



WHAT IS A STANDARD OF LIVING?

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What Is a Standard of Living?

- A standard of living is the level of wealth, comfort, material goods, and necessities available to a certain socioeconomic class or a certain geographic area.



Measurement

realistic income per person and poverty rate

access and quality of health care

income growth inequality

Gross domestic product (GDP)

educational standards

Life expectancy

Economic opportunity

Gross domestic product (GDP)



- The generally accepted measure of the standard of living is GDP per capita. This is a nation's gross domestic product divided by its population. The GDP is the total output of goods and services produced in a year by everyone within the country's borders.

GDP per capita has three flaws:

First, it doesn't count unpaid work. That includes critical components like in-home child or elder care, volunteer activities, and housework. Many activities that are included in GDP couldn't occur if there weren't these support activities.

Second, it doesn't measure pollution, safety, and health. The government may encourage an industry that spews chemicals as part of its manufacturing process. The elected officials only see the jobs created. The cost may not come to roost until decades later.

Third, the GDP per capita measurement assumes that production, and its rewards, are divided equally among everyone. It ignores income inequality. It can report a high standard of living for a country where only a few enjoy it.

The World Bank uses a very similar measure, **GNP** per capita. That's **gross national product** per person. It measures the level of income paid to all the country's citizens, no matter where they are in the world. GNP per capita can raise a country's standard of living. That's because many citizens live in other countries to get better jobs.



- The United Nations uses the Human Development Index. It measures the following **four data points**:

Life
expectancy at
birth

School
enrollment

Adult literacy

Gross national
income per
capita

- The standard of living is often used to compare geographic areas, such as the standard of living in the United States versus Canada, or the standard of living in St. Louis versus New York. The standard of living can also be used to compare distinct points in time.



Standards of living are usually higher in developed countries such as the United States, than in less developed nations.

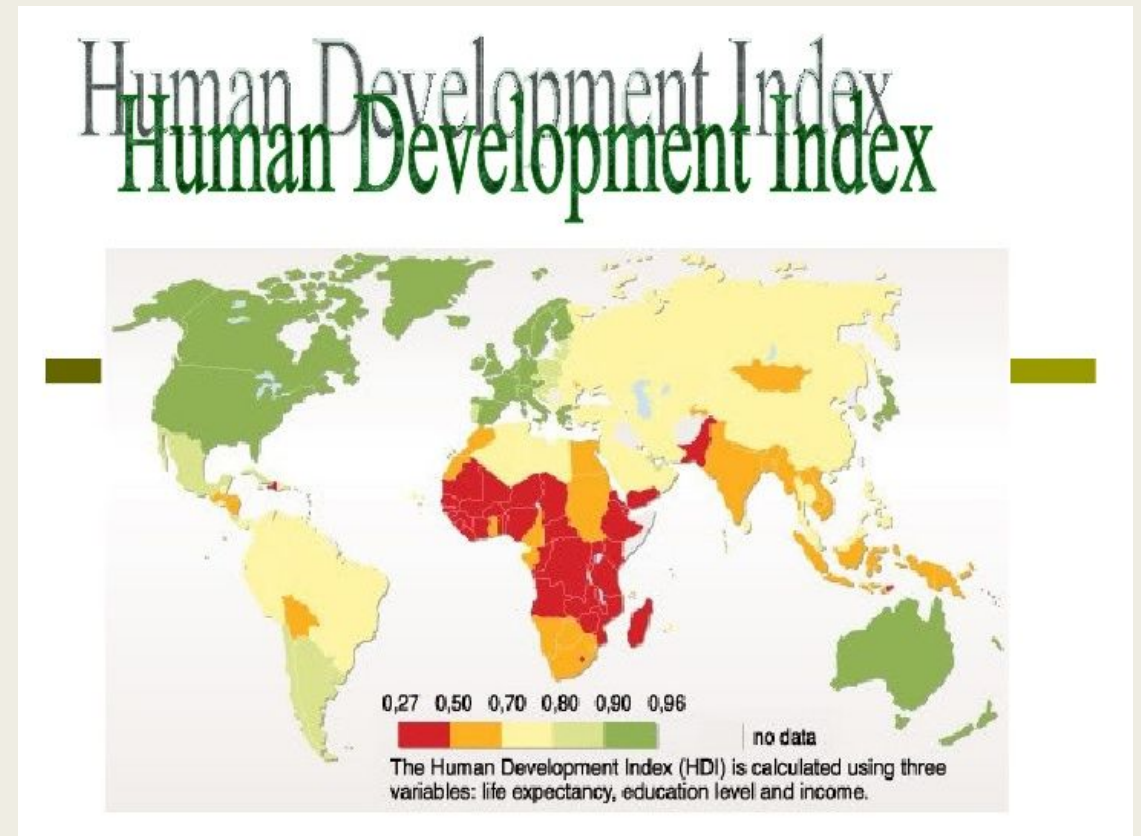
Standard of Living



- In fact, basic measures of the standard of living (such as per capita GDP) are often used to define the differences between more and less developed countries.

An Example of a Living Standard Measure

- One measure of standard of living is the United Nations' Human Development Index (HDI), which scores 189 countries based on factors including life expectancy at birth, education, and income per capita.



The countries with the five highest 2018 HDI scores

Norway (0.953)

Switzerland (0.944)

Australia (0.939)

Ireland (0.938)

Germany (0.936)

The countries with the five lowest 2018 HDI scores

Niger (0.354)

Central African Republic (0.367), South Sudan (0.388)

Chad (0.404) and Burundi (0.417), Syria, Libya, and Yemen

Standard of Living vs. Quality of Life

- The terms standard of living and quality of life are often believed to mean the same. While they may overlap, there is a difference between the two.

A standard of living

generally refers to wealth, comfort, material goods and necessities of certain classes in certain area.

Quality of life is more subjective, such as personal liberty or environmental quality.

Characteristics that make up a good quality of life for one person may not necessarily be the same for someone else.

Thank you for your attention!