**Essay Question 17**

**In 2015, Singapore’s GDP at 2010 market prices grew by 2%, the total population grew by 0.8%, inflation was -0.5% and overall unemployment stood at 2%.**

**Source: http://www.singstat.gov.sg, accessed 17 August 2017**

**Discuss the limitations of these statistics in both assessing the changes in the standard of living in the Singapore economy in 2015 and comparing it with that of other economies. [25]**

Standard of living measures the average quality of life of a population which includes the quantitative and qualitative standard of living. Quantitative standard of living measures in terms of the purchasing power which will reflect the level of material comforts and this is commonly represented by the real per capita income or real GDP per capita. Qualitative standard of living on the other hand measures in terms of the quality of life, which will reflect the intangible aspect of comfort of the life of the people and this is commonly represented by the mortality rate, birth rate, level of working hours and stress and the level of externalities in the country consumption and production.

**Main Body**

Since 2015 Singapore real GDP grew by 2% and this increase in real GDP will lead to an increase in real GDP per capita. This will lead to higher purchasing power as more income is shared within the given population as the percentage increase in GDP is more than the percentage increase in price level or population figure given that there is -0.5% inflation rate and 0.8% growth in population rate. Hence, the increase purchasing will allow consumers to afford more goods and services. As a result, there will be an improvement quantitative standard of living.

Furthermore, the increase in real GDP will reflect an increase in production capacity which will indicate the increase in monetary level of the total goods and services produced within the economy. Consequently, this will show the increase in productivity of the economy so more goods and services are produced and are able to be enjoyed by the consumers.

Also, the increase in real GDP will mean more tax revenue is collected and as a result there will be more funds available to improve infrastructure of Singapore. This will improve the qualitative standard of living as the infrastructural development can help to create a more convenient and comfortable way of life in Singapore.

Furthermore, the low unemployment rate at 2% will indicate that more people are employed have a source of income which allows them to have purchasing power to enjoy the goods and service available in the country. In turn they will be able to have a certain level of material comfort implying that there is higher standard of living.

The inflation rate can also be used to measure standard of living. Inflation rate at -0.5% will mean the economy is experiencing falling cost condition which makes economic growth sustainable. Falling prices will increase the purchasing power of consumers hence raising the level of material comfort in turn, improving the standard of living.

While the increase in real GDP can help explain the improvement of the standard of living, there are limitations of the statistics in measuring the standard of living.

First, the increase in national income may not imply that the standard of living of the whole nation has improved since the increase in real per capita due to a rise in GDP may not take into consideration the actual distribution of income. This mean that not all the citizens will experience rise in per capita income, indicating an increase in purchasing power. This can especially be a problem in developed countries like Singapore where according to a report by Organization for Economic Cooperation and Development, the wealth inequality in developed countries has risen to a 30-year high.

It is also important to take note the composition of production. Even if the GDP increases does contribute to the growth in production capacity, the low level of production of public and merit goods does not improve the lives of the people.

Lastly, it is imperative to take note of the qualitative aspect of standard of living such as the stress level and level of externalities. Therefore, qualitative indicators like MEW or HDI will be needed as MEW reflects the monetized value of intangible aspects of SOL, while HDI reflects the progress of well-being of the individuals.

The statistics given above can also be used to compare the standard of living of other economies. Since GDP is measured in the currency of the country, there is a need to covert countries GDPs to a common currency in order to compare different countries’ GDP. One way to compare is to use the with exchange rate which will measure the price of the currency of one country in terms of another. This exchange rate variation will reflect the growth of the economy as it indicates the level of net currency flow of the economy which is influenced by the net flow of investment, flow of fund and net trade that determines the production and resource capacity. Hence, higher exchange rate can indicate that there is high purchasing power to buy foreign goods and services which can imply the more good and services available for the people in the country to enjoy.

Moreover, comparing unemployment rate can also determine the standard of living between the countries. Country with higher unemployment rate will indicate that lesser people are able to enjoy the material comfort that the country has to offer due the lack of purchasing power.

However, using the statistics to measure the standard of living between the countries may not be accurate as the value of real per capita income may be over-valued or under-valued due to the fluctuation of the exchange rate.

Moreover, different countries have different ways on how the value of an item is calculated, contributing to diversity in calculation and interpretation of the values. For instance, interest payment from Singapore is not considered taxable income but it is considered taxable in US. Next, if the increase in national income does not lead to greater production of more public and merit goods, it does not generate an improvement in standard of living as the well-being in terms of social welfare may not rise.

Also, the income equality level for each country is different. If the distribution of the national income is not even, the actual average will not be a good reflection of the average citizen’s income. This means that the increase in national income is only enjoyed more by small group of citizens in one country than another.

All in all, the statistics provided which measures the real GDP, Consumer price index and population growth is a good indicator to measure the changes of standard of living. However, there is a need to know the nature of economy to accurately measure the changes of standard of living. If a developing economy has an increase in real GDP by focusing on infrastructural development, it will not lead to the improvement in standard of living instantly.

Moreover, larger population size will likely lead higher consumption activity compared to those with smaller population size in turn larger real GDP via the multiplier. But this does not necessarily imply that the standard of living is higher in other countries than Singapore thus, it is important to measure the real GDP per capita instead.

In conclusion, the statistics given can assess the changes in the standard of living in the Singapore economy and comparing it with that of other economies but there are limitations in using the statistics alone hence, there is a need to study more in detail the statistics and also to use other measures to assess the qualitative aspect of the standard of living.