APPENDIX ONE

COMPARISON OF NET NATIONAL OUTPUT AT CONSTANT PRICES

A1.1. We have attempted here to present rough estimates showing the variation in real output of the country. As the balance of factor incomes flowing out of the country is very small in relation to the national product, we have evaluated only the domestic product at constant prices and added to this the undeflated net balance of international factor income flows to get the estimate of national product at constant prices.

A1.2. For estimating the domestic product at constant prices we have not used the wholesale price or the cost of living index as a national deflator. Instead we have attempted to obtain indications of the measure of change in national real output by covering each main category of contribution to national income and estimating it by method appropriate for that category. The major difficulty attendant on this procedure has been the fact that in some sectors, estimation of output has been on the basis of average earnings and number of workers rather than on the product approach. But this is a difficulty inherent in the estimation of India's national income in the context of currently available data, and applying an index number of wholesale prices or cost of living as deflator does not solve the difficulty. Subject, therefore, to this inherent limitation, viz., that by virtue of the basis of calculation of broad components of India's national income, these do not lend themselves easily to the task of computation at constant prices, we have followed the procedure indicated below.

A1.3. In all the sectors where estimation is based on the product approach, we have evaluated physical production for the current year at the base year prices for as many items as possible. This procedure covers the sectors agriculture, animal husbandry, forestry, fishery, mining and factory establishments and thus covers no less than 55.9 p.c. of the net output in 1950-51. We have, however, retained the base year cost/product ratios for lack of adequate data. This is the major source of error in this part of our estimation.

A1.4. In the small enterprises sector, in the absence of any suitable indicator of the movement of output, an index of consumer prices has been used for deflation purposes. In fact, the indicator used is the deflated value of the consumer expenditure on the products of small enterprises.

A1.5. The indicators in the sector 'communications' are the number of letters, etc., carried and the number of telegrams sent. The different indicators have been combined by making use of the ratio of base year expenditures. The railway product has been adjusted by a weighted average of ton-miles and passenger-miles the weights being the base year expenditures. For banks, we have used the number of cheque clearance and for insurance, the number of policies. For co-operative societies, the total membership is taken to give an indication of movement of real product. For the sector, 'other commerce and transport', since our estimate by product approach is based on the marketed surplus of goods and certain fixed distributive margins, the deflated value of marketed surplus is assumed to give an indication of the real movement of output.

A1.6. For professions and liberal arts, domestic service and house property, deflated consumer expenditure on these gives the appropriate indicator. However, for teaching and law, real indicators, *viz.*, the number of pupils in the former and the number of law-suits in the latter have been used. The output of government administration has been left unadjusted on the implicit assumption that the real net output of government administration is measured by the money-wages paid.

A1.7. It will be seen from the above that estimates of real product by industrial origin are not satisfactory. Nevertheless, they do convey some indication of the changes in real output. The estimates are, therefore, presented for what they are worth in the table below.

TABLE A1.1 : VARIATION IN REAL PRODUCT IN THE INDIAN UNION.

(Base 1948-49).

items	1950-51		1949-50		1948-49	
	Rs. abja*	p.c.	Rs. abja*	p.c.	Rs. abja*	p.c.
(1)	(2)	(3)	(4)	(5)	(6)	(7)
sectors using product approach						
1. agriculture, animal husbandry and ancillary activities	42.3	47.8	42.6	48.3	41.6	48.1
2. forestry	0.7	0.8	0.7	0.8	0.6	0.7
3. fishery	0.4	0.4	0.3	0.3	0.3	0.3
4. mining	0.7	0.8	0.6	0.7	0.6	0.7
5. factory establishments	5.4	6.1	5.4	6.1	5.5	6.4
total	49.5	55.9	49.6	56.2	48.6	56.2
other sectors						
6. small enterprises	8.7	9.8	8.6	9.8	8.7	10.0
7. communications (post, telegraph and telephone)	0.3	0.3	0.3	0.3	0.3	0.3
8. railways	2.0	2.3	1.9	2.2	1.7	2.0
9. organised banking and insurance	0.6	0.7	0.6	0.7	0.5	0.6
10. other commerce and transport	13.7	15.5	13.6	15.4	13.5	15.6
11. professions and liberal arts	4.5	5.1	4.6	5.2	4.3	5.0
12. government services (administration)	4.3	4.9	4.1	4.6	4.0	4.6
13. domestic service	1.2	1.3	1.2	1.4	1.2	1.4
14. house property	3.9	4.4	3.9	4.4	3.9	4.5
total	39.2	44.3	38.8	44.0	38.1	44.0
net domestic product at factor cost	88.7	100.2	88.4	100.2	86.7	100.2
net earned income from abroad	—0.2	—0.2	—0.2	—0.2	—0.2	—0.2
net national output at factor cost = national income	88.5	100.0	88.2	100.0	86.5	100.0

* abja = 100 crores = 10^9

A1.8   We give below a table furnishing the aggregates of nεt national output at current prices and at 1948-49 prices along with the corresponding per capita figures.

TABLE A1.2 :   COMPARISON OF MOVEMENT OF NET NATIONAL OUTPUT AT CURRENT AND CONSTANT PRICES

	net output (Rs. abja*)		per capita net output (Rs.)	
	current prices	1948-49 prices	current prices	1948-49 prices
(1)	(2)	(3)	(4)	(5)
1948-49	86.5	86.5	246.9	246.
1949-50	90.1	88.2	253.9	248.6
1950-51	95.3	88.5	265.2	246.3

*abja=100 crores=10^9