

## REJOINDER TO FELL AND GREENFIELD

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Fell and Greenfield's reply incorporates additional information regarding their techniques of measuring economic growth, which they claim are possible alternatives to the normal GNP measure. Additional information relates to (1) the basic assumption that the population size and structure should be identical for different comparisons made. They also cite a possible application where this assumption holds true; (2) adjustments needed in my calculations of economic growth of Canada and Atlantic provinces, based on their methods, to comply with the assumption of stable population within the framework of Social Accounting Matrix (SAM); and, (3) adjustments needed in the household survey data to work out quintiles with same size of population to eliminate dangers arising from changing proportions of population in different income groups. All these points revolve around their basic assumption and the steps necessary to comply with it.

Fell and Greenfield took full care of the assumption of identical population size and structure in their numerical calculations of economic growth of two countries, *A* and *B*.<sup>1</sup> But this assumption cannot be true for any two countries. In their reply, however, they have changed their stand from interspatial comparisons to comparison of the outcome of alternative policies on the economy. They say, "... the condition is fulfilled automatically ... where one is modelling the effect of different policies, or budget strategies, for a given population, in order to determine which is best as regards economic growth."

Even if one agrees that their methods can be used for predicting the effects of different policies for income distribution purposes, they certainly are not a measure of economic growth. Economic growth refers to the growth in the value of goods and services produced by the factors of production of a given country. How it is distributed among different groups of population or families is a different question. The problem of size distribution of income and maximization of welfare, which is different from growth, is of main concern to Fell and Greenfield. The use of SAM for this purpose is also pointed out by the World Bank:

"The most important question concerns ways of integrating the human dimensions of poverty and income distribution within the more conventional macro-economic considerations of output, investment and the balance of payments. In showing how this can be done, the SAM approach gives heightened interest to statistical problems that arise and, more importantly, increased understanding of the distributional impact of macro-economic policies"<sup>2</sup>

<sup>1</sup>Fell, H. A. and Greenfield, C. C., Measuring Economic Growth, *Review of Income and Wealth*, 29 (2), 205-208, 1983.

<sup>2</sup>The World Bank, *Research News*, 5 (3), 15, 1984.

But SAM has not been constructed for most countries. Even the approval of SAM as an alternative for measuring distributional change resulting from specific policy does not automatically approve the methods developed by Fell and Greenfield. They have various drawbacks which were pointed out in the critique of their methods.

Finally, it is true that after the evolution of the UN System of National Accounts, statistical developments are taking place in different countries. But, is it necessary to incorporate these developments in the measure of economic growth? Is it not possible to let the economic growth be measured by growth in GNP and per capita product (real or nominal) and other aspects of growth like distribution justice, economic welfare and, in general, economic development be known by other socio-economic indicators developed by the United Nations?<sup>3</sup> Before attempting to incorporate the distributional aspect in the measurement of economic growth, Fell and Greenfield should have attempted to answer these questions.

<sup>3</sup>U.N., *Contents and Measurements of Socio-Economic Development*, Report No. 70.10 (Geneva: Research Institute of Social Development, 1970); and *Social and Demographic Indicators: Draft Guidelines on Social Indicators*, E/CN.3/488 (New York: UN Economic and Social Council, 1976).