

## THEORETICAL FRAMEWORK OF LIVING STANDARD

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The objective of economic developing countries during the 1950s and 1960s was to achieve high rates of growth of gross national product (GNP). The United Nations also portrayed the above view of development decade and classifying countries that achieved a 6 percent growth in their national incomes as achieving satisfactory level of development. It was assumed that the benefits of economic growth would reach all the income groups.

By 1970s it was realized that the growth only approach did not result in "trickle down" effect. Countries achieved substantial growth in their national income while poverty and unemployment continued to increase. Therefore, economic development was redefined to encompass economic growth as well as alleviation of poverty, inequality and unemployment to enable individuals or households to have access to basic needs which have been commonly recognized to include food, clothing, health, water, housing and sanitation and education. Subsequently, development goals were expressed in terms of progressive reduction and eventual elimination of malnutrition, disease, illiteracy, unemployment and income inequalities, on the other hand improvement of the living standard.

There are some efforts to determine the standard of living by J. Drewnoski, Amartya Sen, Paul, Seabright, Christopher Bliss, M.D. Moris, S. Hutton and etc. J. Drewnoski /1974/ has suggested that, well-being is seen here as comprising three components the physical, mental and social status of people and standard of living is the degree to which those essentially material needs are satisfied. Paul Seabright noted that, the standard of living as that aspect of living is the degree to which those essentially material needs are satisfied. Paul Seabright noted that, the standard of society's concern. Society is the institution of cooperation between individuals to their mutual benefit / it may not be only that but it is at least that/. In particular, society makes possible the implementation of a framework - involving, for example, property rights and the organization of both production and consumption -without which individuals could not enjoy many of the activities that are central to their well-being.

More precisely, one may say that the standard of living of individuals consist of those components of their well-being the enhancement of which would be the appropriate subject of a social contract between co-operation. Well-being of a person denotes the quality or wellness of her his being or living / Dasgupta and Weal, 1992/

A person's well-being is not really a matter of how rich he or she is and this is particular important to bear in mind when we are dealing with large interpersonal variations of personal or social characteristics / e.g.6 nutritional demands of pregnancy, medical demands of age or social demands of particular customs. Well-being is connected with a



person's achievement.. how 'well' is his or her 'being' ... The standard of living is not a standard of opulence, even though it is inter alia influenced by opulence, even though it is inter alia influenced by opulence. It must be directly a matter of the life one leads rather than of the resources and means one has to lead a life.

Standard of living is really a matter of functioning's and capabilities to function (A.Sen, 1987). There are two different concepts: well-being and standard of living. Well-being is broadly an aspect of how to measure human life, whereas standard of living is a material aspect of well-being.

There are broadly many different approaches. For example, the Utility-based approach sees the individual's well-being as an achievement of certain level of mental happiness or desire-fulfillment and security. Under the Basic needs approach, an individual's well-being is judged by the actual amount of primary goods over which the person has command. And the Capability approach considers an individual's well-being as her or his ability to achieve various valuable functioning's. Finally, the human development approach also denotes the process of enlarging the range of people's choices and focuses on the state of existence of people and encompasses empowerment, co-operation, equality in basic capabilities and opportunities, sustainability and security (UNDP, 1990).

### **Quality of Life Approach**

It was observed that some countries continued to achieve high literacy rates, long life expectancy and low infant mortality rates even with a very low level of per capita income. It was felt, therefore, that economic progress as measured by GDP per capita can not be the only yardstick of 'development' of an economy. Some efforts were given to devise an indicator that will reflect the progress in physical well-being of an economy. The Physical Quality of Life Index (PQLI) as developed by Morris D. Morris was the outcome of this effort. This index was developed on the basis of the assumption that people generally prefer to have few deaths among the infants born to them and that under almost all circumstances people prefer to live longer. Moreover, it was the feeling that literacy could serve as a surrogate for individual capacity for effective social participation, even if the desire for literacy per se is not as widely shared. On the basis of these assumptions three indicators viz., infant mortality, life expectancy at age one, and basic literacy were selected as the components of the composite measure to well-being called the PQLI.

PQLI is fairly sensitive to the distribution effects and satisfies the requirements of simplicity and comprehensibility of an index quite well. However, it has some limitations too.

It does not give any idea about economic growth and total welfare. More importantly, PQLI does not include other notions of well-being such as freedom, justice, security and so on which are important because quality of life does not mean only physical health, longer life and low infant mortality but also opportunities for the people to develop intellectual, social, technical and political stature in an environment of social security, ecological improvement and political stability (P.D.Malgavkar, 1996).



## Basic needs approach

The basic needs approach to development was formalised by the ILO in the World Employment Conference of 1976 as a means of improving the living standards of the poor in the developing countries (Leipziger, 1981:109). Previous development efforts succeeded in accelerating economic growth but failed to improve the standard of living of the poor people. To overcome this limitation of the earlier approach to 'development', basic needs approach was formalised. This approach emphasised on ensuring the basic means of well-being to each individual. Basic needs include food, health, education, housing and so on.

Sen (1982, 1990), however, criticised this approach on the ground that the basic goods are only the means to well-being and the possession of or command over the commodities does not reflect the nature of one's well-being. Commodities are viewed in terms of their characteristics and hence well-being achieved by a person relates to the characteristics of the commodities used. Therefore, an index of characteristics could not possibly serve as an indicator of a person's well-being, since the conversion of characteristics into well-being - means into ends - can and does vary significantly among individuals. Thus, the usefulness of the approach, judged even as means, gets severely compromised in this context (Sen, 1989; 1990).

More importantly, the approach is insensitive to physiological differences in requirements of commodities; since differently constructed and situated people require different amounts of primary goods to satisfy the same needs (Sen, 1982). For example, with the same income and means, to buy food and medicine, a pregnant women may be at a disadvantage vis-à-vis a man of her same age in achieving adequate nutritional well-being (Sen, 1995). Therefore, the above inadequacies of the approach, among other things, may render it defective to use primary goods as an appropriate indicator of an individual's well-being (Sen, 1985; 1995).

## Capability approach

Capability approach can be considered as an extension of the basic needs approach. It, however, shifts the emphasis from commodities to what commodities do to human beings (Sen, 1982). The roots of this approach can be traced from the writings of Karl Marx, Adam Smith, Immanuel Kant and Aristotle (Sen,1990a,1993). Capability approach considers an individual's life as a sequence of things the person does, or states of being she or he achieves. This approach regards human beings and their well-being as ultimate ends and commodities or incomes as means.

What a person succeeds in doing with the commodities and their characteristics is defined as 'functioning'. Some functionings are elementary in nature, for example, escaping morbidity and mortality, being adequately nourished, able to read, write and communicate, being sheltered, having mobility and so on. On the other hand, there are some functionings which are complex in nature but still widely used such as being happy,



achieving self-respect, taking part in the life of the community, appearing in public without shame and so forth (Sen, 1985; 1993).

The various combinations of functionings that one can achieve defines the 'capability'. Functioning, therefore, is an achievement of a person, whereas capability is the ability to achieve various functionings (Sen, 1987). Capability is, thus, a set of functioning bundles, representing the various "being and doing" that a person can achieve with his or her economic, social, and personal characteristics, reflecting the person's freedom to lead one type of life or another.

However, capability of a person depends on a variety of factors, including personal characteristics and social arrangements (Sen, 1995). The expansion of health care facilities, government's active role in providing adequate basic services, the customs prevalent in a society, among other things, influence or alter a person's capability.

### **Human development approach**

Origin of the concept 'human development' can be traced to the writings of the economists like Amartya Sen and Atkinson. Literature on economic inequality started with Atkinson's pioneering article published in 1970. Sen's contribution on the measurement of poverty and standard of living was a significant addition to this strand of literature. Writings of these economists led to the development of a new stream of economics known as 'welfare economics' where the emphasis was on the measurement of poverty using welfare functions (Atkinson, 1970, 1989) and Sen (1973, 1984). Influenced by this strand of literature a new index of 'development' was formulated which is known as 'human development index'. Formalization of this new index led to the first publication of 'Human Development Report' by UNDP in 1990.

Human Development Index (HDI) is a composite index that includes three basic dimensions of human development viz., longevity, education and a decent standard of living. Since average per capita income represents the command over goods and services to enjoy a decent standard of living, it is included as one component of human development index. Income, especially to the people living close to the poverty line, reveals a lot about their living condition. On the other hand, longevity and education can not serve as proxies for all basic capabilities. Being hungry, for example, is a deprivation which is serious not only because of its tendency to reduce longevity but also because of the suffering it directly causes. Similarly achievement of many other functionings need resources. Thus, average income per capita can be considered as an indirect indicator of many other capabilities not reflected by the two other components of HDI e.g. longevity and education.