

SINGAPORE PERSPECTIVES 2012

Singapore Inclusive: Bridging Divides

OPENING REMARKS

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The world is upside down – thus the subject of this year’s Singapore Perspectives, income inequality. And as befitting an upside down world, we are doing some things upside down this year. The opening by our guest of honour, Deputy Prime Minister Tharman Shanmugaratnam, for instance, shall come last. And instead of ending the proceedings by thanking various people, I shall begin by doing so.

First our sponsors – Keppel and Temasek, as well as the others listed on the banner behind me. We are truly grateful for your support. Every year, the University of Pennsylvania comes out with a ranking of the world’s think tanks. The latest will be released later this week, with IPS ranked ninth among Asian think tanks. Singapore has four among the top 25 – ISEAS, RSIS, the Singapore Institute of International Affairs, and IPS. Frankly, I’m not sure of the utility of these ranking. But at the very least this latest ranking should assure you – our sponsors and supporters – that we are not wasting your money.

Second, I thank DPM Shanmugaratnam for agreeing to participate in the concluding dialogue. He has a very full schedule. January is a particularly bad month for him, for the Ministry of Finance is in the throes of preparing the budget just now. His participation in today’s proceedings is a measure of how seriously he takes the issues we are addressing.

Third, I thank Mr Manu Baskaran and his team for the background paper that was distributed to all of you late last week. We thought that it would be good if people came primed to discuss the complex issues before us. The background paper is meant to provoke thought – and I think it has done so very well indeed. Manu will talk briefly about the paper later and Donald will be available to take you questions.

Fourth, I would like to thank the IPS team that organised this conference – Leong Chan Hoong and Kang Soon Hock on the academic side, and Chang Li-Lin, Irene Lim, Ong Si Ling and the rest of the IPS admin staff for everything else. Just one measure of the esprit de corp that exists in the Institute: every year, when it comes time to organise this flagship conference, former

employees of IPS turn up, unbidden, to help out. We have eight former employees helping out today, and I'm grateful to all of them.

And finally, I would like to thank all of you for taking the time to attend this day-long conference – in particular our nine distinguished speakers. We are not going to get agreement at the end of today's proceedings. The issues before us are complex and do not lend themselves to obvious solution. But I hope today's proceedings will at least clarify our positions. We meet today as fellow citizens, all desiring the same thing: the betterment of our people. Whatever our disagreements, let's bear that in mind.

I said our world is upside down – so let me read a passage that speaks of an upside world.

The modern economy cannot exist without constantly revolutionising the instruments of production.... Constant revolutionising of production, uninterrupted disturbance of all social conditions, everlasting uncertainty and agitation distinguish our epoch from all earlier ones. All fixed, fast-frozen relations...are swept away; all new-formed ones become antiquated before they can ossify. All that is solid melts into air; all that is holy is profaned; and man is at last compelled to face with sober senses his real conditions of life...

Who said that? Paul Krugman? No. Joe Stiglitz. No again. Perhaps Justin Wede, Pete Dutro, or one of the other leading lights in the Occupy Wall Street movement? Hardly. How about Yeoh Lam Keong and Donald Low? Bless their souls, but it isn't them.

The authors of this passage are none other than Karl Marx and Friedrich Engels. I've only amended the passage slightly, removing the word "bourgeoisie" whenever it appeared in the text so as to disguise its origin. The remarkable thing is how contemporary the passage sounds otherwise, though it was written more than 160 years ago. The instruments of production are indeed being revolutionized today; that revolution is undoubtedly causing an uninterrupted disturbance of all our social conditions; and all that we once took to be solid seems to be melting. 2012 doesn't appear very different from 1848. History doesn't repeat itself exactly, of course, but it does have a nasty habit of rhyming. Much has been said of the "new normal" -- allegedly Singapore's condition since the May 7 General Election. Actually, I believe it would historically be more accurate to say that Singapore, together with the rest of the industrialized world, is now experiencing a condition better described as post-normal. And as it was when Marx and Engels penned *The Communist Manifesto*, the radical disturbance of our social fabric today is due to something positive – globalization in our case, which is but a continuation, on a vastly more complex scale, of the constant revolutionizing of the instruments of production that Marx and Engels spoke of.

Let me illustrate this point with a story that some of you may have heard me tell before since I'm very fond of it.

Sherlock Holmes and Dr Watson go on a camping trip. After eating their sandwiches and downing their grog, they lie down for the night, and go to sleep. A few hours later, Holmes wakes up and shakes his friend: 'Watson, look up and tell me what you see.'

'I see zillions and zillions of stars,' Watson replies.

'And what does that tell you?'

'Astronomically, it tells me that there are billions of galaxies and possibly billions of planets. Astrologically, I see Saturn is in Leo. Horologically, I deduce that the time is about 3.15am.

'Theologically, I believe that God is an all-powerful creator. And meteorologically, I surmise tomorrow will be a beautiful day. Why, what does it tell you, Holmes,' Watson asks.

Holmes reaches for his pipe in the dark, sticks it in his mouth, and mumbles: 'Someone has stolen our tent, Watson.'

The current debate about globalisation – of which the current rather virulent anti-foreign mood in Singapore is an instance -- resembles this Holmes-Watson dialogue.

On the one hand, globalisation's true believers are struck by the stars -- the wide horizon, an infinitude of possibilities, a glorious multitude of opportunities. On the other, uncertain citizens notice there is no tent -- leaving them subject to the elements, forever at the mercy of events in distant places, threatened by foreigners crossing our shores and crowding us out, with no possibility of safe harbour in a globalised economy that can turn yesterday's winner into today's losers in the twinkling of an eye.

Who or what stole our tent? There are many thieves. The background paper profiles them in considerable detail. I'll mention just one, perhaps the most important -- what Professor Richard Freeman of Harvard University has called the "Great Doubling".

"The advent of China, India and the ex-Soviet Union (has) shifted the global capital-labour ratio massively against workers" in the developed world, he explains.

If China, India and the ex-Soviet bloc had remained outside the global economy, there would have been 1.46 billion workers in 2000.

Because they joined the global economy, there are now more than 3 billion workers. That "Great Doubling", has caused the global capital-labour ratio to be 61 per cent less in 2000 than what it would have been if China, India and the ex-Soviet bloc had remained autarkies.

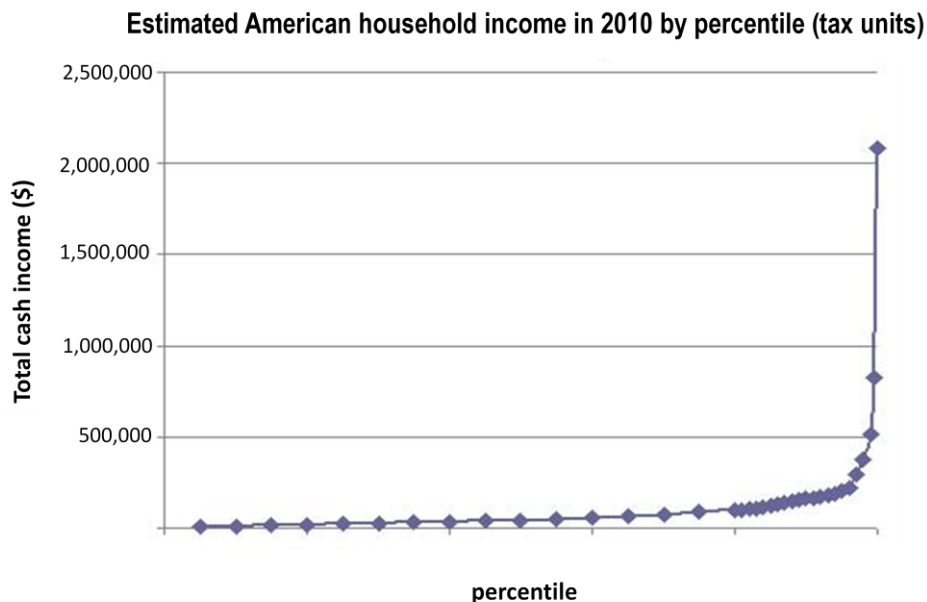
And it is not just "low-wage labour". Countries such as China and India have invested heavily in higher education. China alone produces more PhD graduates in the sciences and engineering

than the US. That is why even those in the 10th percentile in both the US and Singapore have not seen their incomes rise as rapidly as those in the top 1 per cent.

Hundreds of millions in China, India and elsewhere are going to be lifted out of the most mind-numbing, soul-destroying, back-breaking poverty. Never before in history have so many been lifted out of poverty so quickly; never before has human welfare improved so much for so many. That is the good news.

The bad news is that this is going to happen, has happened, at the expense of low- and medium- wage workers in the developed world. The rich in the rich world will get richer; and the poor will get poorer. Take a look at this graph – the household income distribution in the US. Singapore’s would probably look almost the same if we had similar fine-grained data. But as it is, just taking the average for each decile, it looks like this. Neither graph represents a situation that is morally, politically or economically sustainable, especially in democracies.

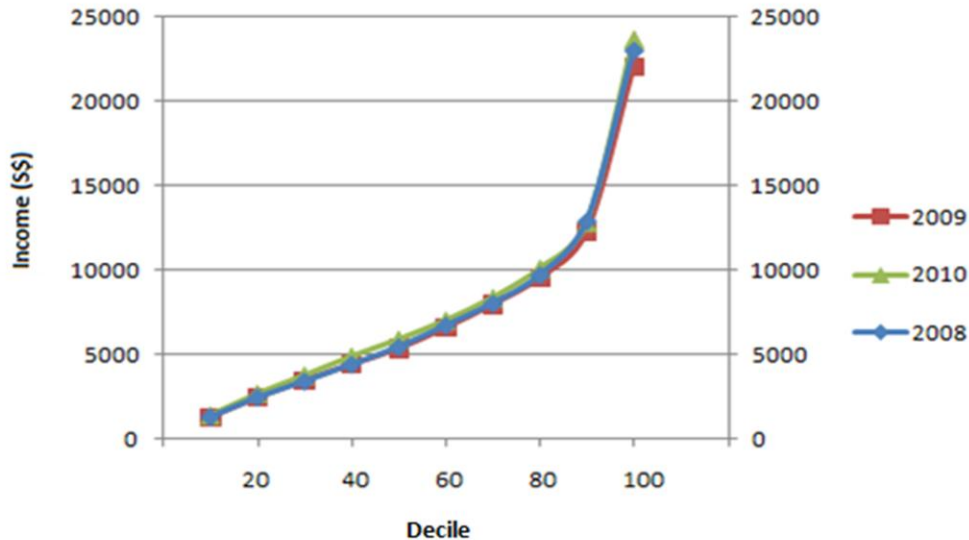
UNITED STATES



Source: Rachel Johnson, Urban-Brookings Tax Policy Center Microsimulation Model (version 0509-7), for The New York Times. Note: Distribution excludes dependents and units with negative income

SINGAPORE

Average household income from work among employed households in Singapore by deciles (2010)



Source: Key Household Income Trends 2010, Department of Statistics Singapore

Why not? I think Mr Lee Kuan Yew provided the answer to this question more than 42 years ago in 1969 when he addressed the NTUC's famous modernization seminar. Why have trade unions, he asked? Why not industrialise as Chiang Kai Shek's Taiwan and Park Chung-Hee's South Korea did, by first suppressing the unions? Because "it is the consciousness of our being co-owners of the new society we are creating that provides the drive for fulfillment," Mr Lee said. "Developing the economy, increasing productivity, increasing returns, these make sense only when fair play and fair shares make it worth everyone's while to put in his share of effort for group survival and group prosperity".

Those words remain as true today as they did 42 years ago. To underline their truth -- ultimately, an ethical truth -- let me conclude by recalling a story of General Dwight D. Eisenhower visiting Allied paratroopers at an airfield in England on the evening of June 5, 1944, the night before D-Day. The troops were about to leave for occupied France, to be parachuted behind enemy lines, in advance of the main Allied forces scheduled to hit the beaches of Normandy a few hours later.

As Eisenhower moved from group to group, doling out cigarettes and speaking words of encouragement, a paratrooper noticed his worried look and called out: "Now quit worrying, General, we'll take care of this thing for you."

Eisenhower smiled. But as he watched the planes take off, there were tears in his eyes. He knew that the paratrooper who had promised to "take care of this thing" may well have to keep his word by dying.

“We will take care of this thing for you.” The soldier could have said that only because he believed that you – the general – included, in some essential fashion, him, the individual soldier. And the general cried because he knew that he – a leader among men – had no identity outside that we, a totality much greater than himself.

The recognition that human reality is the creation not of any one individual but of a totality is the essence of community, democracy, nation.

Can that sense of a totality be maintained in the face of rising income inequalities? It is become we know that it is unlikely that we are holding this conference – to answer the urgent question: So what are we going to do about it?