Singapore at 50:
What lies ahead?
2-3 July 2015
Shangri-La Hotel

SESSION TWO
The Economy: Technology, Talent and Social Justice

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Monetary Authority of Singapore

Organised by IPS Institute of Policy Studies | LKY Lee Kuan Yew School of Public Policy | In Celebration of NUS110 | SG50

The Economy
Technology, Talent, and Social Justice

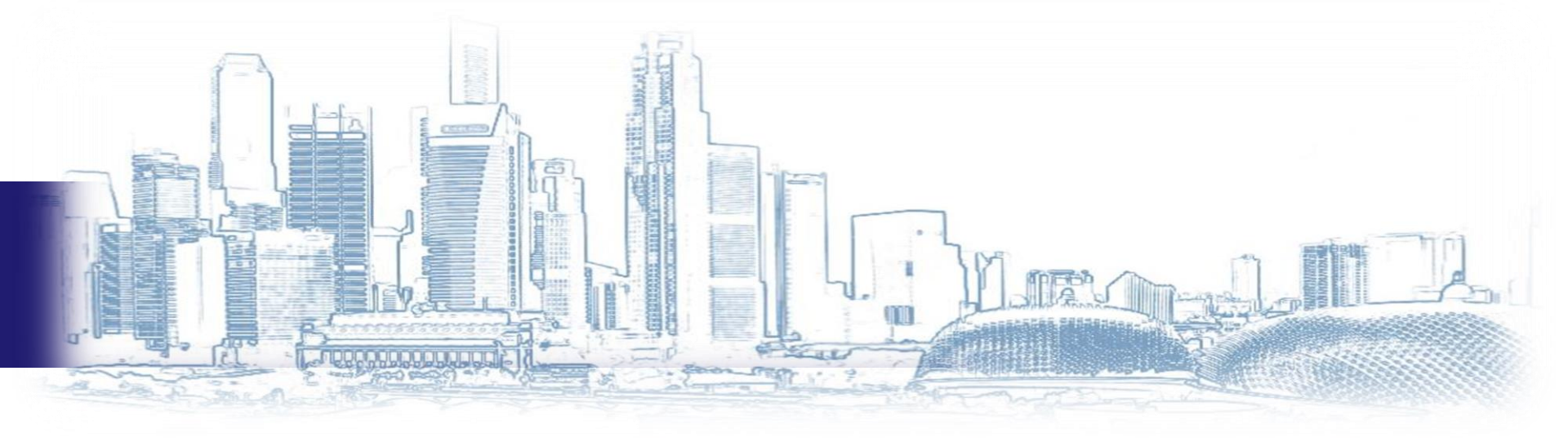
Ravi Menon
Managing Director, Monetary Authority of Singapore

Institute of Policy Studies, SG50+ Conference "Singapore At 50: What Lies Ahead?"
3 July 2015, Shangri-La Hotel

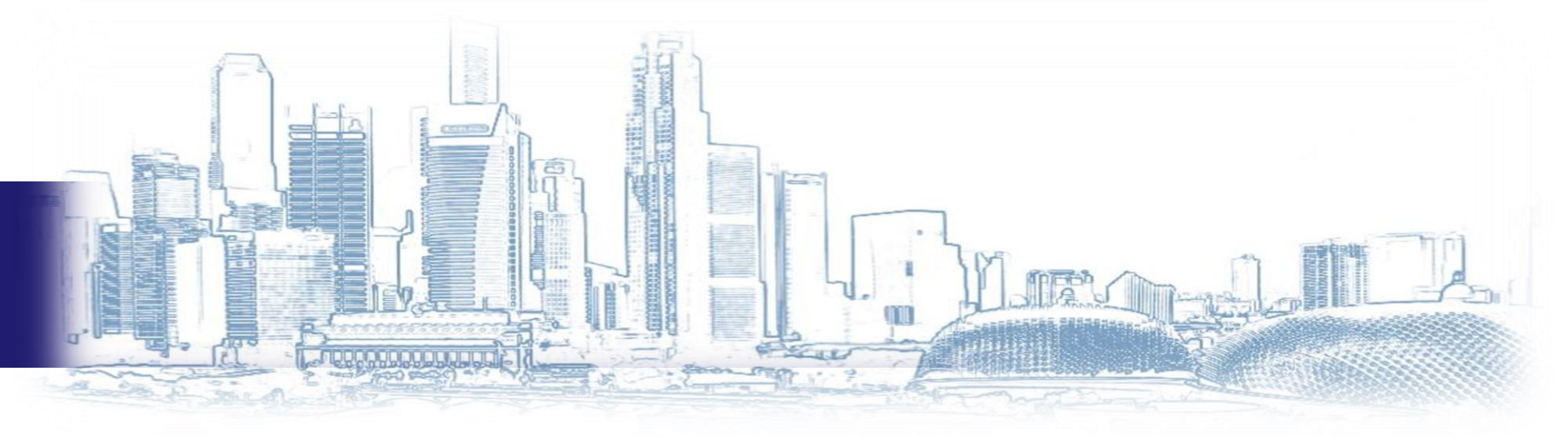
MAS Monetary Authority of Singapore

Drivers of Singapore's Economic Future

- **Asia and China**
- **Technology and Skills**
- **Social Compact**

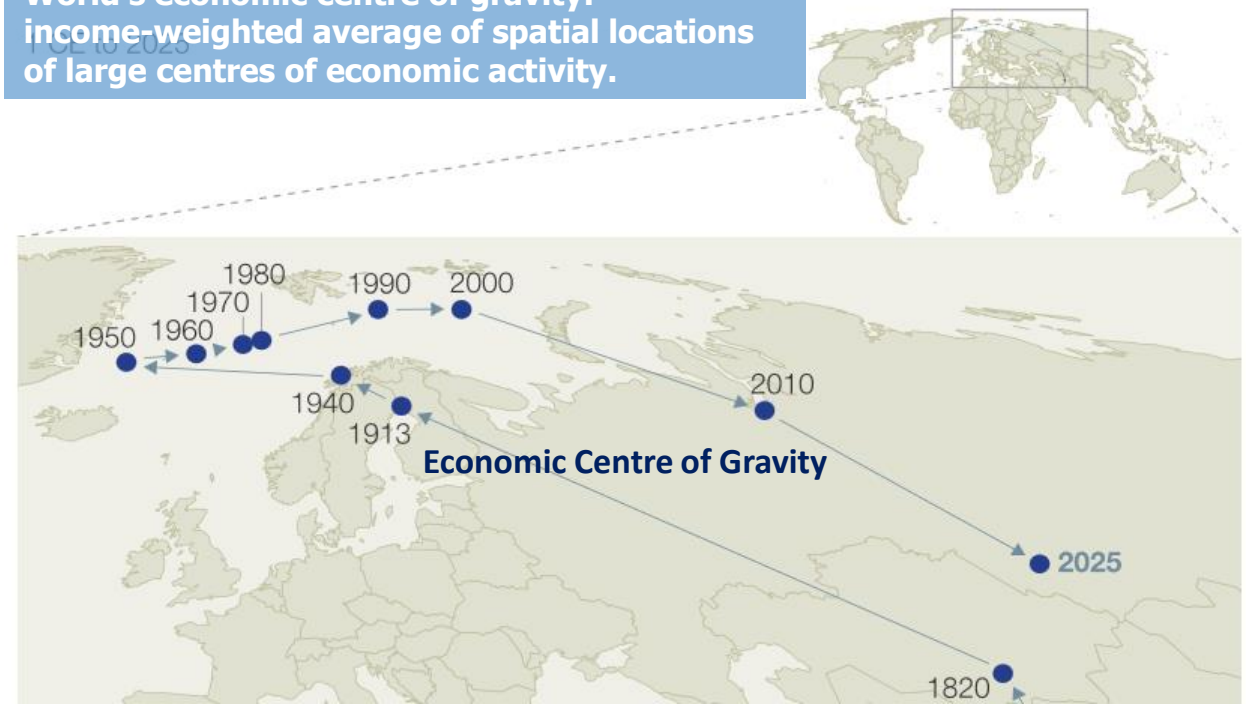


Rise of Asia and China



Centre of gravity shifting to Asia

World's economic centre of gravity:- income-weighted average of spatial locations of large centres of economic activity.

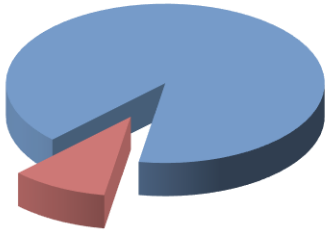


Source:
McKinsey Global Institute (2012), "Urban World: Cities and the Rise of the Consuming Class", June.

China: today's 7% is yesterday's 10%

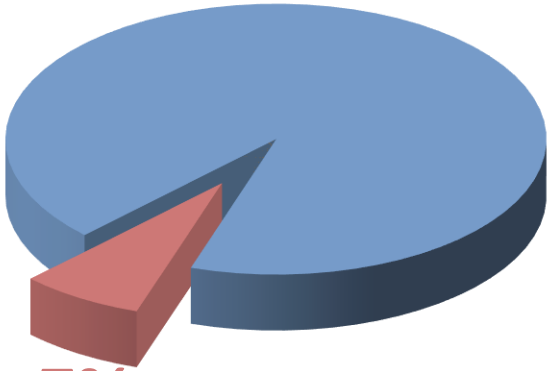
China's economy is 2.5 times larger today than 10 years ago.
GDP increase is larger in absolute terms, despite slower growth.

2004



10% per annum
(US$180 bn)

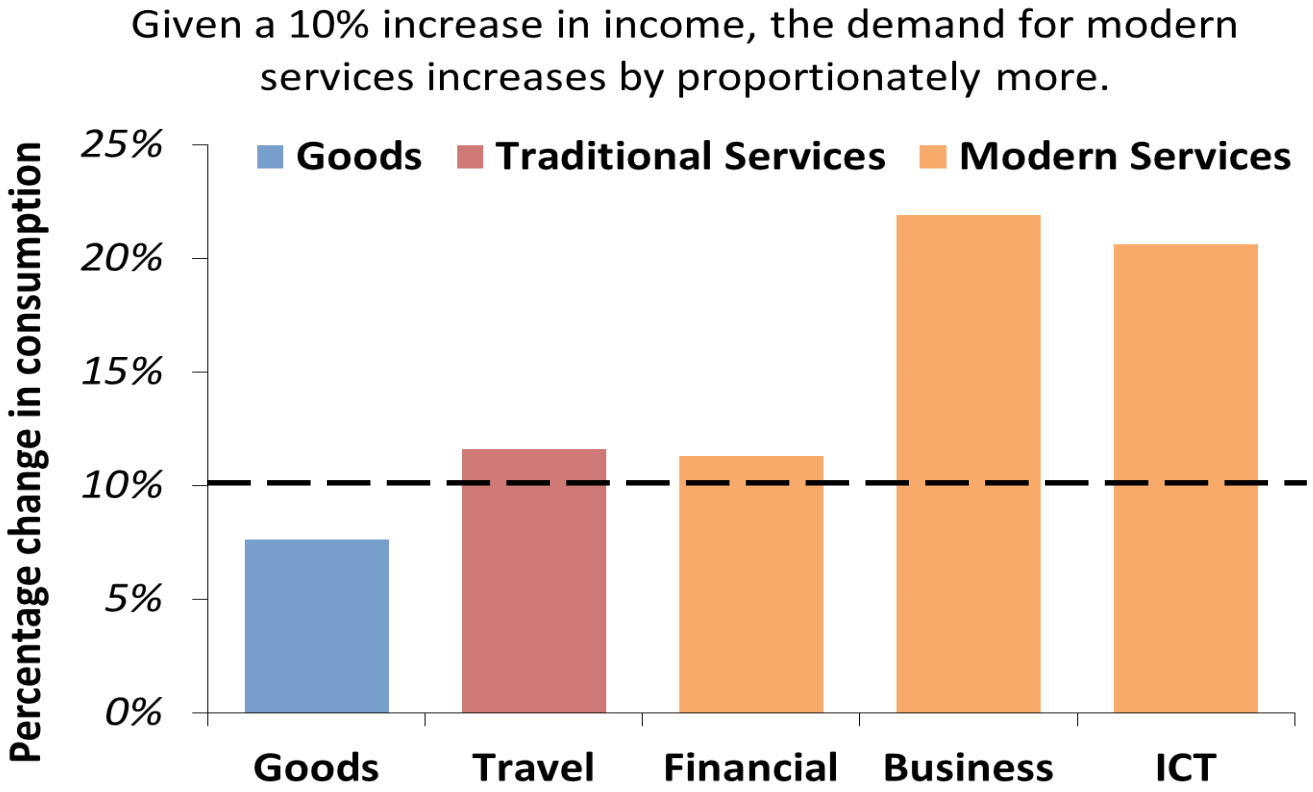
2014



7% per annum
(US$300 bn)

Source: IMF and EPG, MAS estimates

What will Asia's middle class buy?



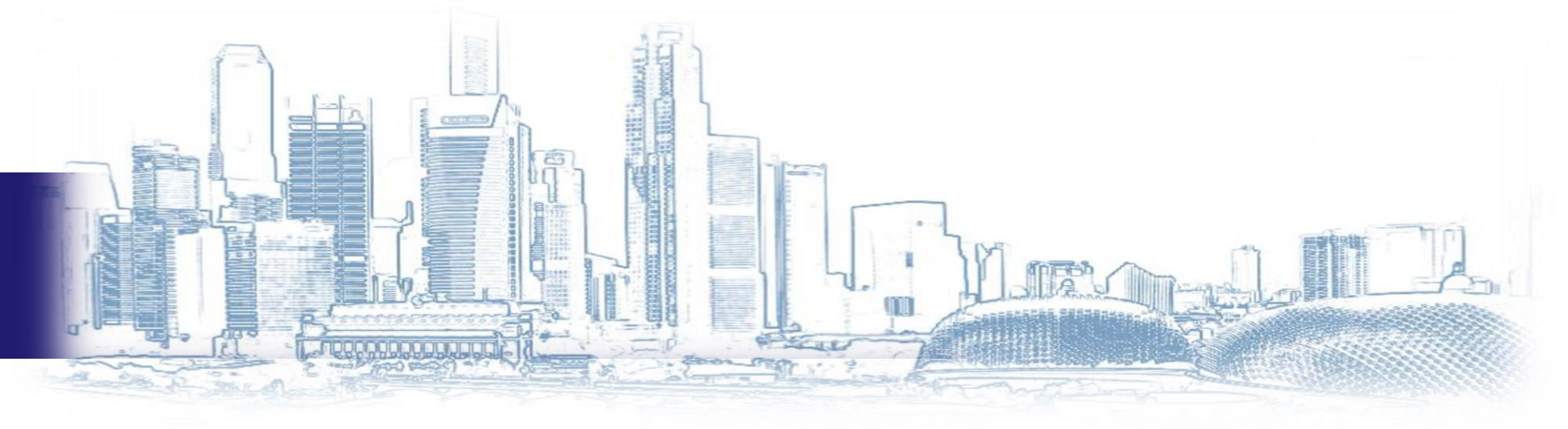
Source: EPG, MAS estimates

Integrate more with Asia

New Forms of Integration

Manufacturing trade	→	Services trade
Export of goods/services	→	Export of capital/people

Technology and Skills



Technology's Impact in Future

- **Will technology sustain growth?**
- **What does technology mean for jobs?**

Will technology sustain growth?

Techno-pessimists

(Robert Gordon)

Our best innovations may be behind us

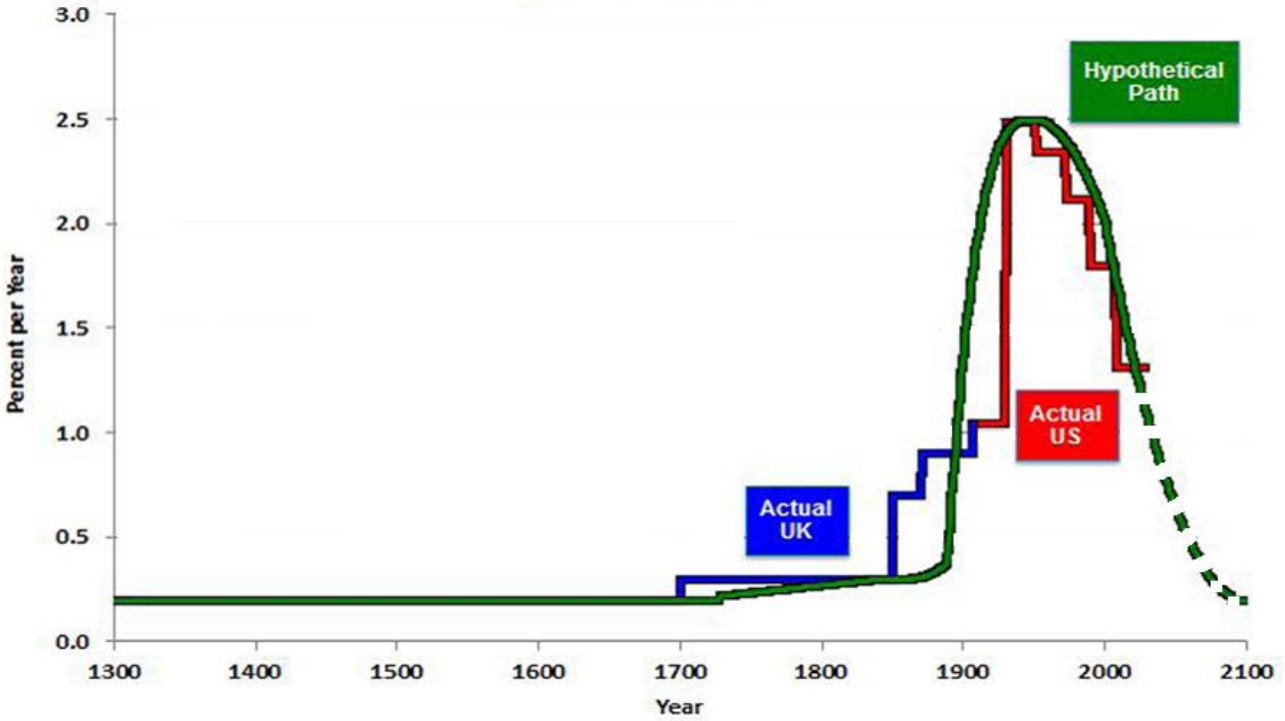
Techno-optimists

(Erik Brynjolfsson and Andrew McAfee)

New digital technologies will transform economy

Will technology sustain growth? No.

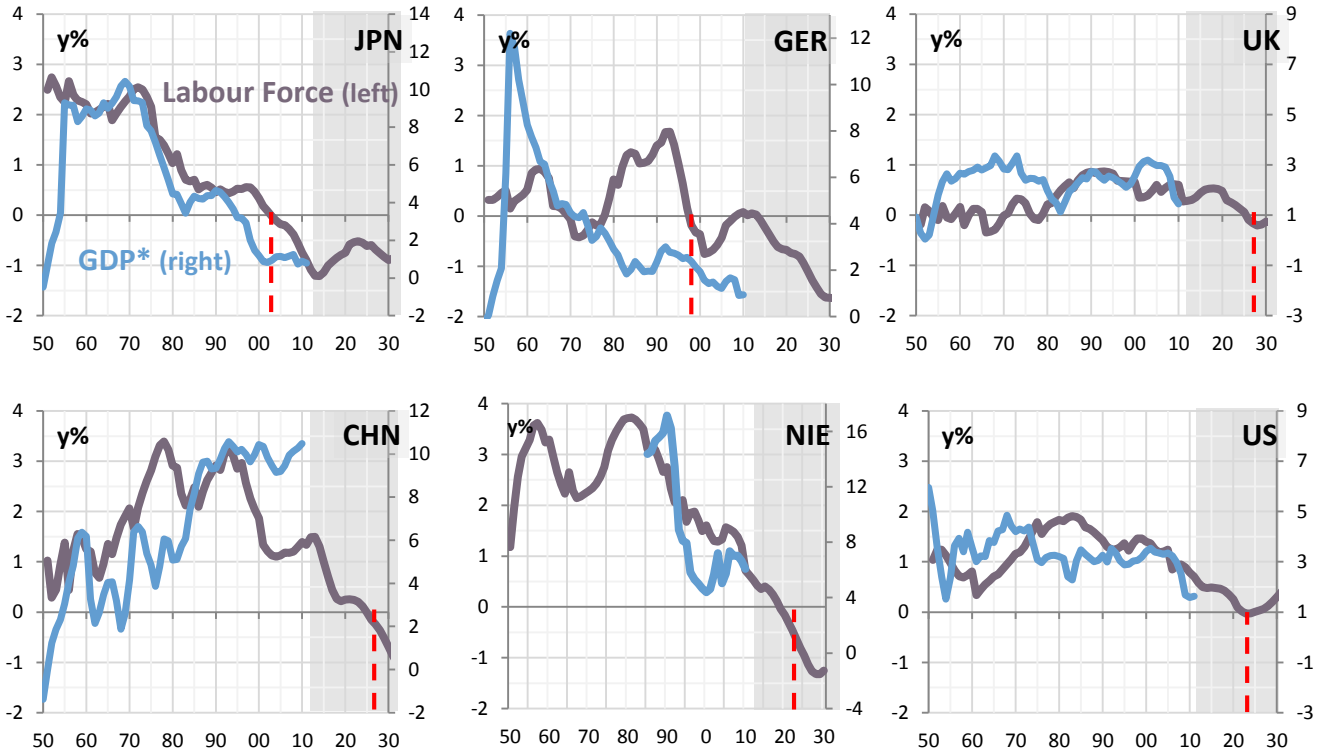
Growth in Real GDP per Capita, 1300-2100, with Actual and Hypothetical Paths



Source: Robert Gordon

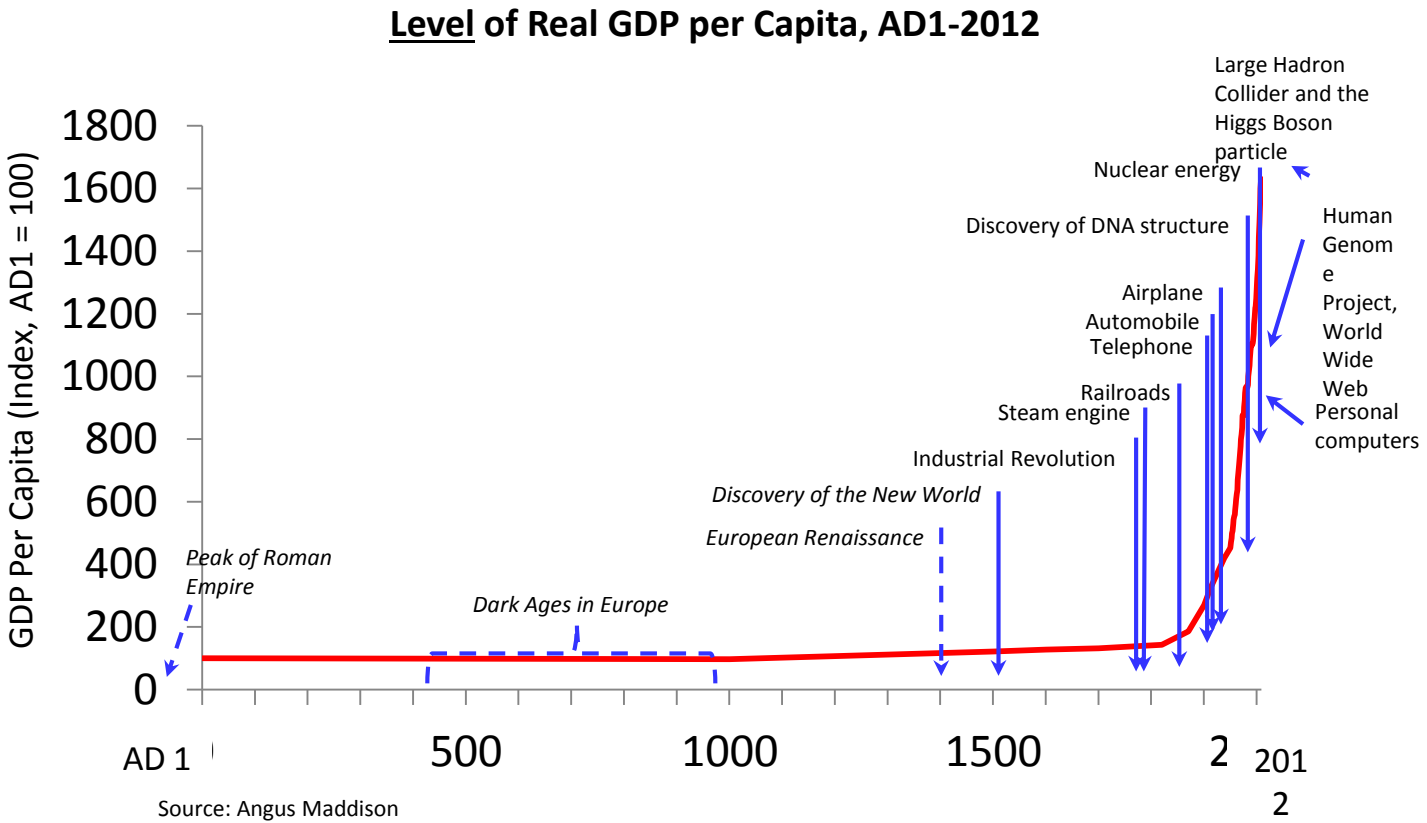
Is demographics destiny?

Labour Force Growth and Real GDP Growth

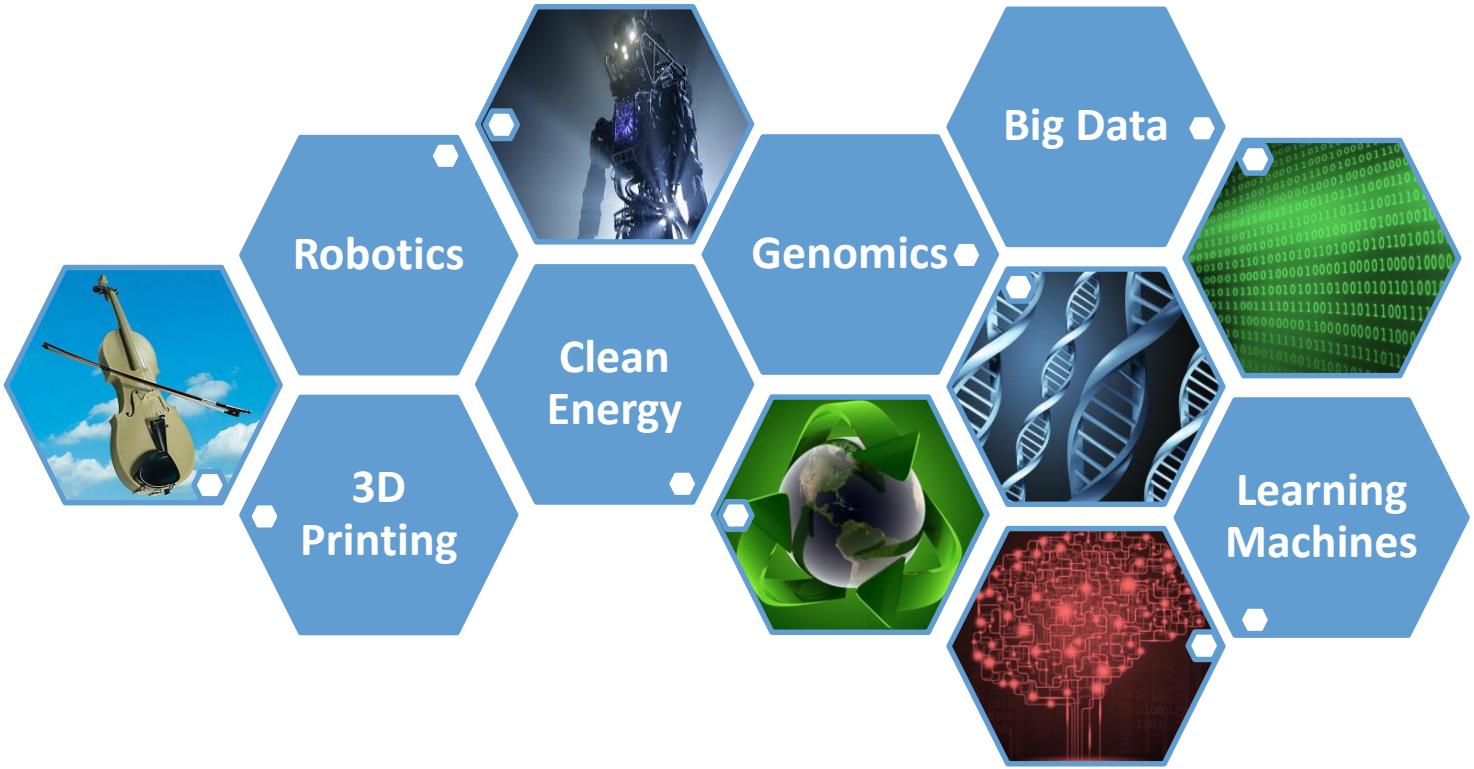


* 10-year moving average

Will technology sustain growth? Yes.

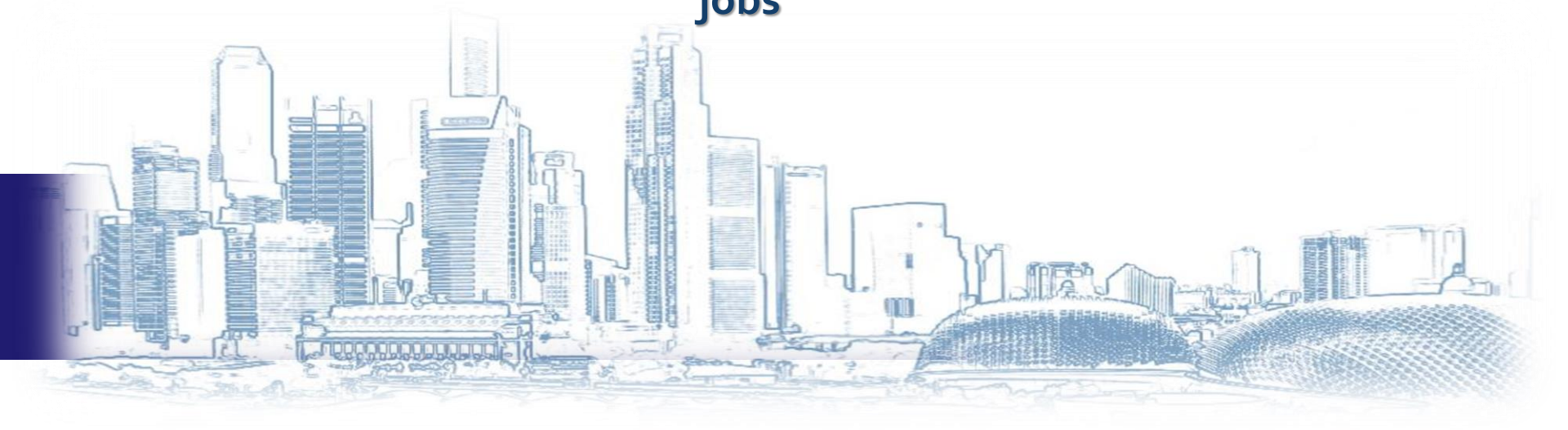


Big trends in technology



Which jobs can machines do?

- **Routine, repetitive tasks**
- **Analytical and processing tasks**
- **Creative and empathy-based jobs**



Skills rather than talent

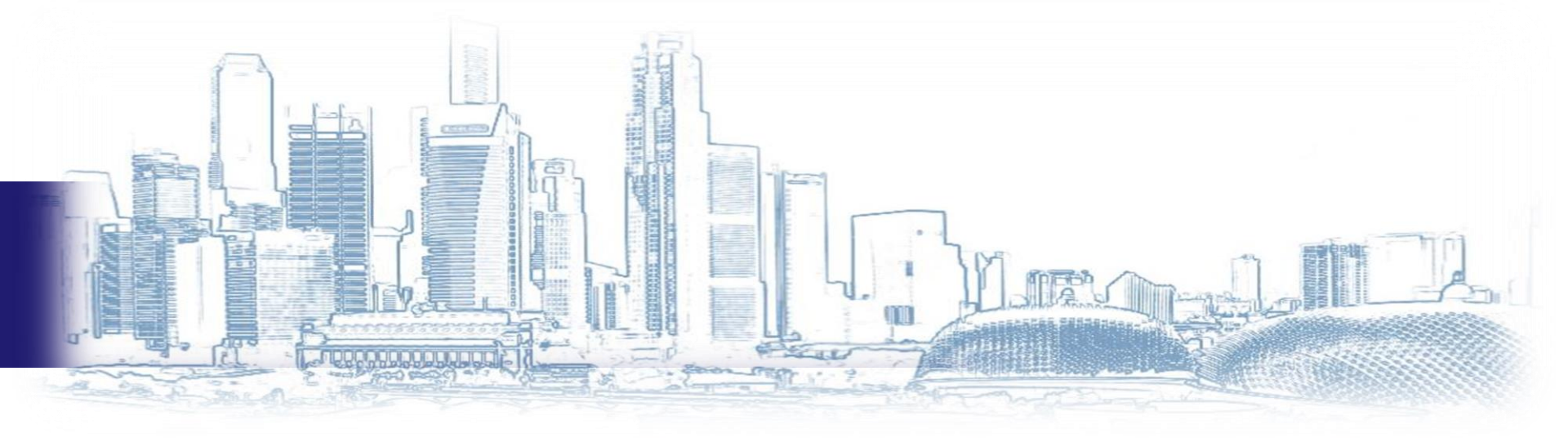
Capacity over content

Industry needs
over paper qualifications

What machines don’t have:
Practical and soft skills

Lifelong learning

Social Compact



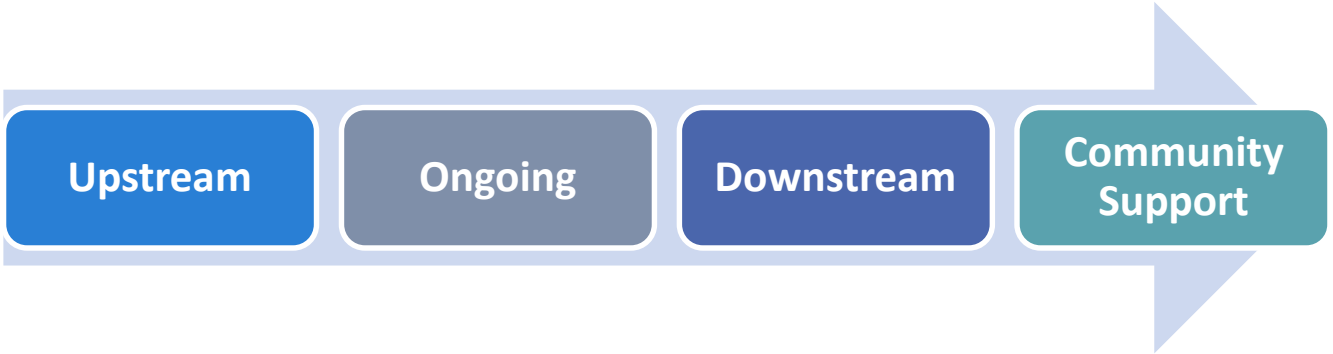
Inequality not a problem if there is mobility

"The issue is not how much inequality there is, but how much opportunity there is for the individual to get out of the bottom class and into the top. If there is sufficient movement upward people will accept the efficiency of the markets. If you have opportunity, there is a greater deal of tolerance for inequality."

– ***Milton Friedman***

But will there be mobility if there is inequality?

"If we had a high degree of income mobility we would be less concerned about the degree of inequality in any given year. But we do not. Moreover, as inequality has increased, evidence suggests that year-to-year or generation-to-generation economic mobility has decreased."

– ***Alan Krueger***

Sustaining an opportunity society