

Prices, Price Indexes and Poverty Counts in India during 1980s and 1990s: Calculation of Unit Value Consumer Price Indexes

Amaresh Dubey and Richard Palmer-Jones*

This is the first part of three papers in which we revisit issues surrounding poverty calculations in India during the 1980s and 1990s. A number of recent papers have put forward or endorsed poverty calculations based on poverty lines computed using Unit Values (expenditure divided by quantity) of food, and fuel and light items in the National Sample Survey Consumer Expenditure Surveys, which they suggest are more plausible than those produced by the Indian Planning Commission. Others have criticised a growing gap between money-metric poverty based on poverty lines and food poverty based on normative calorie consumption levels.

In this first paper we explore the use of Unit Values to compute Consumer Price Indexes (UV CPIs). In the second paper we discuss whether it is reasonable to use these UV CPIs or other available CPIs to compute poverty lines for different geographical and temporal domains from a single base PL, or to base poverty lines on calorie norms. In the third paper we explore the poverty counts that result from our "best" approach to poverty lines and compare them with those from "robust" poverty comparisons and other indicators of well-being.

In this paper we show that (i) the UVs calculated from the National Sample Survey (NSS) Consumer Expenditure Surveys (CES) are multi-modal corresponding perhaps to different prices being paid by different population groups, for different qualities of produce, or at different times or places; (ii) UVs vary within states (specifically by the National Sample Survey Regions (NSSR)), by expenditure group, and by town size within the urban sector; (iii) UVs do not always correspond well with prices used by the PC for its poverty line calculations; (iv) the differences between rural and urban CPIs that are reported both by the PC and by other researchers are not soundly based; (v) neither alternative methods of computing UVs nor alternative methods of computing CPIs from UVs overcome the problems identified. We argue that UVs computed from household expenditure surveys can be a useful check on prices obtained from markets and by quotation that are generally used in computing price indexes. But they are no substitute for proper price data required for CPI calculation. However, current practices of price collection and CPI calculation in India need to be thoroughly overhauled, in part because they are based on long out of date sampling schema which cannot now assess the differences in costs of living in different domains and for different social groups.

* North Eastern Hill University, Shillong and NCAER, New Delhi and University of East Anglia, Norwich
r.palmer-jones@uea.ac.uk, respectively.

We gratefully acknowledge the helpful comments of an anonymous reviewer in substantially improving this paper. The work on which this paper is based was largely funded by the projects R8256 of the Social Science Research Committee of the Department for International Development of the UK Government. Dr. Kunal Sen and Professor Ashok Parikh of the University of East Anglia were collaborators in this project. Though in the study we carried out this exercise for both India and Bangladesh, in this paper we discuss the issues surrounding Indian debates; work on Bangladesh will be reported elsewhere. Access to official price data was provided by Officials at Labour Bureau, Shimla. Data from the 38th, 43rd and 50th Rounds of the NSS were made available by NSSO under the collaborative agreement between the Overseas Development Group and the NSSO. The views put forward here are not necessarily endorsed either by DFID or the NSSO, or indeed by our collaborators.