Chapter - 2

WHY REAL INDICATORS ?

GNP has been widely used to measure the performance of individuals over time and for interpersonal comparison. It is probably the single most successful social science tool ever developed to combine sophisticated theoretical characteristics and practical usefulness in a way that on other measure comes close to doing. As a measuring instrument GNP is not free from flaws and internal contradictions. It is clear that GNP dose not and can not capture all features of social behaviour. For certain purposes, particularly for measuring performance and aspects of welfare in less developed countries, GNP must be supplemented by other indicators. As GNP measures goods and services that are valued in money terms, It is not a measure of total welfare. Many productive activities are excluded; the work of house wives and increasingly the "do-it-yourself" activities engaged in around the home are standard examples. It dose not measure subjective elements - how much happiness, Justice, security , freedom, or leisure a socity provides. Further it does not measure a society's physical qualities of life as represented by its life expectancy its birth, death, and morbidity characteristics; and its literacy. There is no automatic and direct connection between any level of GNP or any rate of GNP growth and the performances such indicators measure. An obvious shortcoming of GNP is that it is an index of production , not consumption. The goal of economic activity, after all, is consumption.

Nor dos the growth of disposable income over time necessarily occur in a way that improve well- being. The very poorest groups of a society may not benefit much or at all from rising incomes; some groups may even suffer declines in real income. Even if rising incomes are shared with the poorest groups, there is no guarantee that those incomes are spent in ways that change calorie- intake or improve the general welfare or the physical well-being of the population; for example , in some societies rising incomes have been accompanied by adverse

dietary changes, and virtually all urbanized and industrialized countries have had to pay the price of various environmental pollutions. On the other hand a country can be made better off by any number of changes- improvements in security, social harmony, opportunity, length of life, mortality rates –even without an increase in GNP. Similarly total outlay of an individual may not reflect his proper living standard. Because poor people may consume fruits from forest, leafy vegatables from field and fish from river without paying anything. But those food constitute a good part of calorie-intake. So as ragard to calorie, he is not at all poor, but he is poor if we consider his income or expenditure. Further, a man having less income and expenditure but having perfect knowledge about governmental medical facilities may save his children's lives from dangerous diseases without costing anything . On the other hand, a rich educated man if does not enjoy the governmental facilities nor does take proper care may cost his child. Thus it is sure that neither income nor expenditure is the true indicator of one's standard of living. Rather real indicators like health, nourishment, and education are the true indicators of performance of anybody.

We can not capture everything about the development process in a single measure. Instead, we should indentify certain conditions that have to be satisfied if a development policy is to be deemed successful in addressing the needs of very poorest people. For this, three indicators- infant mortality, life expectancy at age one & basic literacy- ultimetly may be selected as the components of the composite measure, the physical quality of life index (PQLI). The PQLI has very limited objectives . It does not try to measure all "Development"; nor does it measure freedom, Justice, security, or other intangible goods. It does, however, attempt to measure how well societies satisfy certain specific life-serving social characteristics. It not only can measure change at the national level, it also can make comparisons between women and men among other distinctive social, ethnic, regional, or sectoral groupings. It can measure change over time. The

PQLI is still in its early developmental stages. The concern thus far has been to determine whether or not the concept is promising. However, it helps policy-makers see certain things more clearly than they might otherwise. After all, the index was developed precisely because the level and /or rates of change of per capita GNP were not very good predictors of what benefits actually appreared in developing countries. The PQLI, while not itself a theory, points out the lines along which analysis certainly produce something. It points to the possibility of getting better life quality result of specific kinds at much lower levels of economic performance than policy- makers and theorists generally have considered possible. It sums the complex inter relationships among policies that affect infant mortality, life expectancy and literacy rates. The PQLI results pose a general equilibrium problem involving nutritions, health, education, degree of social participation , employment levels and income-earning capacity, etc. As long as it could be assumed that there was a systemetic correlation between rising GNP and improved life chances, there was no need to tackle the problem of how all these things interrelate..

On the head of real indicators we include basic needs which have two elements. First, they include certain minimum requirements of a family for private consumption: adequate food, shelter, and clothing, as well as certain household equipment and furniture, Second, they include essential services provided by and for the community at large, such as safe drinking water, sanitation, public transport, health, education and cultural facilities. A basic- needs-oriented policy implies the participation of the people in making the decisions which affect them through organisations of their own choice. So a composite indicator based on basic-needs-approach should possess the following six criteria. It should not assume that there is only one pattern of development. It should avoid standards that reflect the values of specific societies. It should measure results, not inputs. It should be able to reflect the distribution of social results. It should be simple

to construct and easy to comprehend. And it should lend itself to inter-personal comparisons. The need of real indictor is due to the failure of GNP as an indicator to reflect the performance of people. GNP does not capture distributional features very well. Percapita GNP is merely an arithmatic average that does not provide information about the actual distribution of the product among groups. So for distributional feature, for simplicity of construction and for interpersonal comparability we need a composite real indicator. Following are some of the types of alternative indicators. First, measures of development, i.e., a composite indicator of the 'normal' or 'optimal' pattern of socio-economic change. Efforts of these type are based on the fact that if societies are to improve their abilities to increase percapita incomes they typically must undergo substantial structural transformations that are not limited to narrow techical or economic matters. It measures the rate or level of the combined social, political and econimic process on which sustained development depends. This type of measure is concerned primarily with development, not welfare. The general index is not a measure of the level... of human welfare or happiness, or of a better life. Second, measures of welfare, which consist of those concerned with measuring what is happening to people relatively independent of national or social development. There are two general types of such "welfare indicators". One type involves the use of subjective- measurees of how people feel about economic good. Are they happier ? Do they feel more secure ? The second type of welfare indicator attempts to measure welfare objectively rather than subjectively. Physical qualities of life index(PQLI) falls into this group. Third, Normative models, which establish minimal or basic human needs standards and then attempt to estimate what resources would be required to bring the world population to them within a specific period of time . These normative models are not primarily concerned with measures of specific status of overall progress, although this could ultimately emerge from their efforts.

Among the alternative indicators discussed above, measures of welfare are selected for this study. More specifically the second type of welfare indicators, i.e., PQLI is followed through out. To identify poverty I have framed 3 basic indicators. Those are :

1)   Education, Sanitation and Housing

2)   Health and

3)   Nourishment.

The Prime objective of these indicators is to measure the performance of poor in meeting the basic needs of people. Th PQLI is not concerned with the methods by which results are achieved but only with the results themselves. Its improved performance is attained without any increase in GNP, this is not of immediate concern. If better results cab be obtained without any improvement in diet or increase in calorie availability, this, too, is not of immediate concern. On the other hand, if the index shows that for any given level of percapita income or calorie –intake, various national policies yield different PQLI results, this is of interest.