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**CSQ – NIA/Economic Indicators**

**Table 1: Economic Indicators: China**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **2006** | **2007** | **2008** | **2009** | **2010** |
| Real GDP growth | 12.7 | 14.2 | 9.6 | 9.2 | 10.4 |
| Unemployment rate (%) | 4.1 | 4.0 | 4.2 | 4.3 | 4.1 |
| Inflation (%) | 1.5 | 4.8 | 5.9 | -0.7 | 3.3 |
| Government budget (% of GDP) | -0.8 | 0.6 | -0.4 | -2.3 | -1.7 |
| Exchange rate (Yuan/US$) | 7.97 | 7.60 | 6.95 | 6.83 | 6.77 |
| Mortality, infant (0-1), per thousand live births | 20 | 19 | 18 | 17 | 16 |
| Expected Years of Schooling | 10.9 | 11.2 | 11.4 | 11.6 | 11.6 |

**Table 2: Economic Indicators: Japan**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **2006** | **2007** | **2008** | **2009** | **2010** |
| Real GDP growth | 1.7 | 2.2 | -1.0 | -5.5 | 4.4 |
| Unemployment rate (%) | 4.1 | 3.9 | 4.0 | 5.1 | 5.1 |
| Inflation (%) | 0.3 | 0.1 | 1.4 | -1.4 | -0.7 |
| Government budget (% of GDP) | -0.9 | -2.4 | -2.9 | -7.6 | -6.7 |
| Exchange rate (Yen/US$) | 116.3 | 117.8 | 103.4 | 93.6 | 87.8 |
| Mortality, infant (0-1), per thousand live births | 3 | 3 | 3 | 2 | 2 |
| Expected Years of Schooling | 15.0 | 15.1 | 15.1 | 15.1 | 15.1 |

*Source: United Nations Statistics Division*

Discuss whether the data provided are sufficient to assess changes in the economic performance and standard of living in Japan and China over the period. [10]

Answer:

The living standard of a country can be defined in terms of material and non-material aspect which is represented by real GDP per capita and human development index or the value of Monetized Economic Welfare respectively. As for economic performance, it is assessed based on the aims of the government in the areas of economic growth, low inflation rate, low unemployment and balance of payment equilibrium.

For the level of standard of living, the assessment is based on the level of real GDP per capita which reflects the purchasing power of the people in the country, determining the level of material comforts enjoyed by the population. It can also be measured in terms of the non-material aspect where the quality aspect of life like mortality rate and expected years of school life is examined.

In comparison of the standard of living for Japan and China, the real GDP growth rate for China has improved at a faster rate than Japan, implying that the real per capita income has risen at a higher rate for China than Japan where the growth rate of population is held constant. As for Japan, there were years when the real GDP growth rate was in negative and this implies that real GDP per capita has reduced. However, the actual value of real GDP per capita for Japan is still higher, considering the actual value of real GDP for Japan is still higher than China during those years and Japan has a smaller size of population. Thus, China has made greater improvement in standard of living than Japan in these past years, but Japan has a higher real GDP per capita.

As for the non-material standard of living, it is observed that Japan has a lower infant mortality rate and higher number of schooling years which means that Japanese are enjoying better medical care services and more education opportunities to enrich and improve their lives, enjoying a higher quality of life. This firmly implies that Japan still has a higher quality of life from the non-material aspect of living.

As for the economic performance of the two countries, China has made tremendous improvement in terms of economic growth rate and is better than Japan as the GDP growth has remained positive and is higher than Japan over the years. This implies that China has a higher rate of utilization of resources and is able to generate greater output and raises national income. Although both countries have low unemployment rate, China has achieved better employment condition as it has similar level of unemployment rate or slightly lower unemployment rate while the active working population is higher in China which means that it has achieved well to keep unemployment rate low.

For her inflation rate, China is doing well in keeping inflation rate intact and this helps to keep cost of production low to stay competitive while the cost of living is low and standard of living will be high. The inflation rate for Japan is kept low and was in deflation, showing that Japan’s economy is in poor management. Both countries have appreciated their currency as both are export-oriented and trade surplus has contributed to inflow of money that leads to appreciation.

In sum, China has made greater improvement than Japan in terms of standard of living and the economy is also performing well based on the given data.