Committee (NIC) were held between 16 and 18 November 1951, and two meetings on 21 and 22 February 1952, in New Delhi, in which the form and contents of the report and the estimates were considered. In this session a rough outline of the final report was got ready by the members, and the NIU was asked to circulate a draft of the report on the agreed outline. However, at its 41st meeting held on 10 October, 1952 which was attended by the Finance Minister, it was decided at his suggestion that the Committee should examine the National Sample Survey (NSS) from the standpoint of national income estimation. The Committee subsequently met on a number of occasions in 1953 and early 1954. The Final Report was signed in the 57th Meeting of the Committee held on 14 February, 1954.

1.5. The report consists of 4 chapters and 4 appendices. Chapter 1 is introductory. Chapter 2 presents the estimates of national income for 1950-51, 1949-50 and 1948-49 in different economically useful forms with a description of the method of estimation. Chapter 3 gives a review of the gaps in existing statistics and makes recommendations for the improvement of the quality of the available data and for the collection of essential statistics required for estimating national income. Chapter 4 deals with ways and means of improving national income estimates and of promoting research in this field. In the First Report various general questions on national income and related estimates had been discussed. The First and the Final Report thus cover all the terms of reference of the Committee.

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\* For abbreviations used see glossary in the end.

1.6. Appendix 1 gives estimates for 1950-51, 1949-50 and 1948-49 all expressed at 1948-49 prices and enables the reader to get some broad idea of the variation in real product during the period. Appendix 2 gives an account of the error margins involved in the estimates presented. Appendix 3 presents the estimates for 1948-49 as given in our First Report side by side with the revised estimates for the same year as given in this report. Appendix 4 gives a bibliographical list of the sources of data used.

1.7. It would be fitting to close this chapter with an acknowledgment of help received in the work of the Committee. A large number of institutions (both Government and private) helped materially in the work of the Committee. Help was also received from a number of research workers in the field in their individual capacity. The Committee's thanks are also due to the foreign advisers Professor Kuznets, Mr. Stone and Dr. Derksen.

1.8. Lastly, we express our gratitude for the help we received from the Ministry of Finance. Both Dr. John Mathai, who was Finance Minister at the time of the inception of the Committee, and Shri Chintaman D. Deshmukh, the present Finance Minister took an active interest in our work and were present at some of our meetings. Shri Pares Chandra Bhattacharyya, Joint Secretary, Ministry of Finance\*, helped in our work in all possible ways. The National Income Unit under the leadership of Shri Moni Mohan Mukherjee, the Secretary of our Committee, prepared the estimates and performed the secretariat work with initiative and competence.

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\* Now, Financial Commissioner, Railway Board