

REDISTRIBUTION OF CONSUMER EXPENDITURE THROUGH TAXATION AND BENEFITS AND LEVEL OF LIVING—A CASE STUDY OF WEST BENGAL

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1. *Introduction*

A series of studies on level of living on the basis of consumer expenditure data have so far been made in this country in the last decade and also during the recent past particularly after the announcement of the historic slogan 'garibi hotao' (remove poverty). Similar studies were also made in other countries. Recently, Mukherjee and others¹ have critically reviewed a number of estimates on disparities in level of living including their methods and coverages. Most of these studies suffer from one or the other drawback and do not give comparison of *actual* level of living.

The object of this study is to examine disparities in the actual level of living among various economic classes both in rural and urban areas. To make effective comparison of such disparities, reduction in the consumption capacity of income through indirect taxation, and benefits enjoyed in cash and kind out of government expenditure on social services and subsidies having redistributing effects on level of living have been taken account of in this study. Rural-urban price differentials by economic classes have also been considered.

This study is confined for the people of West Bengal, a state of the Indian Union. The period of comparison is 1964-65.

2. *A Review*

Most of the earlier studies compared disparities in level of living simply by the size distribution of consumer expenditure. They suffer from absence of satisfactory inter-regional differentials in consumer prices^{2,4}. It is a common feature that price movements are very fluctuating not only between rural and urban sectors but between different expenditure classes of people apart from inter-temporal fluctuations. National Sample Survey (NSS) data on consumer expenditure also hold the similar evidence.³ The prices clearly increase with increasing household expenditure or income in both rural and urban areas because of the change in composition of their consumption pattern and/or of higher quality of commodities consumed.⁵ Different rates of trade and transport margin and different incidence of indirect tax included in the market prices are also responsible for such