



SINGAPORE'S APPROACH TO MANAGING ECONOMIC CRISES



Known to be highly open and dynamic, Singapore's economy is driven by a state-centric approach to economic governance that emphasises regulatory transparency, effective and timely policy interventions, and a robust economic infrastructure. However, despite sound macroeconomic foundations, Singapore's openness and complexity also makes it highly vulnerable to the 'contagion' effects of global and regional economic crises. This case study provides a brief overview of Singapore's general approach to economic governance, and discusses the government's response to three key economic crises—the 1985 Economic Crisis, the 1997 Asian Financial Crisis, and the 2008 Global Financial Crisis.

This case study was written by Woo Jun Jie under the guidance of Dr. Adrian Kuah and Jean Chia from the Lee Kuan Yew School of Public Policy (LKYSPP), National University of Singapore and has been funded by the LKYSPP. The case study does not reflect the views of the sponsoring organisation nor is it intended to suggest correct or incorrect handling of the situation depicted. The case is not intended to serve as a primary source of data and is meant solely for class discussion.

Copyright © 2018 Lee Kuan Yew School of Public Policy and National University of Singapore.

All rights reserved. Unless otherwise indicated, all materials on these pages are copyrighted by the Lee Kuan Yew School of Public Policy and the National University of Singapore. No part of these pages, text or images may be used for any purpose, other than for personal use, without permission.



CONTENTS

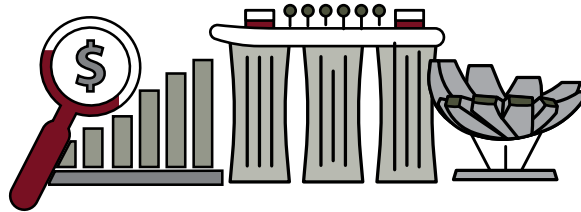
4	Introduction
6	Singapore's Approach To Economic Governance
9	1985 Economic Crisis
12	1997 Asian Financial Crisis
15	2008 Global Financial Crisis
17	Discussion
18	References

INTRODUCTION

As the world's second freest economy and third most competitive economy, Singapore is known for its highly open and dynamic economy.¹ More importantly, Singapore's economic success is driven by a state-centric approach to economic governance that emphasises regulatory transparency, effective and timely policy interventions, and a robust economic infrastructure.²



Yet despite its sound economic policy foundations, the openness and complexity of Singapore's economy also makes it highly vulnerable to the 'contagion' effects of global and regional economic crises. For instance, Singapore slipped into recession during the 2008 global financial crisis due to declining global demand and high exposure to financial risks, although it rebounded on the back of a \$20.5 billion stimulus package.³



This case study provides a brief overview of Singapore's general approach to economic governance, before delving into Singapore's response to **three economic crises**.



¹The Heritage Foundation, "Country Rankings: World & Global Economy Rankings on Economic Freedom," 2017 Index of Economic Freedom, 2017. www.heritage.org/index/ranking; Klaus Schwab, "Global Competitiveness Report 2017-2018," Global Competitiveness Report (Geneva, Switzerland: World Economic Forum, 2017).

²Linda Y. C. Lim, *Singapore's Economic Development: Retrospection and Reflections* (Singapore: World Scientific, 2015); Linda Low, *The Political Economy of a City-State* (Singapore: Marshall Cavendish, 2006); Newman M. K. Lam, "Government Intervention in the Economy: A Comparative Analysis of Singapore and Hong Kong," *Public Administration and Development* 20, no. 5 (2000): 397-421; Henry Wai-chung Yeung and Kris Olds, "Singapore's Global Reach: Situating the City-State in the Global Economy," *International Journal of Urban Sciences* 2, no. 1 (April 1, 1998): 24-47, <https://doi.org/10.1080/12265934.1998.9693405>; Jun Jie Woo, "Commentary: Hong Kong, a Cautionary Tale for Singapore, a Lesson for the Future," Channel NewsAsia, August 6, 2017, <https://www.channelnewsasia.com/news/singapore/commentary-hong-kong-a-cautionary-tale-for-singapore-a-lesson-9093180>; J.J. Woo, *Singapore as an International Financial Centre: History, Politics and Policy* (London: Palgrave Macmillan, 2016).

³Sanchita Basu Das, *Road to Recovery: Singapore's Journey through the Global Crisis* (Singapore: Institute of Southeast Asian Studies, 2010).

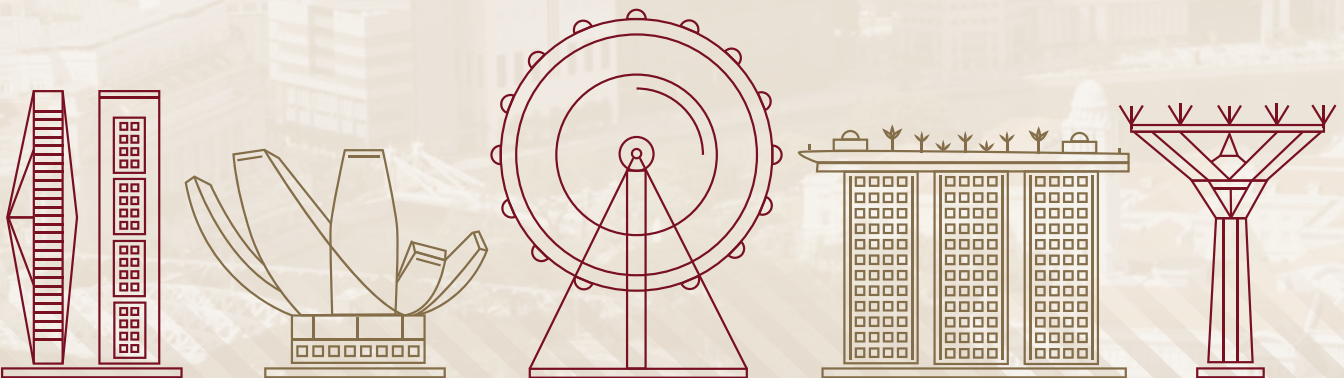
SINGAPORE'S APPROACH TO ECONOMIC GOVERNANCE

As a small city-state lacking in both natural resources and a hinterland, Singapore has from its independence relied on government policy interventions, whether to ensure efficient and functioning markets, grow and develop emerging industries and sectors, or attract major multinational corporations to supplement what was then a relatively weak domestic sector.⁴ This led to the characterisation of Singapore's state-centric approach to economic governance as 'Singapore, Inc'.⁵



This state-centric approach to economic governance informed Singapore's approach to managing economic crises and in doing so, ensured its continued stability in the face of major economic crises. Indeed, Ngiam noted that Singapore's economic resilience was rooted in its sound macroeconomic policies and the state's willingness to take effective and timely policy measures to counter or manage the adverse effects of economic or financial crises.⁶

More importantly, Singapore's approach to economic governance was driven by two key policy concepts: strategic pragmatism and the developmental state model.



⁴Lim, *Singapore's Economic Development*; Linda Y. C. Lim, "Fifty Years of Development in the Singapore Economy: An Introductory Review," *The Singapore Economic Review* 60, no. 03 (August 1, 2015): 1502002, <https://doi.org/10.1142/S0217590815020026>; Low, *The Political Economy of a City-State Revised*; W.G. Huff, "The Developmental State, Government, and Singapore's Economic Development since 1960," *World Development* 23, no. 8 (August 1995): 1421-38; William K. M. Lee, "Economic Growth, Government Intervention, and Ideology in Singapore," *New Global Development* 12, no. 1 (1996): 27-47.

⁵Usha CV. Haley, Linda Low, and Mun-Heng Toh, "Singapore Incorporated: Reinterpreting Singapore's Business Environments through a Corporate Metaphor," *Management Decision* 34, no. 9 (November 1, 1996): 17-28, <https://doi.org/10.1108/00251749610149975>; Linda Low, *The Political Economy of a City-State: Government-Made Singapore* (Oxford: Oxford University Press, 2001); Linda Low, "Singapore Inc: A Success Story," *South African Journal of International Affairs* 10, no. 1 (June 1, 2003): 49-63, <https://doi.org/10.1080/10220460309545409>; Low, *The Political Economy of a City-State Revised*.

⁶Kee Jin Ngiam, "Coping with the Asian Financial Crisis: The Singapore Experience," *Visiting Researchers Series* (Singapore: Institute of Southeast Asian Studies, 2000), 2.



Strategic Pragmatism

The emergence of strategic pragmatism as a key principle of economic governance was closely linked to the formation of the Economic Development Board (EDB), Singapore's chief economic promotion agency. In his study on the cultural history of the EDB, Schein found that Singapore's approach to economic governance involved having both a vision and master strategy for development and the "practical intelligence to pragmatically and innovatively make it happen without at any point compromising the vision".⁷

Also described as "strategic in thinking and pragmatic in execution",⁸ strategic pragmatism was a governance style that originated from Singapore's first finance minister, Dr Goh Keng Swee and which was subsequently "institutionalised... in the paradigm of the Singapore governance".⁹



Developmental State

A second aspect of Singapore's approach to economic governance was its adherence to what had come to be known as the East Asian Developmental State Model, or Developmental State Model (DSM) for short. This adherence to the DSM involved an overwhelming policy focus on stimulating or, at least maintaining, economic growth, often through the actions of developmental agencies such as the EDB.¹⁰ Like most developmental states, Singapore's DSM approach to economic governance was ideologically driven by what is known as 'performance legitimacy', or the securing of public trust through the state's ability to deliver strong and consistent growth.¹¹

⁷ Edgar H. Schein, *Strategic Pragmatism: The Culture of Singapore's Economic Development Board* (Massachusetts: The MIT Press, 1996), 175.

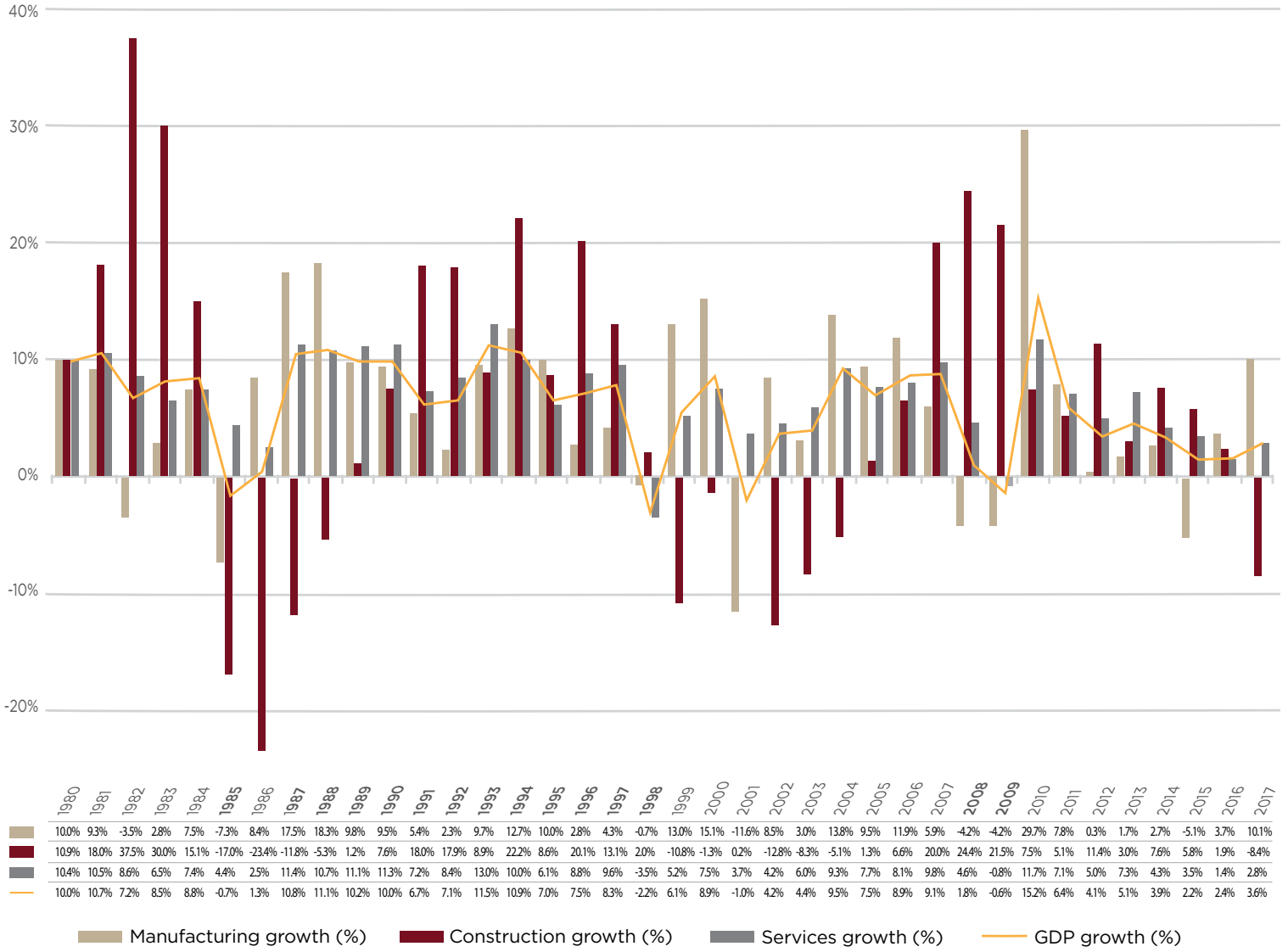
⁸ Tong Dow Ngiam, *Dynamics of the Singapore Success Story: Insights by Ngiam Tong Dow*, 1st ed. (Singapore: Cengage Learning Asia, 2010), 28.

⁹ Ian Patrick Austin, *Goh Keng Swee And Southeast Asian Governance* (Singapore: Marshall Cavendish Academic, 2004), 14.

¹⁰ Huff, "The Developmental State, Government, and Singapore's Economic Development since 1960"; W. G. Huff, "Turning the Corner in Singapore's Developmental State?," *Asian Survey* 39, no. 2 (1999): 214–42, <https://doi.org/10.2307/2645453>; Linda Low, "The Singapore Developmental State in the New Economy and Polity," *The Pacific Review* 14, no. 3 (January 1, 2001): 411–41; Kris Olds and Henry Yeung, "Pathways to Global City Formation: A View from the Developmental City-State of Singapore," *Review of International Political Economy* 11, no. 3 (June 1, 2004): 489–521, <https://doi.org/10.1080/0969229042000252873>; J.J. Woo, *The Evolution of the Asian Developmental State: Hong Kong and Singapore* (London: Routledge, 2018).

¹¹ Low, "The Singapore Developmental State in the New Economy and Polity"; Huff, "The Developmental State, Government, and Singapore's Economic Development since 1960"; Woo, *The Evolution of the Asian Developmental State: Hong Kong and Singapore*.

Exhibit 1: Singapore's GDP growth, 1980-2017



Source: Department of Statistics, Singapore. GDP at 2010 market prices (SSIC 2015), by industry, annual.

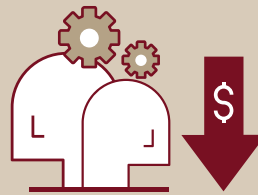
1985 ECONOMIC CRISIS

It has been noted that Singapore was caught unawares by the 1985 crisis, with the official GDP growth estimates initially pegged to 5%, although the onset of the crisis would drive real GDP growth rates to -3.5% by the third quarter.¹² This was largely due to the rapid growth of the construction sector just prior to the crisis, which had masked weaker prospects in other sectors.¹³

While Singapore's slide into recession in 1985 was largely driven by external headwinds, with a rapid decline in global demand, particularly in the United States, posing threats to trade-dependent Singapore, it is also important to note that a wage correction policy that was implemented in 1979 had given rise to a loss of competitiveness, with wage costs rising twice as fast as productivity.¹⁴ Such high labour costs eroded companies' competitiveness and gave rise to a need for labour cost reduction measures.

In response to the crisis, Minister for Trade and Industry Tony Tan convened an Economic Committee to assess Singapore's economic situation and identify avenues for future growth. More importantly, the Committee formulated a set of policy recommendations that would inform the government's response to the crisis.

The government's policy responses to the crisis could be grouped into two categories:



Managing Costs of Labour



Tax Reliefs and Investment Incentives

First, the government recommended a reduction of employers' Central Provident Fund (CPF)¹⁵ contribution rates by 15% and enforced a wage restraint for the public sector, with the latter aimed at limiting wage increases across the economy through the example of the public sector.¹⁶

As the rest of this case study will also show, the government took similar steps to reduce wage costs during other economic crises, with the CPF seen as a fiscal policy tool that could be used to counteract the negative impacts of crises.¹⁷

¹² Chan Heng Chee, "Singapore in 1985: Managing Political Transition and Economic Recession," *Asian Survey* 26, no. 2 (1986): 164, <https://doi.org/10.2307/2644451>.

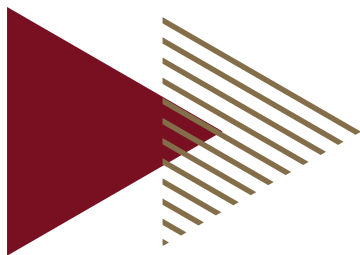
¹³ Jonathan Rigg, "Singapore and the Recession of 1985," *Asian Survey* 28, no. 3 (1988): 344, <https://doi.org/10.2307/2644491>.

¹⁴ Economic Committee, "The Singapore Economy: New Directions," Report of the Economic Committee (Singapore: Singapore Economic Committee, February 1986).

¹⁵ The CPF was set up as a compulsory social security savings scheme in 1955 for working Singaporeans. The CPF contribution rates for employees and employers were adjusted over the years.

¹⁶ Rigg, "Singapore and the Recession of 1985"; Alvin Foo, "Changing CPF Rates over the Years," Text, The Straits Times, February 12, 2014, <http://www.straitstimes.com/multimedia/graphics/changing-cpf-rates-over-the-years>; Kok Fatt Lee, *Singapore's Fiscal Strategies for Growth: A Journey of Self-Reliance*, 1st ed. (New Jersey: World Scientific, 2018), 31.

¹⁷ Foo, "Changing CPF Rates over the Years"; Soon Beng Chew and Rosalind Chew, "Macro Objectives of the Central Provident Fund (CPF): A Review," in *Singapore and Asia in a Globalized World: Contemporary Economic Issues and Policies* (Singapore: World Scientific, 2009), 35-62; Lee, *Singapore's Fiscal Strategies for Growth*.



1986 Economic Committee recommended



tax deductions
totaling
\$1.2 billion

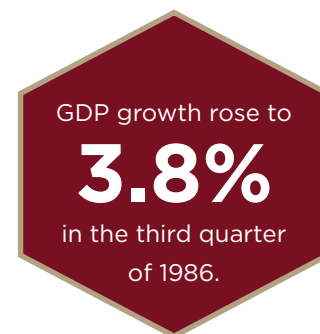


with corporate tax
cut from
40% to 30%

More importantly, this made reductions in CPF contribution rates as well as wage freezes a form of implicit subsidies to firms, which were incentivised to maintain their headcounts and business operations.¹⁸ Hence, reductions in CPF contribution rates served to both maintain workers' employability during a downturn, as well as reduce businesses' labour costs. Aside from such efforts to reduce the wage bill for firms, the government introduced a raft of fiscal policies to stimulate economic activity in the city-state.

These took the form of a reduction in corporate and personal income tax rates, incentives for firms to invest in Singapore, lowering of statutory board charges, and the short-term raising of non-recurrent public development spending.¹⁹ Specifically, the 1986 Economic Committee recommended tax deductions totaling \$1.2 billion, with the corporate tax rate cut from 40% to 30%.²⁰ At the same time, the Committee introduced a 30% across-the-board investment allowance for expenditures on capital equipment and machinery, while existing tax incentives to manufacturing firms were broadened to include services firms as well.²¹

While tax reductions and investment incentives could be seen as a direct incentive to firms and businesses, the raising of public development spending represented fiscal expenditures to drive up economic activity. In all instances, there was a significant extent of state intervention, with the government playing a key role in either funding these incentives, or mandating wage reduction moves, such as the reduction of employer's CPF contribution rates. As a consequence of these interventions, Singapore posted a swift recovery in mid-1986, with GDP growth rising to 3.8% in the third quarter.²²



Importantly, such fiscal interventions also pointed to the Singapore's adherence to a Keynesian style of managing economic crises as well as stimulating economic growth. Exhibit 2 provides a list of the policy measures that were implemented in response to the crisis.

¹⁸ Chew and Chew, "Macro Objectives of the Central Provident Fund (CPF): A Review."

¹⁹ Rigg, "Singapore and the Recession of 1985," 349-50.

²⁰ Economic Committee, "The Singapore Economy: New Directions."

²¹ Economic Committee.

²² National Library Board Singapore, "Singapore Experiences Its First Post-Independence Recession - Singapore History," History SG: An Online Resource Guide, 2018, <http://eresources.nlb.gov.sg/history/events/9f9489cf-5432-4797-bf66-fd1b3bab7a2b>.

Exhibit 2: Policy Measures for 1985 Economic Crisis



1997 ASIAN FINANCIAL CRISIS

The 1997 Asian Financial Crisis, thus named because its origins and subsequent impacts were centred on Asia, began as a currency crisis, with intense speculation over the Thai Baht leading to the Thai government's decision to float the currency, which in turn caused a sharp decline in the Baht's value.²³ A loss of competitiveness against the Baht would affect Indonesia, South Korea, Malaysia and the Philippines, giving rise to sharp declines in the currency value of these countries.²⁴

Despite its highly open economy, Singapore did not bear the full brunt of the crisis. Nevertheless, Singapore was still affected by the crisis, even as its fundamental economic policies remained sound.²⁵ Specifically, the contagion effects of the Asian Financial Crisis adversely affected Singapore's currency and asset markets, banking and corporate sectors, and overall prospects for economic growth, due to eroding investor confidence, declining regional demand, and sectoral exposure to the other affected Asian economies.²⁶

Despite substantial differences between the causes of the Asian Financial Crisis and the 1985 Crisis,²⁷ the Singapore government's response to the 1997 crisis was remarkably similar to those that were promulgated in 1985. While then-Deputy Prime Minister and Monetary Authority of Singapore Chairman Lee Hsien Loong reiterated the government's commitment to currency stability and short-term capital mobility,²⁸ Singapore's response to the 1997 Crisis relied heavily on fiscal measures.



Specifically, the government unveiled a \$2 billion off-budget package in June 1998 that emphasized three broad objectives:²⁹



Reducing business costs



Strengthening economic infrastructure



Stabilising the property market

²³ National Library Board Singapore, "Asian Financial Crisis Erupts - Singapore History," History SG: An Online Resource Guide, 2018, <http://eresources.nlb.gov.sg/history/events/87709dd7-72ae-47e2-876c-60544bb25e00>.

²⁴ Stephen Haggard, *The Political Economy of the Asian Financial Crisis* (Peterson Institute, 2000).

²⁵ Chia Siow Yue, "The Asian Financial Crisis: Singapore's Experience and Response," *ASEAN Economic Bulletin* 15, no. 3 (1998): 297–308.

²⁶ Yue, 300–305.

²⁷ The Asian Financial Crisis being fundamentally a currency crisis while the 1985 crisis was more of a global economic decline.

²⁸ Yue, "The Asian Financial Crisis," 302.

²⁹ Ngiam, "Coping with the Asian Financial Crisis: The Singapore Experience," 16.



In order to reduce business costs, the government introduced property and corporate tax rebates as well as reductions in fees and charges by government agencies.³⁰ Initiatives to strengthen the economic infrastructure included speeding up development projects and providing more funds for skills training and local enterprise development.³¹ The latter included the formation of a “Tripartite Panel for Retrenched Workers” that comprised representatives from the Ministry of Manpower, National Trades Union Congress, Singapore National Employers’ Federation, EDB, and Singapore Productivity and Standards Board. The Panel aimed to provide unemployed workers with advice on skills training opportunities and incentives, as well as increased government funding for the trade union movement’s Skills Redevelopment Programme, which subsidised 80% of workers’ training costs, as well as their 70% of their wages during the training period.³²

Lastly, the government sought to stabilise Singapore’s property market by suspending government land sales, deferring taxes and duties on uncompleted property development projects, providing households with rebates on Housing and Development Board (HDB) charges and rentals, and helping households with mortgage rescheduling.³³ However, the June 1998 off-budget package did not sufficiently arrest Singapore’s declining quarterly GDP growth rates and rising unemployment rates, prompting the government to introduce a \$10.5 billion cost-reduction package in November 1998 that aimed to reduce business costs by 15%.³⁴

Similar to the 1985 crisis, the November 1998 package involved a reduction of employers’ CPF contribution rates, with contribution rates for workers aged 55 years and below cut by 10%, a wage cut that was recommended by the National Wages Council, and a 10% corporate tax rebate for 1999, as well as further cuts in government rates and fees.³⁵ The November 1998 package was followed by a more expansionary fiscal policy in its FY1999 budget, albeit with a longer-term focus on education and infrastructure.³⁶ These interventions contributed to Singapore’s recovery from the crisis, with the economy returning to positive growth in early 1999 and overall GDP growth for 1999 reaching 6.1%.³⁷



\$10.5 billion

cost-reduction package in
November 1998 that aimed to
reduce business costs by **15%**

GDP growth for
1999 reached

6.1%



³⁰ Ngiam, 16; Lee, *Singapore's Fiscal Strategies for Growth*, 32.

³¹ Ngiam, “Coping with the Asian Financial Crisis: The Singapore Experience,” 16.

³² Weng-Tat Hui, “The Regional Economic Crisis and Singapore: Implications for Labor Migration,” *Asian and Pacific Migration Journal* 7, no. 2–3 (June 1, 1998): 202–3, <https://doi.org/10.1177/011719689800700204>.

³³ Lee, *Singapore's Fiscal Strategies for Growth*, 32; Ngiam, “Coping with the Asian Financial Crisis: The Singapore Experience,” 16.

³⁴ Ngiam, “Coping with the Asian Financial Crisis: The Singapore Experience,” 17.

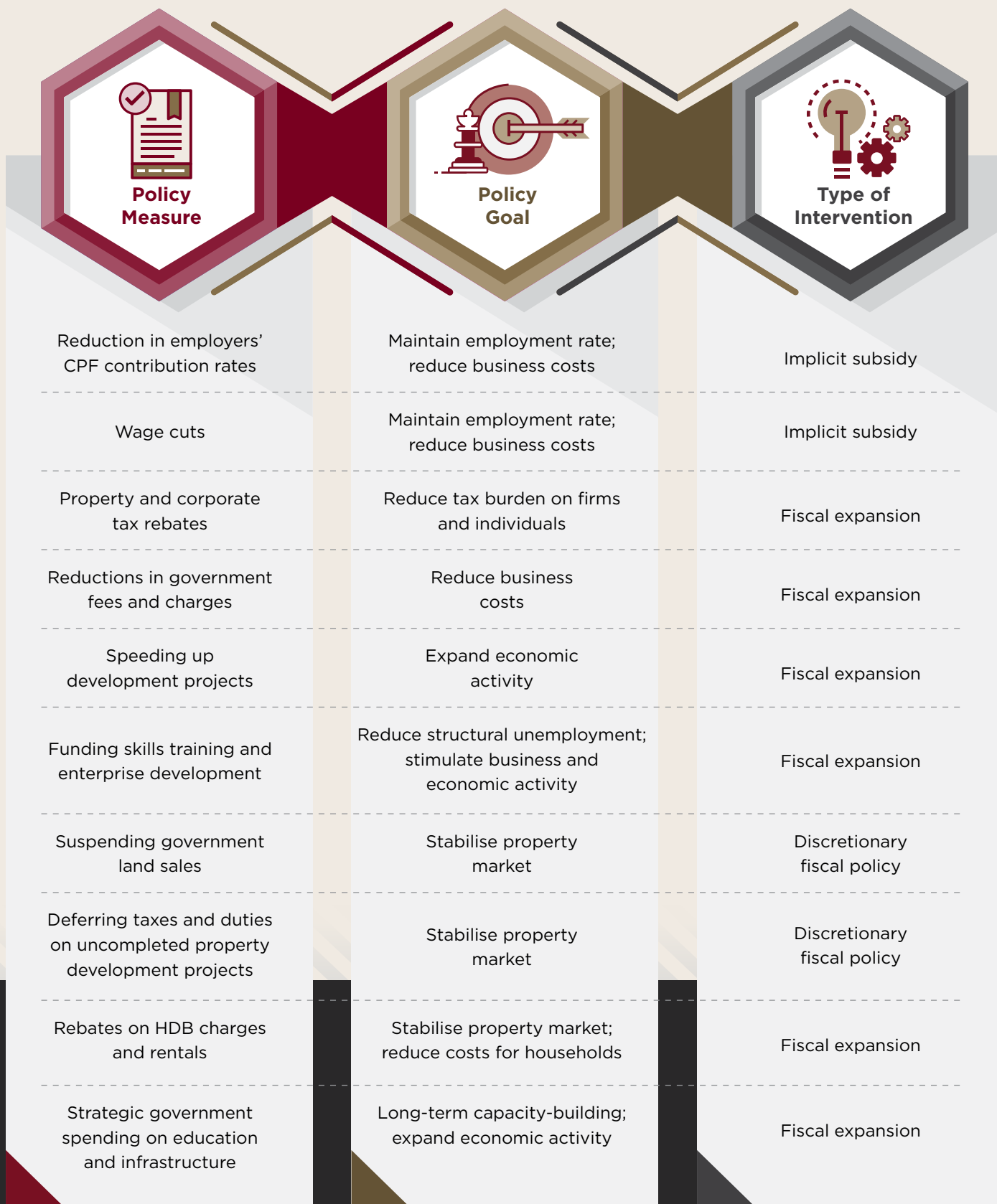
³⁵ Foo, “Changing CPF Rates over the Years”; Ngiam, “Coping with the Asian Financial Crisis: The Singapore Experience,” 17.

³⁶ Ngiam, “Coping with the Asian Financial Crisis: The Singapore Experience,” 17.

³⁷ Department of Statistics, Singapore, “GDP at 2010 market prices, by industry (SSIC 2015), annual.” <http://www.tablebuilder.singstat.gov.sg/publicfacing/createDataTable.action?refid=12359>

In sum, Singapore’s response to the 1997 Asian Financial Crisis relied overwhelmingly on fiscal measures.

Exhibit 3: Policy Measures for 1997 Asian Financial Crisis



2008 GLOBAL FINANCIAL CRISIS

Ground zero of the 2008 Global Financial Crisis could be traced to the American sub-prime home mortgages sector, with rising mortgage default or delinquency rates resulting in a rapid devaluation of mortgage-related financial instruments such as mortgage-based securities and credit default swaps. This ultimately resulted in massive government bailouts of major banks and financial institutions that were highly exposed to the sub-prime mortgage crisis.³⁸ Given the systemic importance of many of these 'too-big-to-fail' banks, 'contagion' effects from the Global Financial Crisis promulgated across the global economy.

Like the previous two crises, Singapore's highly open economy rendered it vulnerable to contagion effects. In particular, Singapore experienced a recession, with a decline in GDP growth rates across two consecutive quarters driven by a global credit crunch as well as an overall decline in global demand.³⁹ Indeed, Singapore was the first country in East Asia to experience a recession due to the American sub-prime mortgage crisis.⁴⁰ In response, the government pledged \$2.9 billion in November 2008 to help businesses and workers cope with the recession, as well as a \$20.5 billion Resilience Package in January 2009.⁴¹

The Resilience Package consisted of five components.⁴² First, the

government committed \$5 billion to the maintaining citizen employment. Second, \$5.8 billion was earmarked to stimulate bank lending. Third, \$2.6 billion was committed to supporting business cash-flow and strengthening Singapore's competitiveness. Fourth, \$2.6 billion was set aside to provide support for families and communities. Fifth, the government committed \$4.4 billion on infrastructural spending. The impacts of the Resilience Package were palpable, with Singapore rebounding from the crisis in late-2009 and posting a GDP growth rate of 15% in 2010.⁴³

Exhibit 4 provides an overview of the Resilience Package, along with the specific initiatives that made up the Package.

The Resilience Package consisted of five components.

1 \$5 billion



2 \$5.8 billion



3 \$2.6 billion



4 \$2.6 billion



5 \$4.4 billion



³⁸ James Crotty, "Structural Causes of the Global Financial Crisis: A Critical Assessment of the 'New Financial Architecture,'" *Cambridge Journal of Economics* 33, no. 4 (July 1, 2009): 563–80, <https://doi.org/10.1093/cje/bep023>; Ray Ball, "The Global Financial Crisis and the Efficient Market Hypothesis: What Have We Learned?," SSRN Scholarly Paper (Rochester, NY: Social Science Research Network, December 16, 2009), <http://papers.ssrn.com/abstract=1523961>; Raghuram Rajan, *Fault Lines: How Hidden Fractures Still Threaten the World Economy* (New Jersey: Princeton University Press, 2011); Robert J. Shiller, *The Subprime Solution: How Today's Global Financial Crisis Happened, and What to Do about It* (Princeton, N.J.: Princeton University Press, 2012).

³⁹ Das, *Road to Recovery*.

⁴⁰ National Library Board Singapore, "Singapore Is First East Asian Country to Slip into Recession - Singapore History," History SG: An Online Resource Guide, 2018, <http://eresources.nlb.gov.sg/history/events/3cacf256-82cc-4776-b7f8-83757723b502>.

⁴¹ National Library Board Singapore.

⁴² Ministry of Finance, "Singapore Budget 2009" (Singapore, 2009).

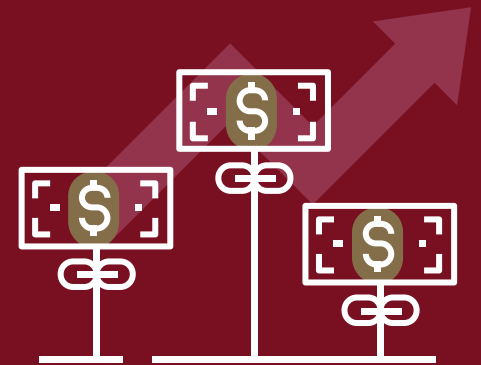
⁴³ Department of Statistics, Singapore, "GDP at 2010 market prices, by industry (SSIC 2015), annual," <http://www.tablebuilder.singstat.gov.sg/publicfacing/createDataTable.action?refId=12359>

Exhibit 4: Policy Measures of the Resilience Package

 Component	 Policy Measure	 Policy Goal	 Type of Intervention
Jobs for Singaporeans	Jobs Credit Scheme	Maintain employment rates; reduce business costs	Fiscal expansion
	Skills Programme for Upgrading and Resilience (SPUR)	Promote skills training; reduce structural unemployment and retrenchments	Fiscal expansion; implicit subsidy
	Workfare Income Supplement	Support lower-income workers	Subsidy
	Expanding public sector recruitment	Raise employment rates	Fiscal expansion
Stimulating Bank Lending	Special risk-sharing initiative <ul style="list-style-type: none"> • Bridging programme loan • Risk sharing schemes for trade finance 	Ensure viability of banks and financial institutions	Guarantee; discretionary fiscal policy
	Enhancing existing bank lending schemes	Ensure viability of banks and financial institutions	Discretionary fiscal policy; subsidy
Enhancing Business Cash-Flow and Competitiveness	Tax concessions for businesses	Reduce business costs	Subsidy
	Enhancing cash-flow and competitiveness <ul style="list-style-type: none"> • Property tax rebate for industrial and commercial properties • Rental rebates by JTC, HDB, and Singapore Land Authority • Enhancements to loss carry-back scheme • Tax exemption on remittance of foreign-sourced income • Transport rebates and concessions • Defer property tax for approved commercial developers • Defer increase in assessment rate for hotels 	Reduce business costs; ensure economic competitiveness	Incentives, subsidies, and rebates
Supporting Families	Direct assistance for Singaporean households	Provide households with support and assistance	Fiscal expansion; social policy
	Increased targeted help for vulnerable groups	Provide vulnerable groups with support and assistance	Fiscal expansion; social policy
	Additional support for charitable giving and the community	Provide special groups and communities with support and assistance	Fiscal expansion; social policy
Building a Home for the Future	Bringing forward infrastructural projects	Expanding infrastructural development and economic activities	Fiscal expansion
	Rejuvenating public housing estates	Expanding economic activity	Fiscal expansion
	Enhancing sustainable development programmes	Expanding economic activity	Fiscal expansion
	Upgrading education and healthcare infrastructure	Strategic long-term investments; expanding economic activity	Fiscal expansion

DISCUSSION

This case study has sought to provide a broad overview of Singapore's responses to economic crises, with a strong focus on three major economic crises, the 1985 Economic Crisis, 1997 Asian Financial Crisis, and 2008 Global Financial Crisis. It is important to note that in all three instances, Singapore's highly open economy rendered it vulnerable to contagion effects and hence susceptible to recession, despite its sound macroeconomic foundations. In all three cases, the crises affected Singapore through declining regional and global demand as well as sectoral exposure to risks and contagion.



As a consequence, there is much consonance in Singapore's response to the three crises. In response to declining global demand, the Singapore government had in all instances relied on fiscal expansion to stimulate economic activity as well as ensure socio-economic stability, although other forms of policy measures have also been implemented to achieve similar goals, such as implicit subsidies and forward guidance. In any case, Singapore's approach to managing economic crises is highly Keynesian in nature and orientation, with a strong emphasis on fiscal policy interventions.

More importantly, this interventionist approach to addressing economic crises flows from the two ideological components of Singapore's economic governance approach, namely strategic pragmatism and the developmental state model. While strategic pragmatism drives the government's efforts (fiscal policy) to manage short-term policy problems (e.g. crises) to attain longer-term

strategic goals (economic stability), the DSM emphasizes economic growth as an over-riding policy objective, with much of the policy responses discussed above focused on stimulating economic activity through fiscal expansion.

Proposed Discussion Questions

- How has Singapore managed the negative impacts of economic crises? What types of policy measures have been implemented?
- What are the ideological foundations of Singapore's economic governance model? How have these informed the country's approach to managing economic crises?
- What are the pros and cons of applying fiscal policy measures to combating economic crises?
- How have Singapore's policy responses to economic crises benefitted businesses and citizens?

REFERENCES

- Austin, Ian Patrick. *Goh Keng Swee And Southeast Asian Governance*. Singapore: Marshall Cavendish Academic, 2004.
- Ball, Ray. "The Global Financial Crisis and the Efficient Market Hypothesis: What Have We Learned?" *SSRN Scholarly Paper*. Rochester, NY: Social Science Research Network, December 16, 2009. <http://papers.ssrn.com/abstract=1523961>.
- Chee, Chan Heng. "Singapore in 1985: Managing Political Transition and Economic Recession." *Asian Survey* 26, no. 2 (1986): 158–67. <https://doi.org/10.2307/2644451>.
- Chew, Soon Beng, and Rosalind Chew. "Macro Objectives of the Central Provident Fund (CPF): A Review." *In Singapore and Asia in a Globalized World: Contemporary Economic Issues and Policies*, 35–62. Singapore: World Scientific, 2009.
- Crotty, James. "Structural Causes of the Global Financial Crisis: A Critical Assessment of the 'New Financial Architecture.'" *Cambridge Journal of Economics* 33, no. 4 (July 1, 2009): 563–80. <https://doi.org/10.1093/cje/bep023>.
- Das, Sanchita Basu. *Road to Recovery: Singapore's Journey through the Global Crisis*. Singapore: Institute of Southeast Asian Studies, 2010.
- Economic Committee. "The Singapore Economy: New Directions." Report of the Economic Committee. Singapore: Singapore Economic Committee, February 1986.
- Foo, Alvin. "Changing CPF Rates over the Years." *The Straits Times*, February 12, 2014. <http://www.straitstimes.com/multimedia/graphics/changing-cpf-rates-over-the-years>.
- Haggard, Stephen. *The Political Economy of the Asian Financial Crisis*. Peterson Institute, 2000.
- Huff, W. G. "Turning the Corner in Singapore's Developmental State?" *Asian Survey* 39, no. 2 (1999): 214–42. <https://doi.org/10.2307/2645453>.
- Huff, W.G. "The Developmental State, Government, and Singapore's Economic Development since 1960." *World Development* 23, no. 8 (August 1995): 1421–38.
- Hui, Weng-Tat. "The Regional Economic Crisis and Singapore: Implications for Labor Migration." *Asian and Pacific Migration Journal* 7, no. 2–3 (June 1, 1998): 187–218. <https://doi.org/10.1177/011719689800700204>.
- Lam, Newman M. K. "Government Intervention in the Economy: A Comparative Analysis of Singapore and Hong Kong." *Public Administration and Development* 20, no. 5 (2000): 397–421.
- Lee, Kok Fatt. *Singapore's Fiscal Strategies for Growth: A Journey of Self-Reliance*. 1st ed. New Jersey: World Scientific, 2018.
- Lee, William K. M. "Economic Growth, Government Intervention, and Ideology in Singapore." *New Global Development* 12, no. 1 (1996): 27–47.
- Lim, Linda Y. C. "Fifty Years of Development in the Singapore Economy: An Introductory Review." *The Singapore Economic Review* 60, no. 03 (August 1, 2015): 1502002. <https://doi.org/10.1142/S0217590815020026>.
- . *Singapore's Economic Development: Retrospection and Reflections*. Singapore: World Scientific, 2015.
- Low, Linda. "Singapore Inc: A Success Story." *South African Journal of International Affairs* 10, no. 1 (June 1, 2003): 49–63. <https://doi.org/10.1080/10220460309545409>.
- . *The Political Economy of a City-State: Government-Made Singapore*. Oxford: Oxford University Press, 2001.
- . *The Political Economy of a City-State Revised*. Singapore: Marshall Cavendish, 2006.
- . "The Singapore Developmental State in the New Economy and Polity." *The Pacific Review* 14, no. 3 (January 1, 2001): 411–41.
- Ministry of Finance. "Singapore Budget 2009." Singapore, 2009.

Monetary Authority of Singapore. "Annual Report 2010/2011." Singapore: Monetary Authority of Singapore, 2011.

National Library Board. "Asian Financial Crisis (1997-1998) | Infopedia." National Library Board Singapore, 2018. http://eresources.nlb.gov.sg/infopedia/articles/SIP_1530_2009-06-09.html.

———. "Asian Financial Crisis Erupts - Singapore History." History SG: An Online Resource Guide, 2018. <http://eresources.nlb.gov.sg/history/events/87709dd7-72ae-47e2-876c-60544bb25e00>.

———. "Singapore Experiences Its First Post-Independence Recession - Singapore History." History SG: An Online Resource Guide, 2018. <http://eresources.nlb.gov.sg/history/events/9f9489cf-5432-4797-bf66-fd1b3bab7a2b>.

———. "Singapore Is First East Asian Country to Slip into Recession - Singapore History." History SG: An Online Resource Guide, 2018. <http://eresources.nlb.gov.sg/history/events/3cacf256-82cc-4776-b7f8-83757723b502>.

Ngiam, Kee Jin. "Coping with the Asian Financial Crisis: The Singapore Experience." *Visiting Researchers Series*. Singapore: Institute of Southeast Asian Studies, 2000.

Ngiam, Tong Dow. *Dynamics of the Singapore Success Story: Insights by Ngiam Tong Dow*. 1st ed. Singapore: Cengage Learning Asia, 2010.

Olds, Kris, and Henry Yeung. "Pathways to Global City Formation: A View from the Developmental City-State of Singapore." *Review of International Political Economy* 11, no. 3 (June 1, 2004): 489-521. <https://doi.org/10.1080/0969229042000252873>.

Rajan, Raghuram. *Fault Lines: How Hidden Fractures Still Threaten the World Economy*. New Jersey: Princeton University Press, 2011.

Rigg, Jonathan. "Singapore and the Recession of 1985." *Asian Survey* 28, no. 3 (1988): 340-52. <https://doi.org/10.2307/2644491>.

Schein, Edgar H. *Strategic Pragmatism: The Culture of Singapore's Economic Development Board*. Massachusetts: The MIT Press, 1996.

Schwab, Klaus. "Global Competitiveness Report 2017-2018." Global Competitiveness Report. Geneva, Switzerland: World Economic Forum, 2017.

Shiller, Robert J. *The Subprime Solution: How Today's Global Financial Crisis Happened, and What to Do about It*. Princeton, N.J.: Princeton University Press, 2012.

The Heritage Foundation. "Country Rankings: World & Global Economy Rankings on Economic Freedom." 2017 Index of Economic Freedom, 2017. <http://www.heritage.org/index/ranking>.

Usha C.V. Haley, Linda Low, and Mun-Heng Toh. "Singapore Incorporated: Reinterpreting Singapore's Business Environments through a Corporate Metaphor." *Management Decision* 34, no. 9 (November 1, 1996): 17-28. <https://doi.org/10.1108/00251749610149975>.

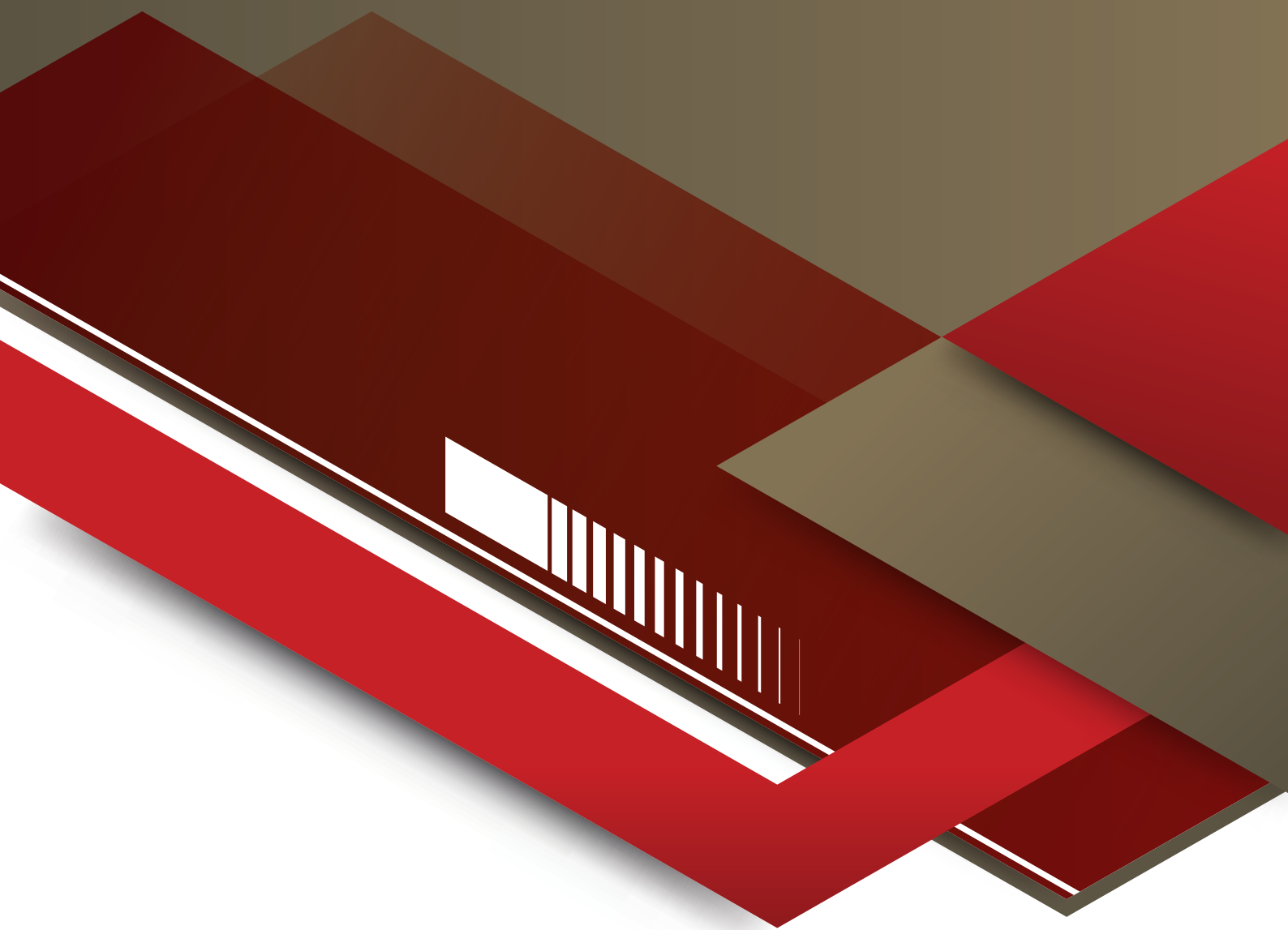
Woo, J.J. *Singapore as an International Financial Centre: History, Politics and Policy*. London: Palgrave Macmillan, 2016.

———. *The Evolution of the Asian Developmental State: Hong Kong and Singapore*. London: Routledge, 2018.

Woo, Jun Jie. "Commentary: Hong Kong, a Cautionary Tale for Singapore, a Lesson for the Future." Channel NewsAsia, August 6, 2017. <https://www.channelnewsasia.com/news/singapore/commentary-hong-kong-a-cautionary-tale-for-singapore-a-lesson-9093180>.

Yeung, Henry Wai-chung, and Kris Olds. "Singapore's Global Reach: Situating the City-State in the Global Economy." *International Journal of Urban Sciences* 2, no. 1 (April 1, 1998): 24-47. <https://doi.org/10.1080/12265934.1998.9693405>.

Yue, Chia Siow. "The Asian Financial Crisis: Singapore's Experience and Response." *ASEAN Economic Bulletin* 15, no. 3 (1998): 297-308.



For more case studies and expert discussions from the Lee Kuan Yew School of Public Policy, visit



<http://lkyspp.nus.edu.sg/our-research/case-studies/all-case-studies>



<http://global-is-asian.nus.edu.sg/>



<http://lkyspp.nus.edu.sg/>

For more information on the Lee Kuan Yew School of Public Policy, visit