



General Studies-3; Topic: Indian Economy and issues relating to planning, mobilization of resources, growth, development and employment.

Measuring Economic Inequality

Introduction

- How well an average person does in life is determined largely by an accident of birth.
- A child born in rural Tamil Nadu is better nourished and educated, on average, than one born in rural Chhattisgarh.
- There are stark differences in economic outcomes even within states.

Tracking regional inequality

- In the national accounts estimates released each quarter, there is no way of knowing how much each state has contributed to the national total.
- The few states that do compile such estimates do not release them publicly.
- Annual estimates of state domestic product (SDP) are issued after a long-time lag.
- District domestic product (DDP) estimates depend on guesswork to a large extent.

Estimating state income

- It was only after India's independence that estimating state income became a priority.
- Following recommendations of the National Income Committee in the early 1950s, a handful of states began preparing state income estimates.
- India's second five-year plan funded the establishment of statistical bureaus.
- The Planning Commission and Finance Commission demanded that the Central Statistical Organization produce comparable SDP estimates.

- Each Finance Commission still relies on “comparable” SDP estimates produced by the Union ministry of statistics and programme implementation (Mospi).

Concerns / Challenges

- In most states, the directorates of economics and statistics (DES) are headed by uninterested civil servants or by statisticians.
- Lack of attention and funding from state governments has made these DES highly dependent on Mospi.
- Several flagship surveys of Mospi are now run without involving state DES.
- Mospi deployed staff from Common Service Centres (CSC) run by the IT ministry to collect data.
- Some DES officials opposed the move, arguing that CSC staff lacked exposure to basic statistics.
- SDP estimation has also been a bone of contention since the 2015 base-year revision.

Various Recommendations

- The Dholakia committee report in 2020 recommended that both state and national incomes should be estimated using a bottom-up approach.
- This would improve the accuracy of state as well as national totals.
- The Mukherjee committee had made similar arguments.

Way Forward

- Acknowledging a crisis in state statistical systems is the first step towards solving it.
- In 2020, the Madhya Pradesh (MP) government set up a statistical task force to review its statistical system.
- The task force report is an eye-opening account of the deep rot in the state’s statistical system.
- Other states need to follow its lead and chart a roadmap for revamping their statistical systems.
- Without it, it is difficult to expect granular high-quality data-sets from states.