

Pathetic State of the Economy: Modi government hides data*

Prabhat Patnaik

The National Statistical Office (NSO) has decided not to release the quinquennial survey data on consumer expenditure for 2017-18. This is because these data, leaked by The Business Standard (Nov.15) show a drop of 3.7 percent in real per capita consumer expenditure between 2011-12 and 2017-18, from Rs.1501 per month to Rs.1446 per month (at 2009-10 prices).

An actual drop in per capita consumer expenditure is an extremely serious matter. Such a drop has occurred for the first time in over four decades; the previous occasion when a drop had occurred was in 1972-73, when a poor harvest had combined with the first oil shock by OPEC to push up inflation and to squeeze drastically the real purchasing power in the hands of the people. Those however had been erratic disturbances: either external factors (OPEC price-hike) or episodic factors (poor harvest) for which the government could not be held responsible, though it could of course be faulted for the way it handled these disturbances.

In 2017-18 there are no such erratic disturbances outside of the government's control. The only disturbances that had shaken the economy during the 2017-18 survey period were the demonetization of currency notes and the rolling out of the Goods and Services Tax, for both of which the Modi government was solely responsible.

To be sure, these disastrous decisions alone cannot explain the fall in per capita consumer expenditure. The incidence of the fall has been particularly sharp in rural India where per capita expenditure has declined by 8.8 percent between 2011-12 and 2017-18, compared to a rise, though by a mere 2 percent, in urban India between these dates. And in rural India signs of distress had been visible for quite some time, quite apart from demonetization and GST. The latter in short acted on an already distressing situation to make it more distressing; but it is not as if the situation was tolerable otherwise.

The clearest proof of this comes from production data. The government is claiming that production data run contrary to the data on consumer expenditure, but this is a false claim. If we take the current price net value added in "agriculture and allied activities", which is the source of all incomes derived within this sector, and divide it by the agriculture-dependent population (estimated by assuming that its ratio in total population did change over a short period), then we find that, deflated by the consumer price index for rural India, the per capita real income of the agriculture-dependent population declined slightly between 2013-14 and 2017-18. Since the agriculture-dependent population also includes the landlords and the agricultural capitalists, who have a large share despite being few in number and whose incomes could be safely assumed not to have fallen over this period, the decline for the bulk of the rural population, the working people of rural India, must have declined even more sharply. (And even if the ratio of the agriculture-dependent population in total population is assumed to have fallen over this period, the fall could not have been large enough to negate this conclusion). The same conclusion holds if we change the terminal date from 2017-18 to 2016-17, i.e. before demonetization could have had any impact. It follows that whatever impact demonetization (and the GST) had was

superimposed upon an agrarian economy already in distress because of the neo-liberal policies being pursued by successive governments, and pursued with particularly ruthless single-mindedness by the Modi government.

The decline in food expenditure has been especially sharp, by as much as 10 percent in per capita terms between 2011-12 and 2017-18 in rural India. This must have increased the magnitude of poverty quite significantly. Contrary to official claims, the magnitude of poverty which is defined with respect to a calorie norm in India had been rising both in urban and in rural areas over the period of neo-liberal policies. This is evident if we compare the figures for 1993-94 and 2011-12 (both quinquennial survey years). This magnitude must have got a further sharp upward push in 2017-18.

It is typical of the Modi government to suppress these data on consumer expenditure which it finds uncomfortable. It had done the same with employment data before the Lok Sabha elections, which had shown an unemployment rate higher than ever before in the last 45 years; but these data at least were officially released afterwards. With regard to the consumer expenditure data however it has decided not to release them at all. It will wait till 2021-22 for the next quinquennial survey, by which time it would have suitably modified the method of data collection to ensure that it gets a prettier picture, before it comes out with any figures on consumer expenditure.

The argument it has advanced for suppressing the consumer expenditure data are quite absurd: the “data quality” according to it is poor. But this is a matter that could have been left to the researchers and the public at large, instead of being decided by a set of bureaucrats and hand-picked “experts”. The government could have just released the data and taken the stand that not much should be read into them because of poor “data quality”.

In fact when the quinquennial survey on consumer expenditure in 2009-10 showed a substantial increase in poverty compared to 2004-05, the government of that time ordered a fresh large sample survey in 2011-12. The argument advanced was that the 2009-10 survey could not be taken seriously because it had been carried out during a drought year; but that did not prevent the government of the time from releasing the data for 2009-10. And indeed 2011-12, which was a good crop year, showed a substantial increase in per capita consumer expenditure compared to 2009-10, though it did not negate the conclusion about a rising trend of poverty (in terms of calorie deprivation) in the neo-liberal period.

In fact this is the first time that the data thrown up by an official statistical survey have been entirely suppressed, with all the expenditure undertaken for the survey going down the drain. For a government to waste so much of the nation’s resources, by commissioning a survey whose results are then suppressed, just because it does not want its hype about acchhe din destroyed, shows a level of megalomania that is unimaginable.

What is even more worrying is that its megalomania would destroy the statistical system that the country had built up so painstakingly under the leadership of Prof. P.C. Mahalanobis, when Jawaharlal Nehru was the Prime Minister. The National Sample Survey that Mahalanobis had set up was the largest sample survey in the world, a source of information unparalleled anywhere in the third world, a matter of pride for the country, and an immensely valuable input for research. To muck about

with it, to destroy this valuable source just so that the hollowness of the government's claims about its "achievements" is not exposed, constitutes an instance of criminal callousness.

The government argues that the consumer expenditure data are not in keeping with other official indicators, and that this is the basis of its argument that the "data quality" is poor. But these data are completely in conformity with what one gleans from all other sources. They are in conformity with the unemployment data mentioned above. They are in conformity with the agricultural income figures mentioned above. They are in conformity with the massive downturn that the economy is experiencing at present, when not a day passes without some fresh news appearing about its miserable performance. The fact that the sales of even simple consumer items like biscuits have been falling of late is in conformity with the absolute decline in per capita consumer expenditure.

When the nation is in the grip of a severe economic crisis, instead of using every bit of available information to understand the crisis, the Modi government is suppressing valuable information. This is the measure of its seriousness in overcoming the crisis.

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