

Ending extreme poverty in India

1. Two recent working papers, one by economists at the World Bank, and another by the IMF have given alternative estimates for poverty in India for the period after 2011. There are no official poverty numbers after 2011 in India.
2. Both papers agree that extreme poverty levels (\$1.9 purchasing power parity line) in India have fallen from where they were in 2011-12. This goes against what the leaked findings of the 2017-18 Consumption Expenditure Survey (CES) suggested.
3. The papers differ on the magnitude of poverty. Bhalla and his co-authors argue that extreme poverty has almost vanished, whereas the WB paper argues that it is still around 10%.

What explains this large difference?

1. As with all statistics, the explanation is the method that has been used. The WB team have worked on Centre for Monitoring Indian Economy (CMIE) data to generate a substitute for CES numbers.
2. While IMF team have relied on their old method of using National Account Statistics data as they have always believed that CES underestimates consumption spending and hence overestimates poverty.



The larger takeaway from these papers

1. One, private data is not a substitute for CES data. Roy and Roy demonstrate once again that Consumer Pyramid Household Survey (CPHS) data from CMIE undercounts the relatively less well-off in many ways. This underlines the need for holding a new CES as soon as possible.

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2. Two, while it is nobody's case that CES data is infallible, the government and its statistical bodies should make an honest effort to promote a transparent and informed debate on the growing gap between CES and NAS numbers instead of trying to discredit CES.
3. This is not just about poverty numbers. CES data is crucial for updating statistics such as GDP and CPI series as well as differences on account of rural-urban and class issues.
4. Last but not least, the Team IMF are right in arguing that the abolition of extreme poverty as per their data should not mean an end of anti-poverty programmes in India.
5. They rightly argue that the government should raise the poverty line to \$3.2 PPP. The Indian State can do a lot more to help those at the bottom of the pyramid.
6. The current regime will most likely agree with Bhalla's arguments — after all, it has reinvented the relationship between politics and welfare.