

NIA TUTORIAL- Section C: Essay – Discussion and Presentation**TYS N1995**

"The Singapore economy grew by 9.2% per annum in the 3rd quarter of 1993, inflation was 2.4% per annum and 19 000 jobs were created." (Straits Times, 13 Nov 1993)

How far can this information lead you to conclude that there is a rising standard of living in Singapore?
[25]

Examiners' Comments

This question required a consideration of the figures given and their implication in the context of a discussion about the meaning and measurement of SOL. Many candidates were able to do this and did discuss the statistics given in the question. Some, however, (made no reference at all to the information and these answers were disappointing.) Such answers might include a detailed statement of the way NI is calculated in principle with little reference to SOL. (Weaker candidates ignored the data given and produced a very generalized response.) A few candidates appeared to be distracted by some of the information and produced answers which concentrated on just one aspect, for example, inflation rates.

Introduction:**Definition of Standard Of Living**

- Involves the economic & social well-being of the people in a country.
- It includes both the material & non-material aspects of life.
- Material aspects - includes the quantity & quality of the goods & services available for consumption
- Non-material aspects - quality of the environment, leisure hours & level of stress etc.

The information provided indicates there is a rising SOL in terms of the economic well-being of the people in Singapore but fails to give more details like the composition and distribution of the GNP to arrive at a conclusion that the people are indeed better off and it also neglects the social aspect of SOL.

Indicator for the economic aspect of the SOL: Real per capita National Income

- Explain briefly the calculation of GNP figures – $C+I+G+(X-M)$
- Elaborate on how to convert Nominal GNP figures to real GNP per capita
- From Nominal to Real GNP (divide by GNP deflator)
- From Real GNP to real GNP per capita (divide by population)
- An increase in SOL is illustrated by an increase in value for real GNP per capita.

Body

- "The Singapore economy grew by 9.2% per annum": the total amount of final goods and services produced increased by 9.2% compared to the previous quarter.
- "Inflation was 2.4% per annum": The general price level in Singapore has risen by 2.4%. In other words, the same basket of goods is now more expensive compared to last year. **Evaluation:**

(E) Since nominal growth rate outweighs that of inflation rate, this may be an indicator of a healthy economy with AD rising steadily.

- Using the data, it can be shown that real GNP value has increased by 6.64%. (i.e. $(109.2/102.4) \times 100$).

- "19 000 jobs were create": Unemployment figures might have fallen. **Evaluation:** This is only true if the workers are equipped with skills required for the jobs created. If not, there will be structural unemployment.

(E)

Implication of data

Based on the information given, it cannot be concluded that there is a rising SOL in Singapore due to the following reasons:

Material Aspects

- **Changes in population**

- Even though real GNP has increased by ~~6.4%~~ ^{6.64%}, the SOL in Singapore may be lowered if the population growth is more than 6.64%.

(E) **Evaluation:** However, it is very unlikely that population has grown by more than 6% in a year. Thus, SOL might have improved.

- **Components of GNP**

- If the growth of 9.2% is due to expenditure on defence or capital goods, then the SOL may not be improved.
- For example, if government builds more office building and thus resulting in a higher GNP figure, there will be no change in living standard.
- **Evaluation:** However, in the context of Singapore, it is unlikely that expenditure on defence and investment goods is reduced since this will affect the SOL of the population currently & in future.

- **Distribution of GNP**

- If the growth of 9.2% was confined to a particular sector, for example manufacturing, then, the workers from the manufacturing sector may be better off compared to the workers from other industries.

(E) **Evaluation:** Given that Singapore's twin pillars of growth are both the financial services and high-end manufacturing sector, employees of these two industries may be better off compared to others.

Non-Material/Intangible Aspects

- **Non-monetary transactions vs monetary ones**

- NI statistics include only monetary transactions. Thus, if a non-monetary activity becomes a monetary transaction, this will increase the NI figures without a corresponding increase in welfare.

(E) **Evaluation:** For example, the women in Singapore account for approximately 50% of the total labour force. If women who were previously housewives took up the 19,000 jobs created, this will represent a loss in the quality and quantity of services rendered to their families and thus, a fall in living standard.

- **Intangible such as negative externalities and disamenities.**

- If the growth was achieved through longer hours worked and lesser leisure time, this does not indicate a higher SOL in Singapore.

Conclusion

It is difficult to conclude that there is a rising standard of living based on the growth figures given. However, in terms of material aspects of living standards, the average Singaporean might be better off but similar conclusion is difficult to reach when we consider the non-material aspects of living standard.

Alternative indicators such as **Net Economic Welfare (NEW)** which adds to GNP certain items such as leisure & housewives' services and subtracts from GNP unmet costs of pollution & other disamenities of modern urbanization and **Physical Quality of Life Index (PQLI)** that includes the intangibles such as life expectancy at age one, infant mortality rate & literacy rate have to be used to further assess the standard living of the country.