

# Indian Economy CLASS

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Topics - GDP & NI Estimation In India  
GNH, WH, Beyond GDP Initiatives

# Indian Economy divided into 8 Sectors

1. Agriculture, forestry & fishing
  2. Mining & Quarrying
  3. Manufacturing
  4. Electricity, Gas, Water Supply & other Utility Services
  5. Construction
  6. Trade, Hotels, Transport, Communication and Services related to Broadcasting
  7. Financial, Real Estate & Professional Services
  8. Public Administration, Defence and other Services.
- Primary Sector
- Secondary Sector
- Tertiary Sector

GVA at Basic Prices

$$GDP = GDP_{mp}$$

$$GVA = GVA_{BP} = NI_{BP}$$

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## # Gross National Happiness (GNH)

GNH was given by fourth king of Bhutan Jigme Singhye Wangchuk.

Teenage monarch then questioned the prevailing system of measuring growth in terms of GDP and believed that happiness is the sign of progressive human development which only wealth can not measure.

Over the years GNH has evolved from a noble aspiration into a quantifiable tool. It is based on four pillars namely.

1. Good Governance
2. Sustainable Socio Economic Development
3. Preservation & Promotion of Culture
4. Environment Conservation.

These four pillars are further elaborated into 9 domains which forms the basis of GNH.

1. Living Standard
2. Education
3. Health
4. Environment
5. Community Vitality
6. Time Use
7. Psychological wellbeing.
8. Good Governance.
9. Cultural Resilience and promotion



In accordance with these nine domains Bhutan has developed more than thirty subindices, seventy two 72 indicators and 151 variable to define and analyse the happiness of Bhutan's people. The balance b/w material & non material development and interdependent nature of GNH are the key features that distinguish the GNH from GDP.

## # Happiness Economics →

Western ideology of economic development has dominated the world and it has long linked development with materialism.

Ideas of humanity, social trust, ethics, spirituality and welfare were rejected by most economists particularly those who promote capitalism. They called these ideas to be non-economic and orthodox. But material achievement in many countries (developed and rich country) have been proved unsuccessful in ensuring human happiness by the other economists.

In 2011, United Nations General Assembly (UNGA) passed a historical resolution "Happiness: Towards a Holistic Approach to Development" and invited the member countries to measure happiness of their people and used it for policy making.

④ following Bhutan by calling happiness a fundamental human goal.

Rich  $\neq$  Happy

With effect from 2012, UN Sustainable development Solution Network (UNSDSN) <sup>started</sup> publishing World Happiness Report (WHR).

WHR measure happiness on the basis of six factor

1. Per capita GDP (PPP)
2. Social Support
3. Healthy life expectancy
4. Freedom to make choices.
5. Generosity.
6. Perception of corruption.

The 8<sup>th</sup> WHR released on 20<sup>th</sup> March 2020, ranks India, 144<sup>th</sup> out of 156 Nations (Finland having rank 1).

Some important points in the past Reports.

1. In rich countries the biggest single cause of misery is mental illness.
2. falling happiness in rich countries in recent time is mainly due to social rather than economic causes



3. Apart from money there are other significant drivers of happiness such as social trust, work life balance, job freedom, lesser time and so on.
4. Obesity, Depression, Hypertension, Diabetes and other lifestyle disorders are emerging problems that threaten happiness.
5. The happiest countries are those where people feel sense of belonging, where they trust and enjoy each other and they shared institution.

According to Professor Richard Easterlin in the developed countries like US where per capita GDP has increased many fold. The level of happiness remains unchanged (Easterlin paradox). Increased GDP has caused massive damage to the environment and even society. Prosperity has its own problems like addictions and abuse.

The world development Report 2015 ("Mind, Society & Behaviour") published by World Bank. suggested that economic development policies become more effective when combined with insight into Human behaviour and such behavioral economics can deliver improvement in promoting economic and

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social well being in society.

## # Beyond GDP Initiatives

In year 2007, European commission, European parliament, organisation for economic co-operation and development (OECD), World wide life fund hosted high level conference "Beyond GDP". Its objective were to clarify which indices are most appropriate to measure progress and how this can be best integrated into decision making process. GDP was never designed to be a comprehensive measure of well being of people and of environmental quality. We need appropriate components to cover climate change, poverty, resource depletion, human well being and other social aspect of human life. Measures that goes beyond GDP must atleast cover 4 aspects.

1. Enlarged wealth Indicators
2. Social Indicators
3. Environmental Indicators
4. Well being Indicators.



One popular index in this regard is GPI (Genuine Progress Indicator). It is based on 26 indicators under the following three categories

1. Economic
2. Environmental
3. Social

Several countries in the last two decades have started using one or the other comprehensive index and some important names are

1. National Happiness Index
2. Gross National Well Being
3. Better Life Index
4. Happy Planet Index