| Q4 Governments frequently strive to improve standard of living for their citizens. This is often done through policies designed to stimulate economic growth. |
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| a) Explain how an increase in real GDP per capita can indicate an improvement in standard of living. [10] |
| b) Discuss the extent to which supply-side policies will lead to an improvement in standard of living. [15] |

**Question Analysis:**

**a)** Explain how an increase in real GDP per capita can indicate an improvement in standard of living. [10]

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| **Command** | Explain how (Process) |
| **Content** | Increase in real GDP per capita can indicate an improvement in standard of living. |
| **Context** | Generic |
| **Trigger** | Increase in real GDP per capita |
| **End** | can indicate an improvement in standard of living. |
| **Requirements** | 1) an increase in real GDP per capita can indicate an improvement in material standard of living.<br>2) an increase in real GDP per capita can indicate an improvement in non- material standard of living. |

**Paragraph Development:**

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| **Point** | An increase in real GDP per capita can often indicate an improvement in material standard of living in an economy. |
| **Example** | In 2000, China has an estimation of around 1000USD of real GDP per capita (2017) and by 2022, it has increased to around 13000 USD real GDP per capita (2017).<br><br>In 2022, Chinese consumers contributed around 17 percent of the global personal luxury goods market. It was estimated that the figure would reach 21 percent to 23 percent in 2023. Back in 2000, Chinese consumers' spending on personal luxury goods accounted for merely one percent of the global expenditure.<br><br>https://www.statista.com/statistics/1087872/china-consumer-spending-share-in-global-luxury-market/ |
| **Economic Analysis** | The increase in real GDP per capita indicates:<br>- Increase in national income after consideration of inflation rate and population size |

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| | - Offers an average value of the national income of the population (Total national income can be adequately divided by the entire population to have a clearer indication of the average value of the national income for each individual)<br>- Indicates the purchasing power of the average population given considerations of the inflation rate of the economy (Inflation which shows an increase in general price level of goods and services will affect the ability to consume with the given income, when using real GDP per capita, provides clarity in the real value of the amount of goods and services that one can purchase)<br>- Higher purchasing power<br>- Higher consumption of goods and services (Including the rise in consumption of luxurious goods and services)<br>- Higher satisfaction and utility<br>- Higher material SOL |
| **Link to ATQ** | Generally, an economy experiencing an increase in real GDP per capita will see an improvement in material standards of living (SOL). This is particularly evident in developing economies, where the marginal propensity to consume (MPC) is relatively higher. As real GDP per capita rises, these economies tend to experience a more significant increase in consumption of goods and services, leading to a corresponding enhancement in material SOL. |

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| **Point** | An increase in real GDP per capita can often indicate an improvement in non- material standard of living in an economy. |
| **Example** | Since 2000, Singapore has enjoyed a real GDP per capita at 24000 USD of real GDP per capita (2017) and till 2022 it has increased to around 83000 USD of real GDP per capita (2017)<br>Singapore's life expectancy in 2000: 78 years old<br>Singapore's life expectancy in 2024: 84 years old<br>Singapore's literacy rate in 2000: 93%<br>Singapore's literacy rate in 2024: 97%<br>Singapore's HDI in 2000: 0.831<br>Singapore's HDI in 2000: 0.949 |
| **Economic Analysis** | A higher real GDP per capita often indicates:<br>- Higher income level<br>- Higher income tax collection<br>- Higher budget by the government to spend on healthcare and education<br>- Higher literacy rate<br>- Higher life expectancy<br>- Higher quality of life in accordance to HDI that considers life expectancy, literacy rate and national income as a measurement of quality of life |

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| | - Higher non- material SOL<br>OR<br>- Higher income level<br>- Higher purchasing power<br>- Higher budget by individual to spend on healthcare and education<br>- Higher literacy rate<br>- Higher life expectancy<br>- Higher quality of life in accordance to HDI that considers life expectancy, literacy rate and national income as a measurement of quality of life |
| **Link to ATQ** | An increase in real GDP per capita often signals an improvement in non-material standards of living. This is particularly significant in economies where the government prioritizes societal welfare. Substantial investments in healthcare and education, coupled with effective regulation, can lead to marked improvements in non-material standards of living, such as better public health, higher educational attainment, and overall well-being. |

Markers' comments:

Most students demonstrated the ability to explain the impact of an increase in real GDP per capita on improvements in the standard of living (SOL), effectively addressing both the material and non-material dimensions of SOL. However, many students were unable to achieve the full range of marks for two key reasons: insufficient analysis of the significance of "real" and "per capita" in the implications for SOL, and a lack of examples or contextualization to support their explanations. Essentially, there was a gap in effectively linking their answers to the question.

| Level | Descriptors | Marks |
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| 3 | Expect a good knowledge of the facts and theory of the **impact of increase in real GDP per capita on SOL**, clear evidence of the ability to **use the economic analysis to explain the impact on SOL** with accurate reference to the question.<br><br>Provision of a **well-balanced** discussion where the impact is on **both material and non- material SOL.** | [8 – 10]<br><br>**[A+A: 10]**<br>**[A+C: 8-9]** |
| 2 | Expect an accurate although undeveloped explanation of the facts relating to the **impact of an increase in real GDP per capita on SOL** together with an explanation of the theory, and evidence of some ability to discriminate and form elementary judgements.<br><br>BUT do not expect a clear logical presentation. There will not be much evidence of the ability to recognise unstated assumptions, nor to examine the implications of a hypothesis, nor the ability to organise ideas into a new unity.<br>**Max 5: For one set of analysis** | [5 – 7]<br><br>**[A+K: 7]**<br>**[C+C: 6-7]**<br>**[A+0: 6]**<br>**[K+C: 5-6]** |
| 1 | Answer shows some knowledge but does not indicate that the meaning of the question has been properly grasped, Basic errors of theory or an inadequate development of analysis may be evident. | [1 – 4]<br><br>**[C+0: 4]**<br>**[K+K: 2-4]**<br>**[K+0: 1-2]** |

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| Governments frequently strive to improve standard of living for their citizens. This is often done through policies designed to stimulate economic growth. |
| a) Explain how an increase in real GDP per capita can indicate an improvement in standard of living. [10] |
| b) Discuss the extent to which supply-side policies will lead to an improvement in standard of living. [15] |

**Question Analysis:**

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| **Command** | Discuss (Considerations of both sides of the analysis) |
| **Content** | Extent to which supply-side policies will lead to an improvement in standard of living. |
| **Context** | Generic |
| **Trigger** | supply-side policies. |
| **End** | will lead to an improvement in standard of living |
| **Requirements** | 1. supply-side policies will lead to an improvement in standard of living to a large extent<br>2. supply-side policies will lead to an improvement in standard of living to a small extent |

**Paragraph Development:**

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| **Point** | Supply-side policies will lead to an improvement in standard of living to a large extent |
| **Example** | Skills Future Credit<br>✓ For all Singaporeans aged 25 years and above<br>✓ S$500 opening SkillsFuture Credit does not expire<br>✓ A one-time top-up of $500 was provided to those aged 25 and above in 2020. This top-up will expire at the end of 2025<br>✓ Can be used for a wide range of SkillsFuture Credit-eligible courses<br><br>Or (EA should be adjusted based on examples)<br><br>• The German school system is unique in Europe because it sorts students into different educational paths early on.<br>• **Compulsory education** requires all children aged **six** to **15** to attend school full-time at the primary and secondary levels.<br>• Germany places a great emphasis on vocational education and training (VET). Over 15% of 25-34-year-olds in the country hold a vocational post-secondary education as their highest qualification, far surpassing the 6% average of OECD states. |

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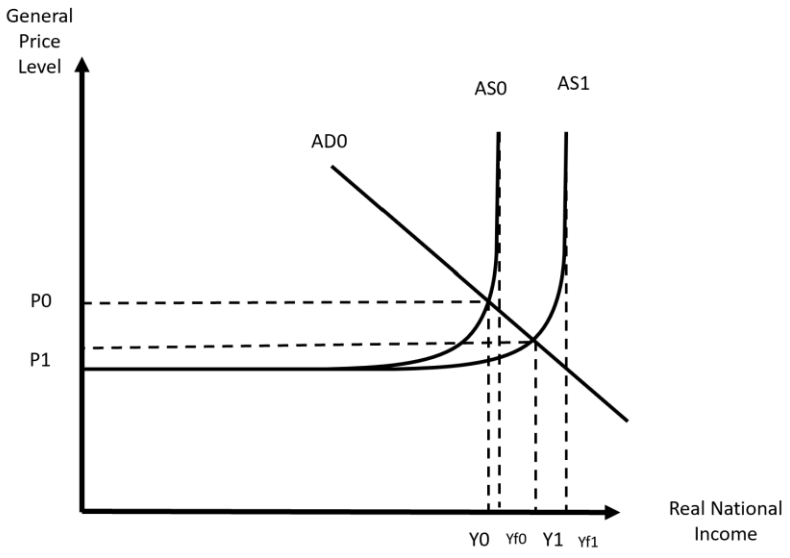
| | • Germany is known for offering free or affordable higher education to students from Germany and abroad.<br>• The German education system comprises five main stages: **early childhood**, **primary**, **secondary**, **tertiary**, and **continuing education**. |
| **Economic Analysis** | Supply Side Policies:<br>- Subsidies for retraining and reskilling targeted at improvement of the labour skills set<br>- Reduction in cost for retraining and reskilling<br>- Better skills set<br>- Increase in efficiency<br>- Increase in quality of labour<br>- Increase in productive capacity and LRAS (AS0 to AS1)<br>- Higher potential economic growth and higher future income level (Yf0 to Yf1)<br>- Higher purchasing power in the future<br>- Increase in consumption of G&S in future<br>- Higher satisfaction and utility<br>- Higher material SOL in the future<br><br>  <br><br><br>- Subsidies for retraining and reskilling targeted at improvement of the labour skills set<br>- Reduction in cost for retraining and reskilling<br>- Improvement in skills set<br>- Improvement in literacy of skills set that are necessary and relevant in the economy<br>- Increase efficiency in work |

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| | - Increase leisure hour with lesser working hours required for the same production<br>- Improvement in quality of life, with more time for leisure activities e.g Gaming, Sports, Gardening etc<br>- According to MEW, indicates a higher quality of life<br>- Improvement in non- material of living |
| **Link to ATQ** | While the government could provide subsidies for retraining, the ability to select relevant courses, the success rates of the retraining and the efficacy in achieving work life balance often varies across individuals. Individuals who are generally better educated, with more information and understanding of the needs of self and society generally tends to make more informed decision on the courses and management of life. Henceforth the tendency to improve SOL is generally higher. |

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| **Point** | Supply-side policies will lead to an improvement in standard of living to a small extent |
| **Example** | The Enterprise Development Grant (EDG) supports projects that help you upgrade, innovate, grow and transform your business. Submit your individual project proposals with details on your business plans and project outcomes to take your business further.<br>EDG funds qualifying project costs namely third-party consultancy fees, software and equipment, and internal manpower cost.<br>• Up to 50% of eligible costs for local SMEs. From 1 April 2023, SMEs can receive up to 50% support for EDG (sustainability-related projects may be supported at up to 70% from 1 April 2023 to 31 March 2026)<br><br>**Research and Innovation Scheme for Companies (RIS(C))**<br>The Research and Innovation Scheme for Companies (RIS(C)) aims to encourage companies' technology development and innovation activities, to bring about the development of product and processes from Singapore.<br><br>A central component of the new tax law, Japan's DX investment incentive plan makes DX-related investments of up to ¥30 billion (about $300 million) eligible for a 30% special depreciation, or a tax credit of 3% (5%, if that data is linked to an external party). |
| **Economic Analysis** | Supply Side Policies that target economic restructuring resulting in the switch in production methods.<br>- Subsidies given to encourage R&D among firms<br>- Encourage R&D to improve on production processes |

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| | - Switch from labour intensive production to capital intensive<br>- Switch in new skills demanded among the labour force<br>- Current skills might be irrelevant<br>- Skills mismatch<br>- Structural unemployment<br>- Lack of income and purchasing power<br>- Greater proportion of population with lesser ability to consume G&S<br>- Decrease in satisfaction and utility<br>- Decrease in material SOL<br><br>Supply Side Policies that target economic restructuring resulting in the switch in production methods.<br>- Subsidies given to encourage R&D among firms<br>- Encourage R&D to improve on production processes<br>- Switch from labour intensive production to capital intensive<br>- Increase in production processes enhances energy usage<br>- Energy usage and production processes leads to higher release of greenhouse gases<br>- Air pollution problem<br>- Reduces the quality of environment<br>- Degradation of environment<br>- Reduces the quality of life according to MEW<br>- Decrease in non- material SOL |
| **Link to ATQ** | The effective implementation of supply-side policies can drive an economy forward, fostering both actual and potential economic growth, thereby enhancing standards of living. However, the success of these policies largely depends on the economy's capacity to support their objectives. If the labor force lacks sufficient education and transferable skills, resulting in low occupational mobility, supply-side policies may struggle to improve living standards. Furthermore, the government's priorities are crucial, particularly in addressing environmental concerns. The integration of regulations to mitigate environmental impacts must align with policy implementation to ensure a concurrent improvement in non-material standards of living. |

**Conclusion:**

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| **Stand** | Supply Side Policies often brings about an improvement in SOL, both material and non- material, however, the extent is dependent on the effectiveness of the government to complement the implementation process. |
| **Substantiate** | In the pursuit of driving economic growth through supply-side policies, it is crucial for the government to assess the readiness of the labor force and firms to effectively implement these measures. When well-executed, supply-side policies can stimulate both actual and potential |

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| | economic growth, thereby significantly improving standards of living. Complementary policies, such as early initiatives to train and develop the labor force to foster a learning culture or forming strategic partnerships with firms to support their investment efforts, are essential in maximizing the effectiveness of these policies.<br><br>In terms of non-material standards of living, governments must remain vigilant of the potential unintended consequences of supply-side policies. Proactive measures, such as implementing regulations that promote environmentally sustainable production methods or ensuring work-life balance, can help mitigate these negative effects. |
| **Suggest** | While supply-side policies often focus on capital and labor accumulation, the **government's ability to foresee challenges and complement these policies with forward-looking initiatives is critical to fully realizing their benefits.** Therefore in determining the extent to which supply side policies can improve living standards, the capabilities of the government plays a significant role and influences the outcome. |

Markers' comments:

Most students demonstrated a clear understanding of supply-side policies and their mechanisms. However, a subset of students displayed confusion, often conflating supply-side policies with fiscal policies. Additionally, many responses lacked a detailed explanation of the specific supply-side policies being employed. Furthermore, some students introduced alternative policies as counterarguments, which were not relevant to the question, as it specifically required an analysis of supply-side policies and their effectiveness in improving the standard of living (SOL).

| Level | Knowledge, Understanding, Application and Analysis | |
|---|---|---|
| **L3** | • Answer is **relevant** to question requirements and covers sufficient **breadth** (the **extent of the improvement in SOL** that are likely to be experienced by with the implementation of supply side policies)<br><br>• Answer has sufficient **depth**:<br>o Rigorous and detailed economic analysis with the use of economic framework and clear explanation about the changes in SOL.<br>o Consideration of both material and non- material<br>o In the context of using supply side policies<br>o **Relevant** and **accurate** use of economic concepts; | [8 – 10]<br><br>**[A+A: 10]**<br>**[A+C: 8-9]** |

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| **L2** | • Answer is mostly relevant to the question requirements with sufficient breadth:<br>- Adequate explanation of (the **extent of the improvement in SOL** that are likely to be experienced by with the implementation of supply side policies) that contain minor inaccuracies;<br>• Economic analysis is accurate but incomplete or lacks precision.<br>• Relevant diagrams are used but might not be accurately explained or applied to support economic analysis.<br><br>MAX 6: - Good explanation of the impact on **improvement of SOL to small or large extent** (with rigour and use of real-world examples to illustrate)<br>MAX 6: - Good explanation of the impact on **improvement of SOL to small or large extent but focused on either material or non- material aspect only** (with rigour and use of real-world examples to illustrate) | [5 – 7]<br><br>**[A+K: 7]**<br>**[C+C: 6-7]**<br>**[A+0: 6]**<br>**[K+C: 5-6]** |
| **L1** | • Adequate explanation of only one either the impact on one agent or one sided discussion with just the benefit/ cost without economic framework.<br>• Unclear and/or inaccurate economic analysis. | [1 – 4]<br><br>**[C+0: 4]**<br>**[K+K: 2-4]**<br>**[K+0: 1-2]** |
| | **Evaluation** | |
| **E3** | Takes a clear overall stand that is **comprehensively justified** by providing convincing evaluative comments on the **considerations of the factors** covered in the body and supported by **economic analysis**. | 5 |
| **E2** | For an answer that (so far as required by the question) builds on appropriate analysis to evaluate critically alternative theoretical explanations, contemporary issues, perspectives and policy choices, that recognises unstated assumptions and evaluates their relevance, and that synthesises economic arguments to arrive at well- reasoned judgements and decisions. | 3–4 |
| **E1** | For an answer that makes some attempt at evaluation or a conclusion that answers the question but does not explain the judgement or base it on analysis. | 1-2 |