

## CHAPTER FOUR

RECOMMENDATIONS ON INSTITUTIONAL SET UP FOR  
CONTINUED WORK IN NATIONAL INCOME

4.1. Work on national income can be contemplated at different levels. We may think of work connected with estimation of certain aggregates and accounts relating to a past period. This process of estimation involves a study of concepts and definitions, a critical examination of available statistical material, and the using of the material for arriving at the estimates. In the absence of a more appropriate term, we will speak of this type of national income work as the compilation aspect of national income estimation. Another aspect of the work relates to the utilisation of the national income estimates and other relevant data to find out the possible course of these estimates in future, and also to find out the hypothetical courses when a given set of policy decision is taken. This type of work, which makes the national income estimates useful for policy purposes, may conveniently be called the budgeting aspect of national income work. There is also need of continuing research work an important aspect of which is economic analysis.

4.2. Obviously, the basic work is that of compilation. For this purpose we recommend that the NIU be placed on a permanent basis. The main work of the NIU will be the compilation of annual estimates of national income and its various breakdowns based on a study of all continuing series of governmental statistics and other ancillary information. The estimates prepared by the NIU should be presented in the form of an annual paper analogous to the White Paper on national income in the United Kingdom.

4.3. An essential part of the work of the NIU should be to maintain contact with all agencies concerned with the collection of data to secure a continuous improvement of official statistics from the point of view of national income estimation. This work must, of course, be undertaken in collaboration with the CSO and other agencies interested in the improvement of official statistics. Also, the NIU should have an opportunity to review all new proposals for the collection of data by central agencies from the angle of national income estimation.

4.4. General lack of critical examination of statistical material on the part of the departments concerned, has, in our experience, been a serious difficulty in the work of national income estimation in this country. Definitions and concepts used by the departments are sometimes only imperfectly known to them. As a result of this, the NIU had to devote a great deal of time to these problems. With the inauguration of the CSO, it may be noted that a large part of this work has devolved on this institution and hence the burden of work in the NIU is likely to diminish in

144

future. Offices devoted purely to the compilation of national income estimates are usually small in other countries, and the work in most cases is based on material largely processed elsewhere. Thus, in the United Kingdom, the preparation of the annual White Paper on national income is the responsibility of only two or three persons. It is not possible, in India, to carry on with so small a staff. The desirable course would be to start the permanent organisation with the present strength of the NIU.

4.5. The NIU was established in the Ministry of Finance and has been a part of the Department of Economic Affairs since its inception. While there is some advantage in continuing this arrangement, there are good reasons for transferring the NIU to the CSO\*. The NIU is concerned with statistical material of all varieties which flows to the CSO as a matter of routine but which does not come to the Ministry of Finance in an equally routine manner. The CSO is also responsible for the processing and critical examination of statistical information required for central needs. As the NIU is engaged in similar work in respect of data needed for national income estimation, it follows that it will be of advantage to integrate the work of the NIU with the CSO. This would avoid considerable duplication of work at a superior level and will promote overall economy. Lastly, location in the CSO would enable the NIU to present its point of view in connection with all fresh schemes for the collection of data in an effective manner and bring about a gradual improvement of the statistics required for national income estimation.

4.6. We have already referred to the need of continuing research in the field of national income. A part of such research would, of course, be done in the NIU. There is also the need of organising research in non-official institutions and universities. To quote the First Report, "analysis, historical studies, and current utilisation of national income data in the manifold fields of economic policy are absolutely essential and can best be undertaken by non-official research workers and institutions" (p. 51-52).

4.7. It is one thing to emphasise the need of research in the field and it is another thing to suggest definite steps to organise such research. We do not think that a stage has come in which we can effectively recommend the creation of special institutions in the field. We would recommend, however, the financing, in selected research institutions, of small research sections in national income work with one or two analysts supported by the necessary computational and clerical staff. In addition, we suggest the grant of scholarships and fellowships for research work in national income. It is understood of course that the receivers of such grants will submit from time to time full report on the work done, and it will be open to the Government to review these grants on the basis of the work done.

---

\*The Chairman reserved his opinion on the view expressed in the sentence.

4.8. We hope that research work on national income will be stimulated in a number of research institutions and universities as a consequence of the publication of our two reports and will be sustained by the systems of grants which we have recommended in the last section. A stage will then be reached when it will be useful for the research workers in this field to come together for exchange of views and of experience. This is the appropriate time for starting a National Income Conference. In this Conference, research workers both from private institutions and from Government departments should meet and discuss their problems and plan further lines of progress. We expect that the initiative in this matter would come from the research workers themselves. The constitution and mode of operation of the body they form need not be detailed here. However, we have no hesitation in recommending that once such a body is formed, Government should give it all possible aid.

4.9. As it may take some time before a National Income Conference of the type envisaged in the last paragraph starts to function effectively, we recommend as an interim measure the setting up of a small Advisory Committee on National Income. The main function of the Committee will be to pass under review the annual paper on national income prepared by the NIU and also other work in the field and to advise Government on the institutional grants, scholarships and fellowships recommended above.

4.10. While we have not been able to accomplish much, we feel that we have at least laid down a proper foundation for the work of national income estimation in the country. We hope that rapid strides will now be made, and we envisage that, in near future, accumulated knowledge in the field will be sufficient for planning purposes or policy decisions.

P. C. MAHALANOBIS,  
Chairman.\*

D. R. GADGIL,  
Member.

V. K. R. V. RAO,  
Member.

M. MUKHERJEE,  
Secretary.

NEW DELHI,  
14th February, 1954.

---

\*In my opinion it is for the National Income Committee to indicate what new data should be collected or what improvements are necessary in the information at present available. It is the function of statisticians to consider what technical methods would be most appropriate; and it is the responsibility of Government to decide what administrative machinery or set up would be most suitable for the purpose in view.

I am signing the report subject to reservation of opinion in certain matters which fall within the sphere of responsibility of statisticians or of Government; some of the important points have been indicated by asterisks and footnotes in the text of the report. As I am making the reservations on general principles, it is not necessary to discuss the merits of each individual case; also, my reservations do not necessarily imply that my views are different from those of my colleagues in every case.

P. C. MAHALANOBIS