

SINGAPORE PERSPECTIVES2015

Choices

Monday, 26 January 2015
Fairmont Ballroom, Raffles City Convention Centre



PANEL II Global City

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IPS Conference
Managing Singapore's Globalization and
Its Discontents: A Long Term Perspective

By Professor Tan Kong Yam
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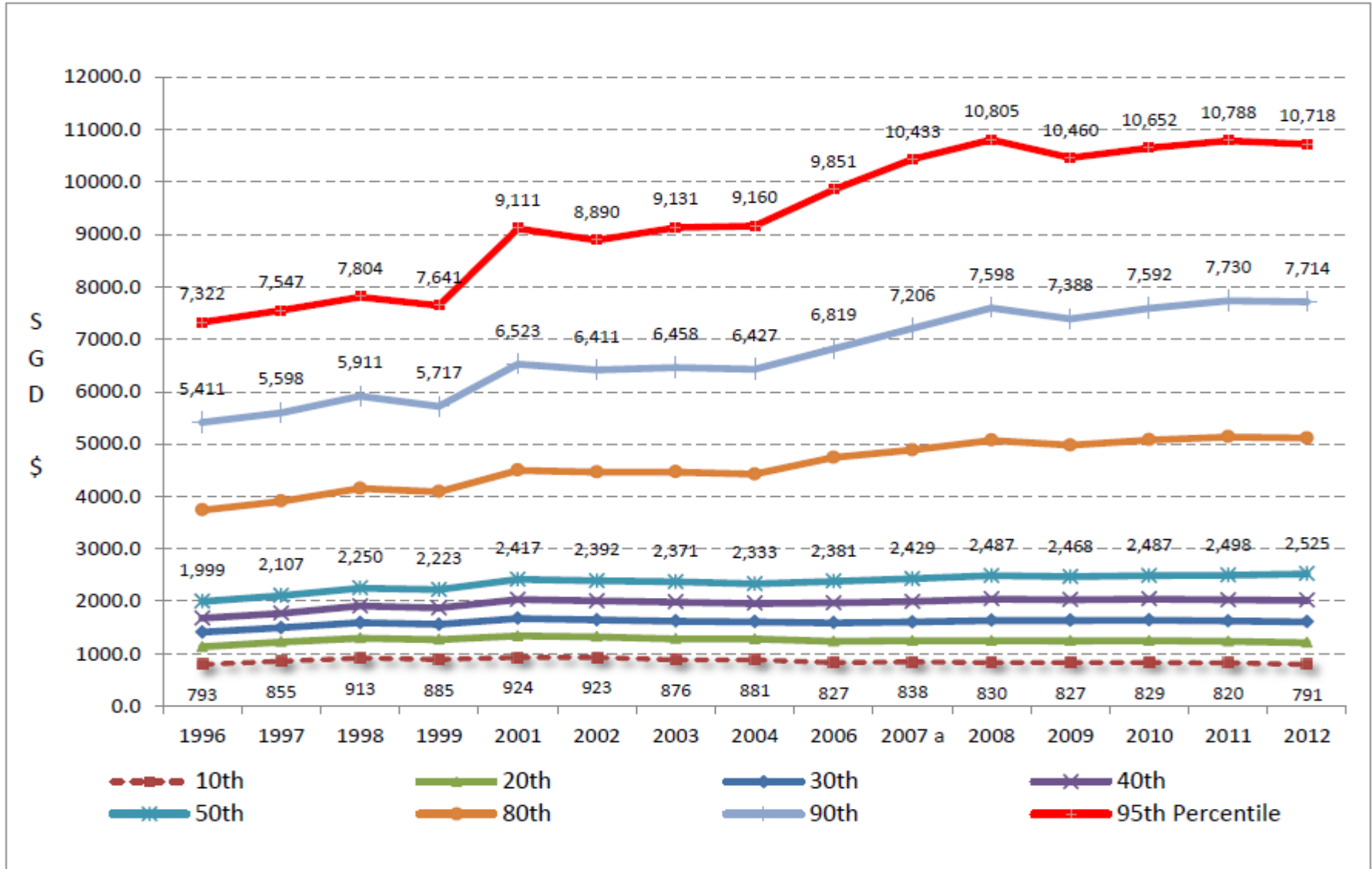
26 January 2015

Outline of Presentation

- **Globalization and Its Discontents**
- **Strategy of Management to Maintain Social Stability**
- **Sustaining the Mother-ship**
- **Conclusions**

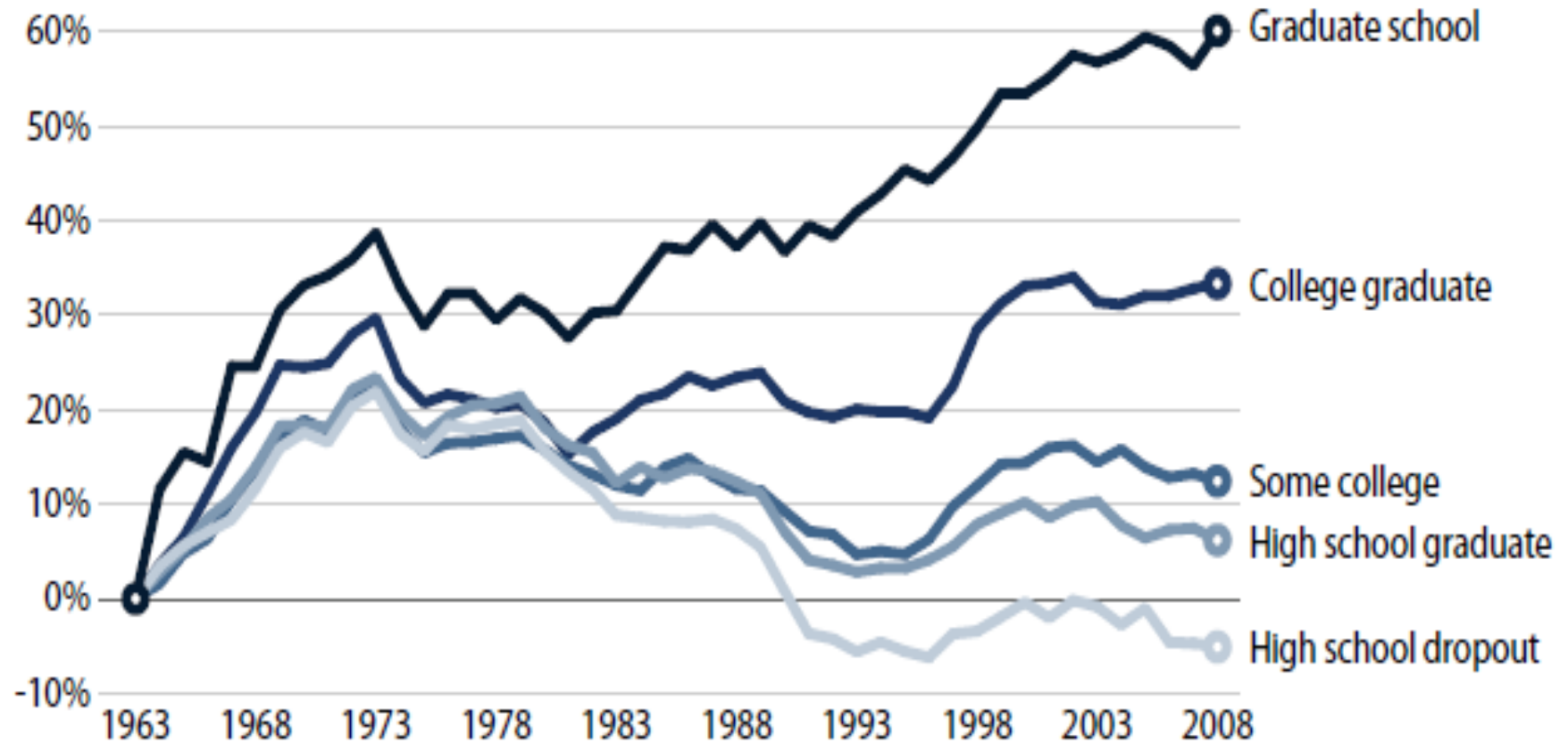
Globalization and Its Discontents

Real median wages of employed residents 1996-2012



Sources: MOM, Hui WT

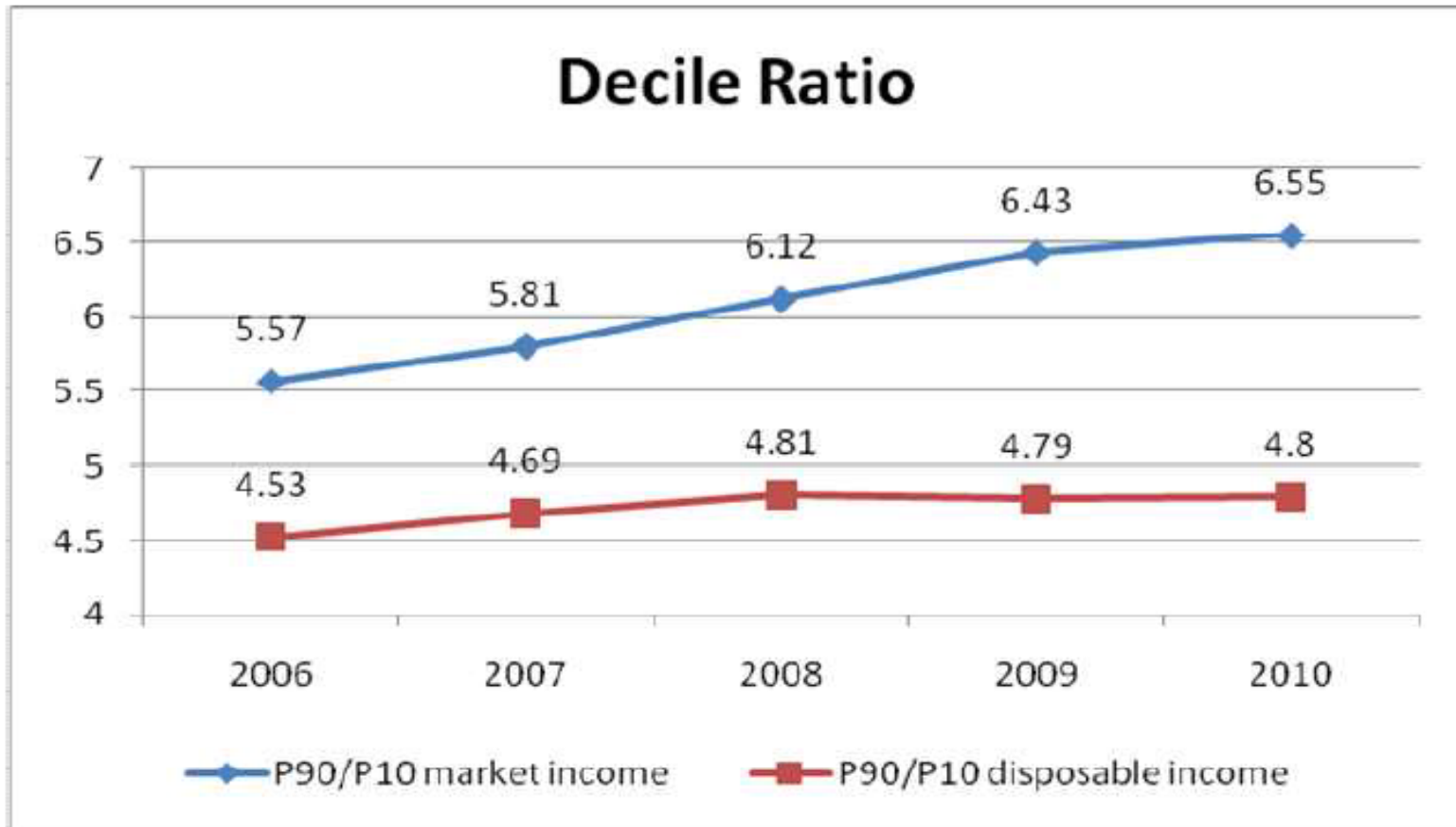
Changes in wages for full-time, full-year male U.S. workers, 1963–2008



Source: Daron Acemoglu and David Autor, "Skills Tasks and Technologies: Implications for Employment and Earnings" (Cambridge, MA: National Bureau of Economic Research, 2011), Figure 4. Data files available at <http://economics.mit.edu/faculty/dautor/data/acemoglu/>.

Rising Income Inequality in Korea

Decile Ratio (P90/P10)



Source: Statistics Korea

Strategy of Management to Maintain Social Stability

Managing Singapore's Globalization and Its Discontents

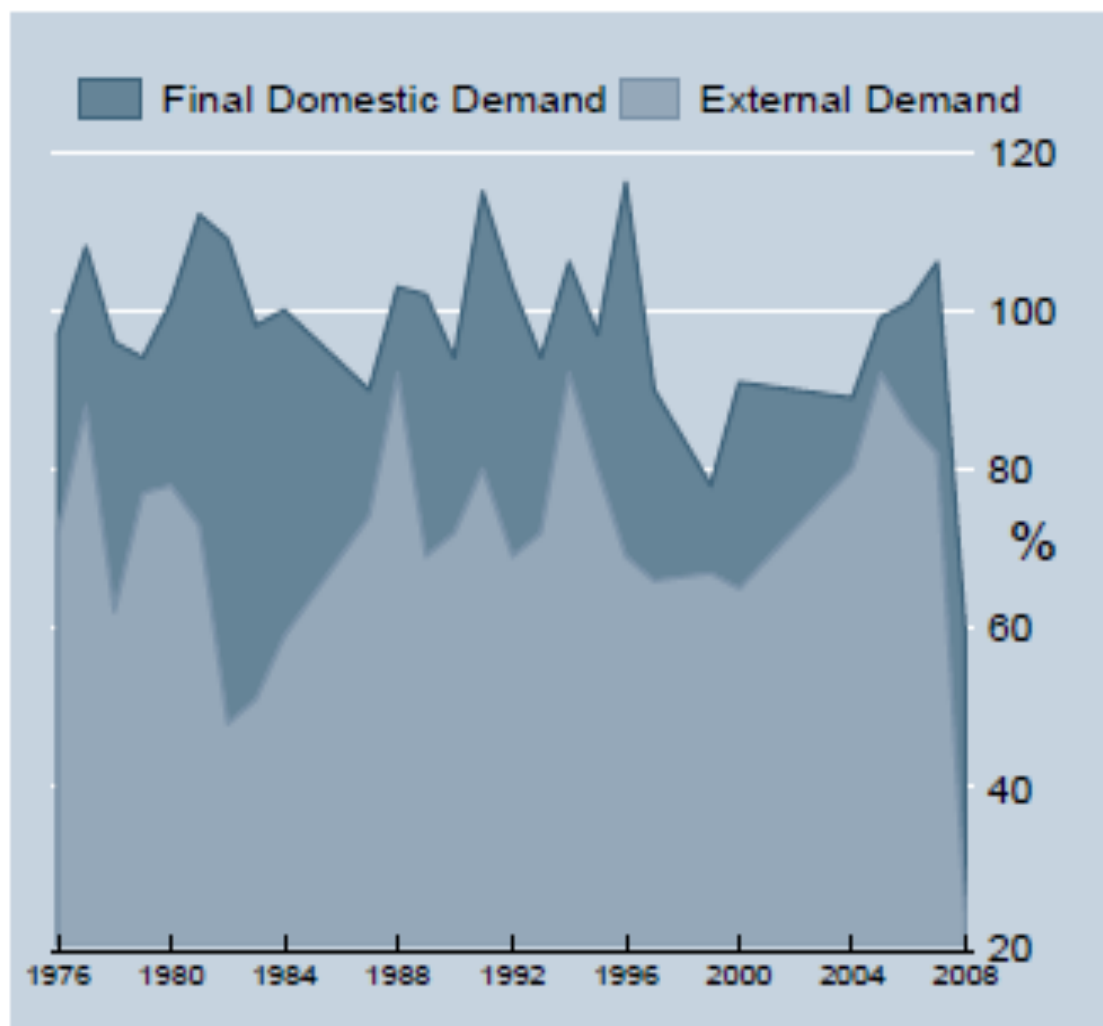
- **Globalization inevitable and necessary for Singapore to sustain long term economic vibrancy**
- **What are the best management strategies to maintain long term social stability?**
- **Relative Winners: government, Singapore and global elites and capital**
- **Relative Losers: lower 30% of population and some aspiring middle class**

- **Targeted and managed inflows of foreign skilled workers**
- **No natural outflows of local less competitive workers to smaller towns as in larger countries**
- **London vs Scotland**
- **Marina Bay Financial Centre vs Hougang**
- **Relative winners compensate relative losers to sustain long term social stability**

- **Small open economy: balloon bobbing in the turbulent ocean**
- **Government as collective risk insurer and diversifier as well as social and political stabilizer**
- **Collective raft for national stability**
- **Key institutions: CPF, GIC, Temasek, MAS**
- **Subsidies on education, health, housing and public transport, food (hawker rentals) especially for the lowest 30%**

Domestic versus External Demand

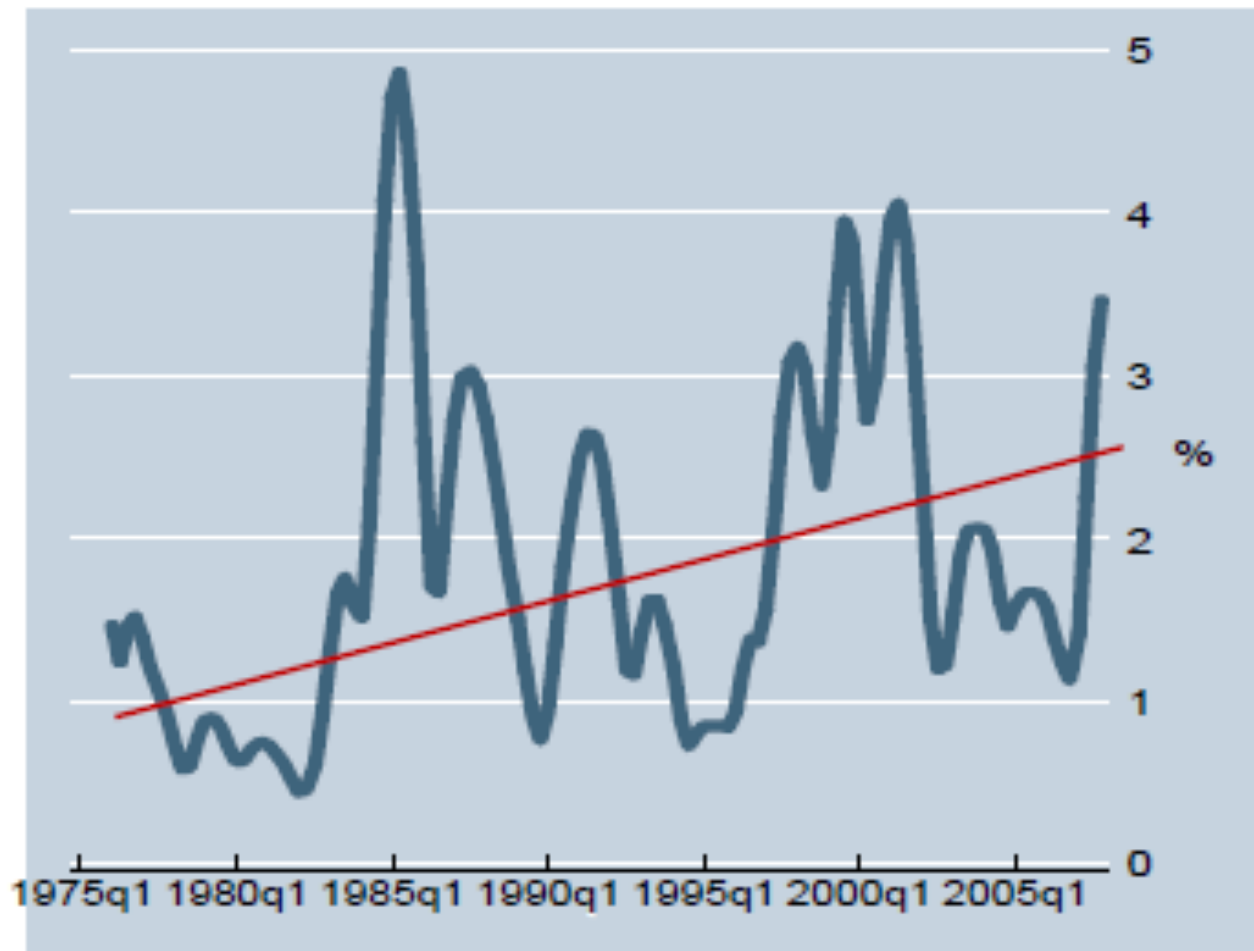
External demand contributes $\frac{3}{4}$ of growth in aggregate demand



Source: Department of Statistics, Singapore

... while volatility has risen

2-year rolling standard deviations of Singapore's GDP cycles



Source: Choy KM

The Singapore Premium

- **The “Singapore brand premium”**
- **Sources of premium: governance, meritocracy, multiracialism, openness, infrastructures, security, robust institutions**
- **Premium built up by locals and government including national service obligations and sacrifices of the pioneer generation**
- **Foreigners benefiting from the premium should be “taxed” and benefits distributed to locals**
- **Solidarity funds**

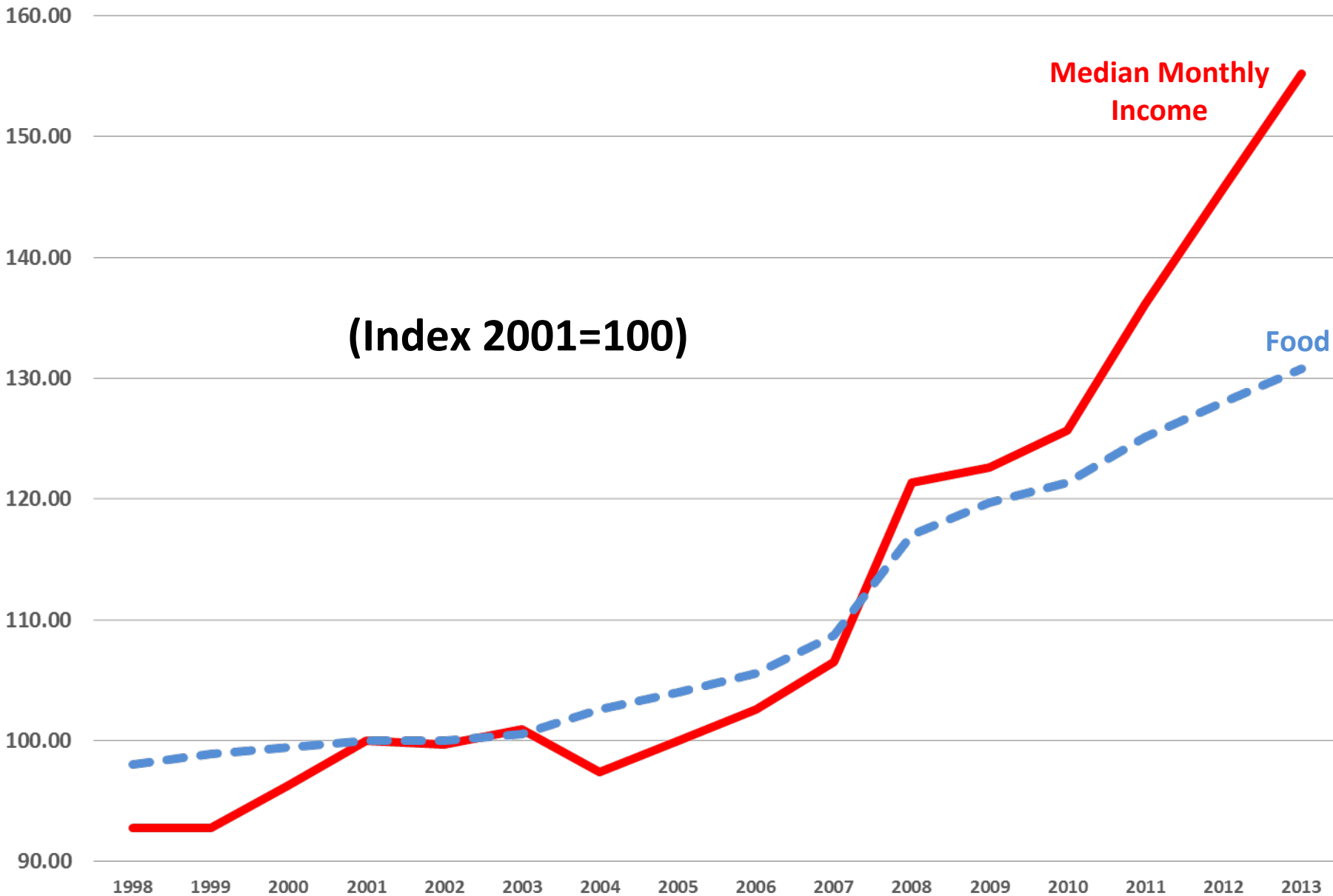
- **Key limiting resource: land**
- **Vertical supply curve**
- **Costs of space: housing, car, rentals**
- **The Haves, Have-Nots and Never-Will-Haves**
- **Globalization and rising demand for land:
congestion costs to locals and revenue
generated and “fair” distribution**

Food / Median Gross Monthly Income

(Index 2001=100)

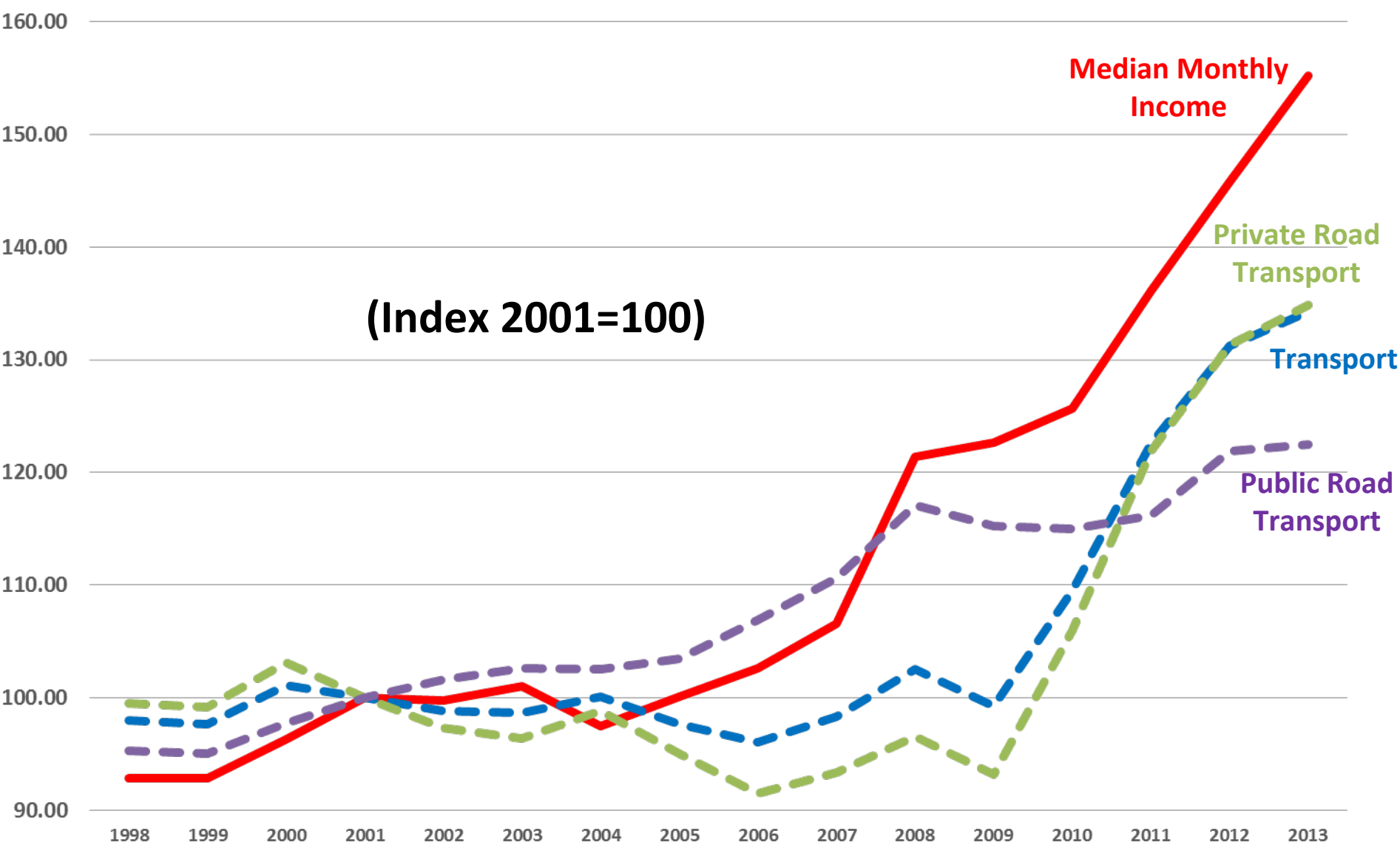
Median Monthly
Income

Food



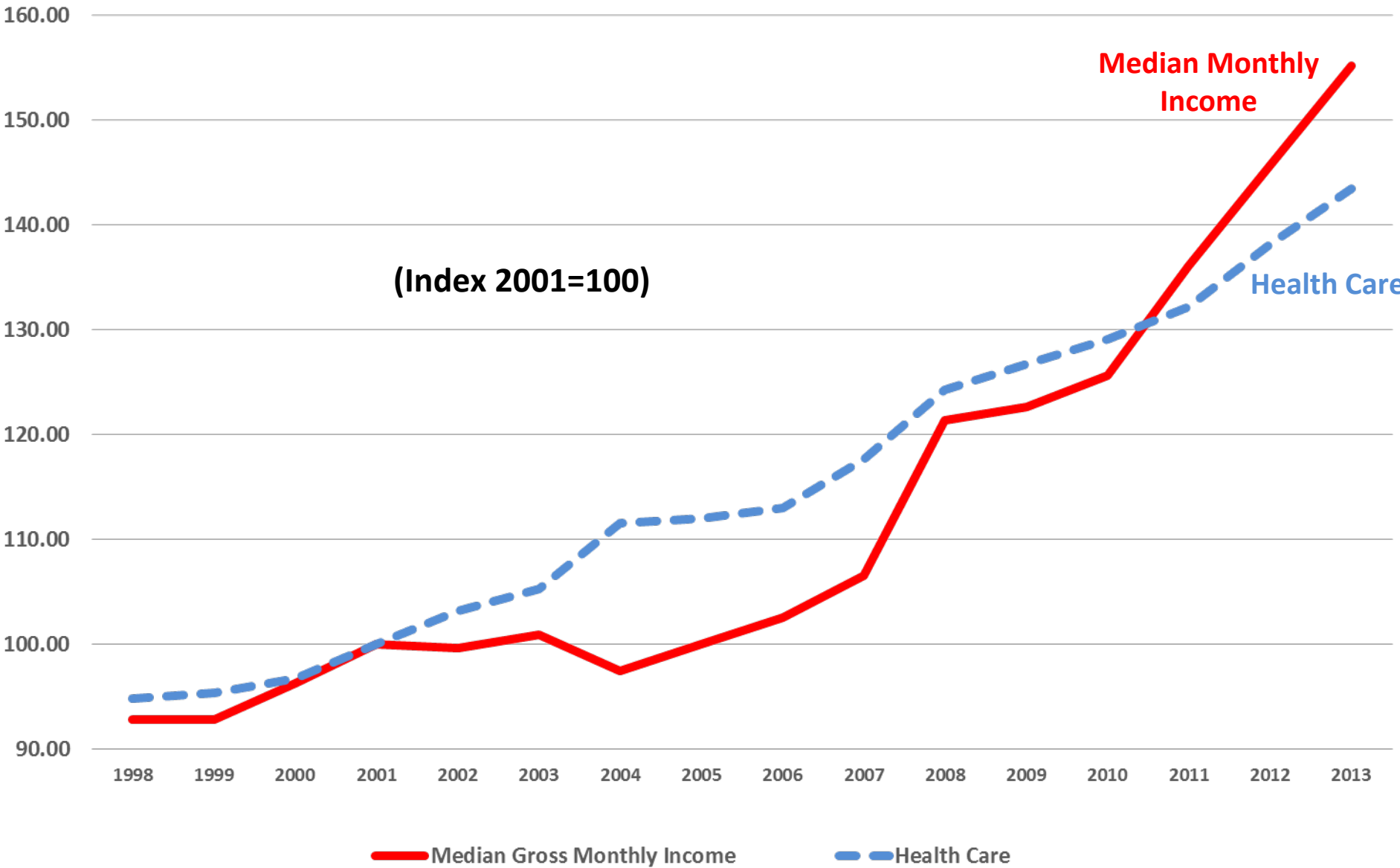
Sources: DOS, MOM

Transport / Median Gross Monthly Income



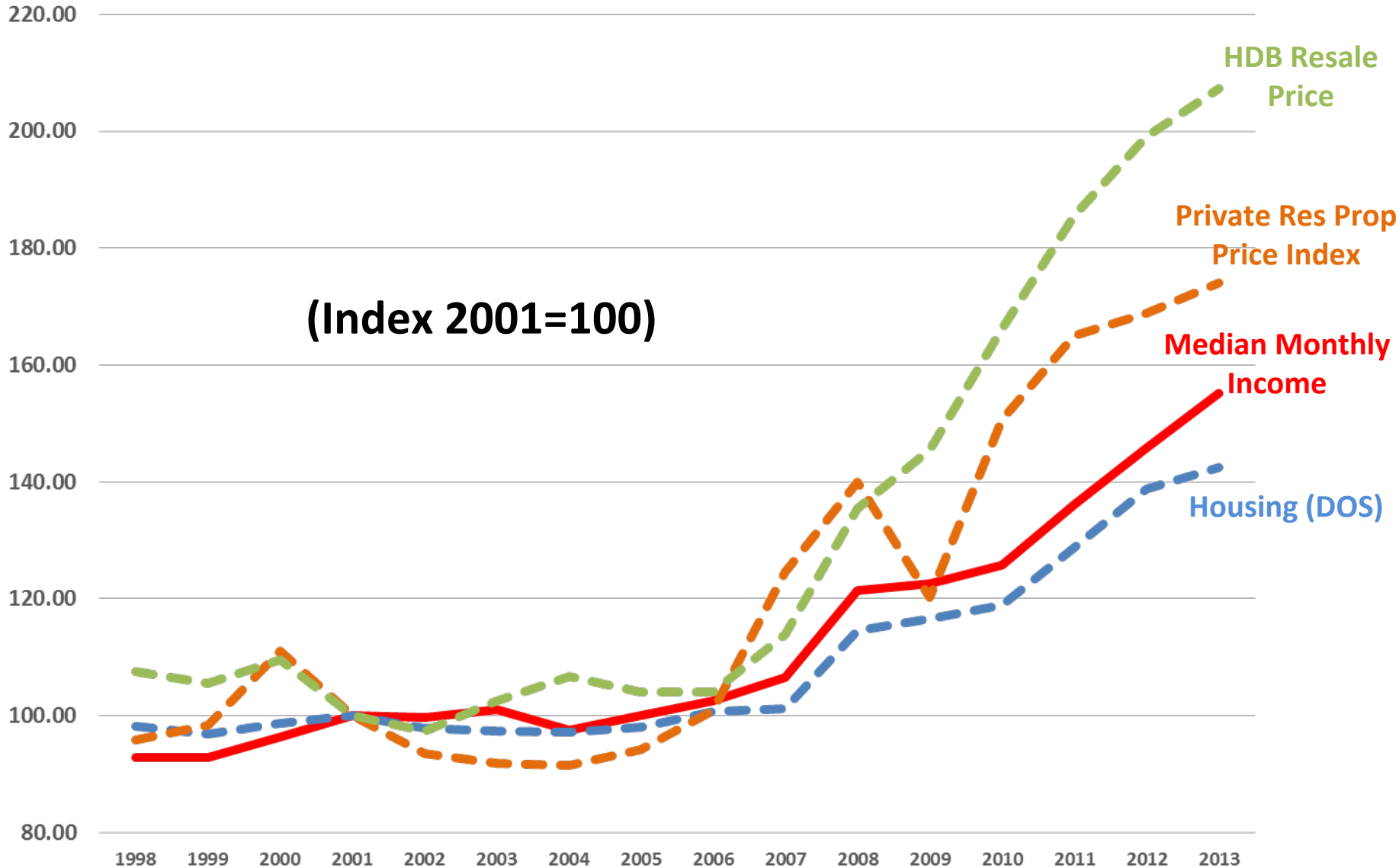
Sources: DOS, MOM

Health Care / Median Gross Monthly Income



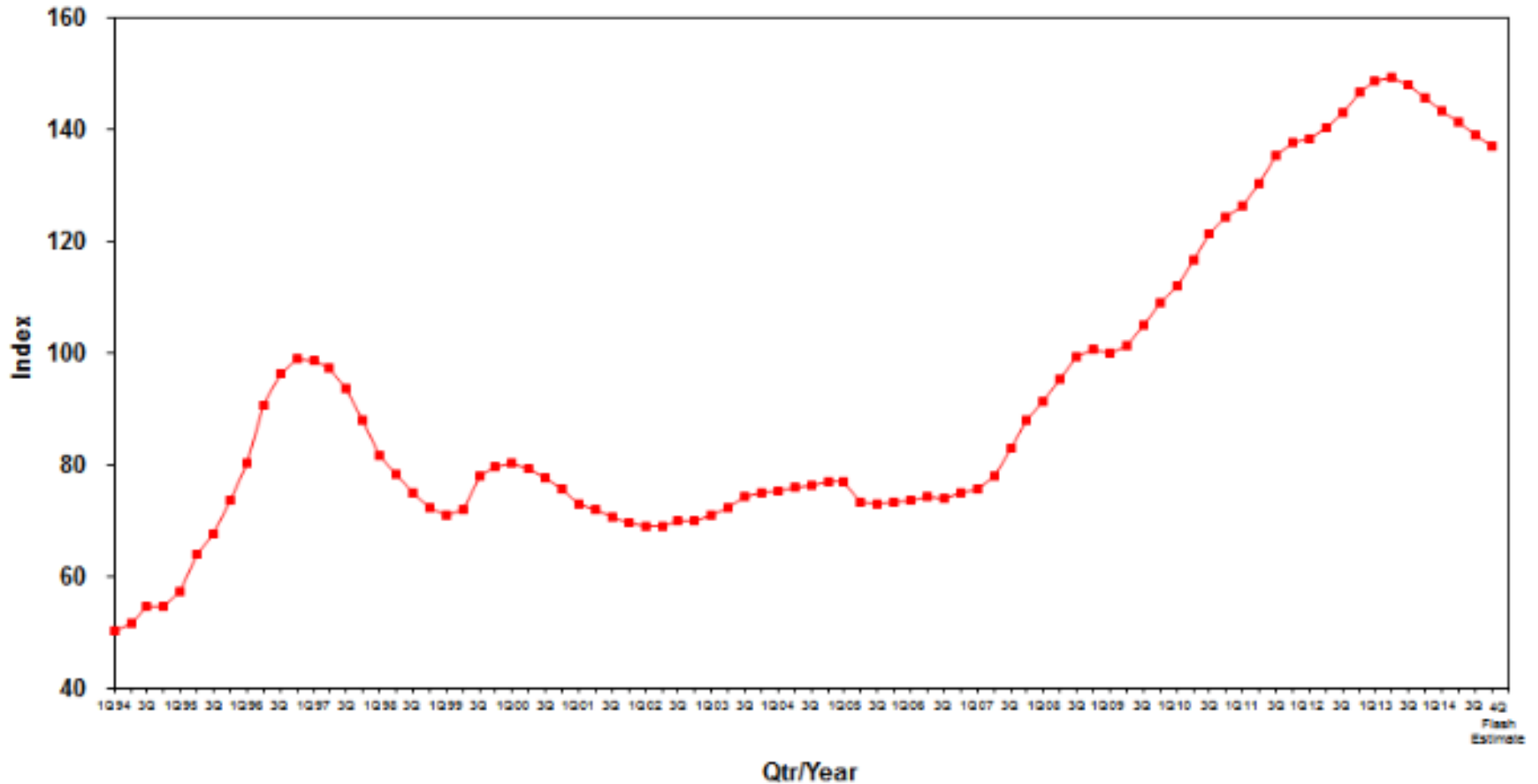
Sources: DOS, MOM

Housing / Median Gross Monthly Income



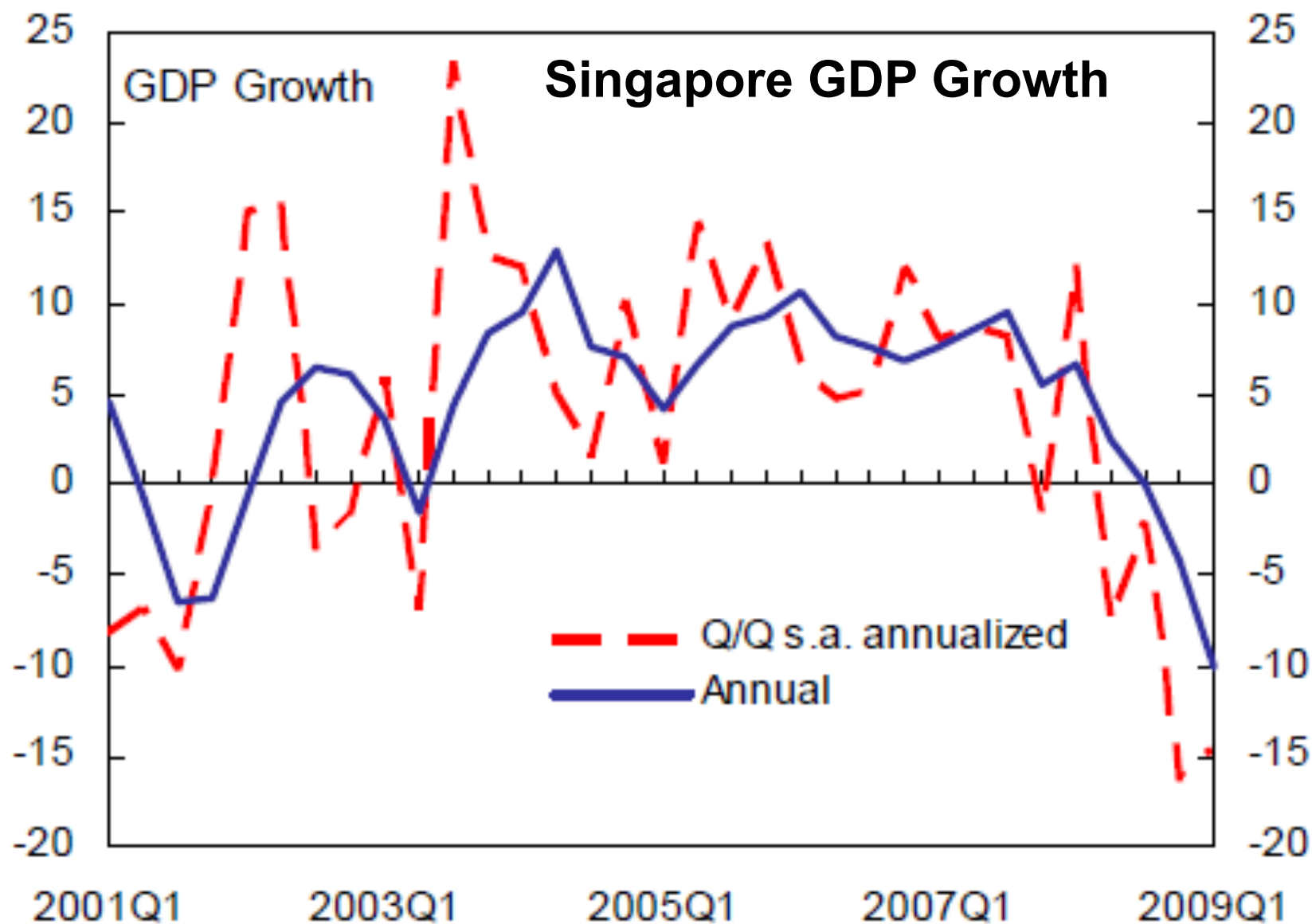
Sources: DOS, MOM

PRICE INDEX OF HDB RESALE FLATS



Sources: MND, HDB

GDP growth plunged in 2008 and early 2009....



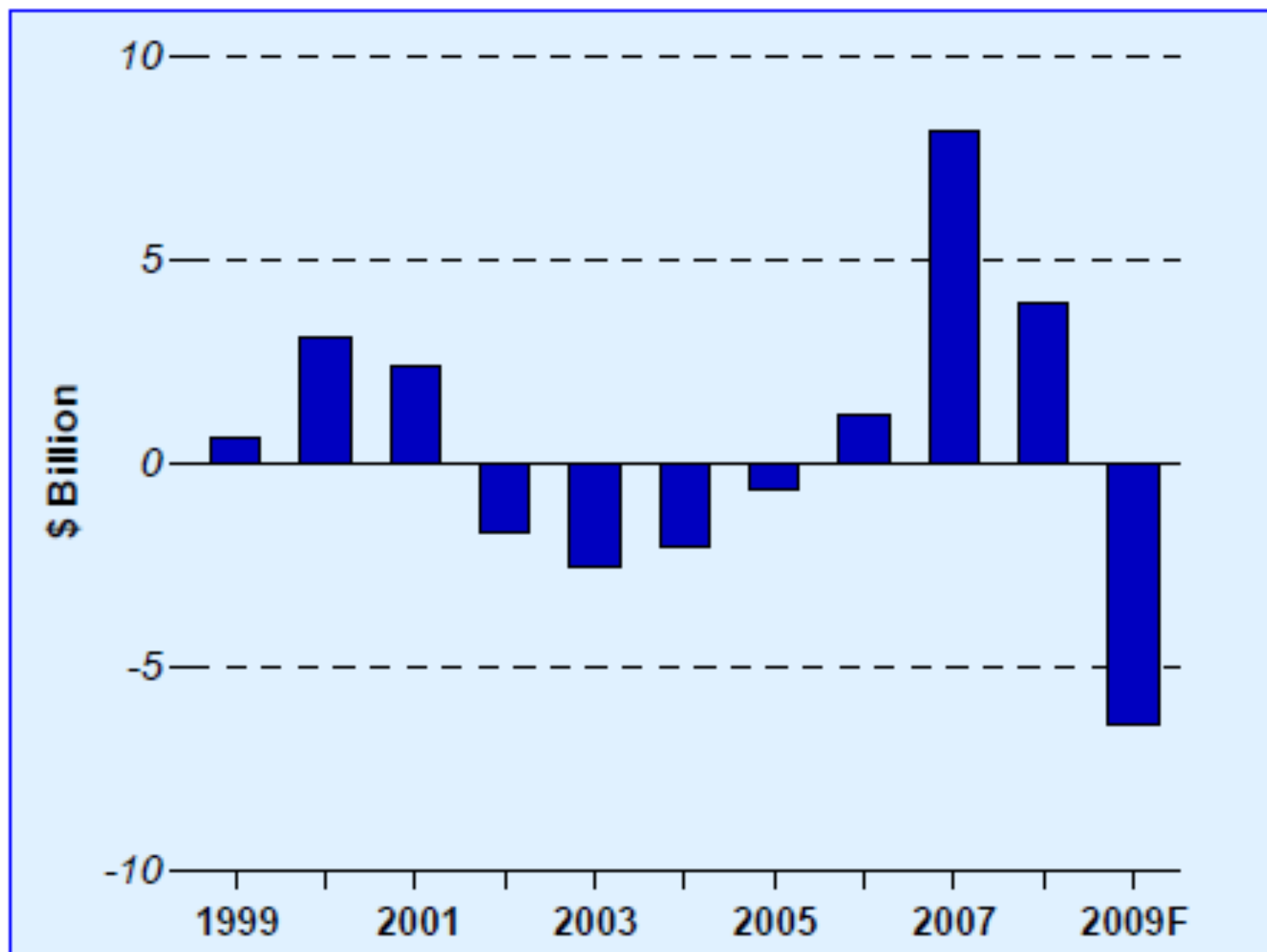
Resilience Package: The Key Components

(In billions of Singapore dollars)

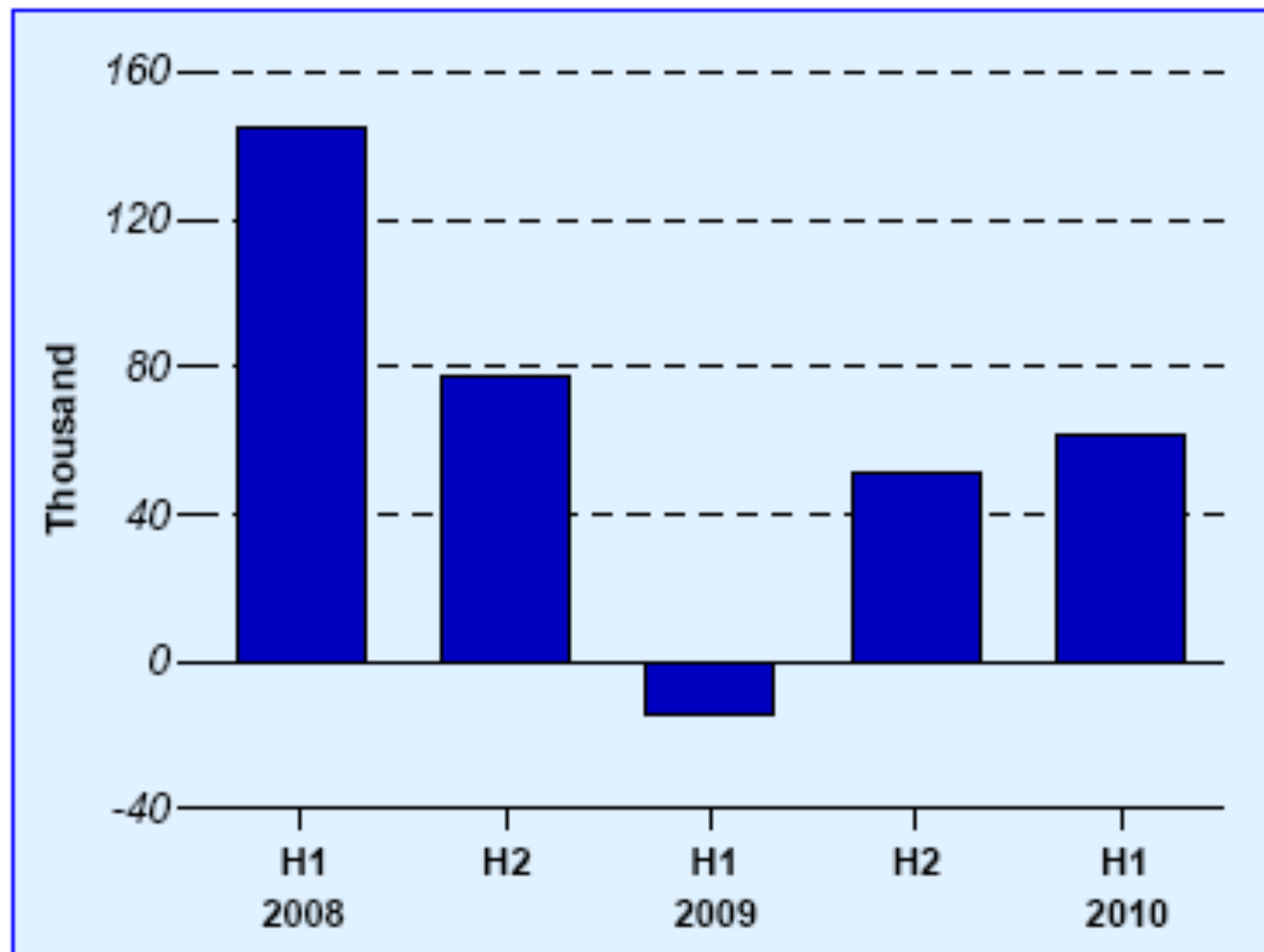
| | |
|--|------|
| Preserve jobs | 5.1 |
| - Jobs Credit Scheme | 4.5 |
| Stimulate bank lending | 5.8 |
| - Special Risk-Sharing Initiative | 5.8 |
| Enhance business cashflow and competitiveness | 2.6 |
| - Property tax rebate for commercial and industrial property | 0.8 |
| - Rental rebate for selected industrial and commercial tenants | 0.3 |
| Support families | 2.6 |
| - Personal income tax rebates | 0.5 |
| - Doubling GST credits and Senior Citizen Bonuses | 0.5 |
| Build for the future | 4.4 |
| - Expanded and accelerated infrastructure spending | 1.1 |
| - Spending on security, health, education, transport | 1.7 |
| Total package | 20.5 |

Source: Budget 2009; MAS, *Macroeconomic Review* (April 2009).

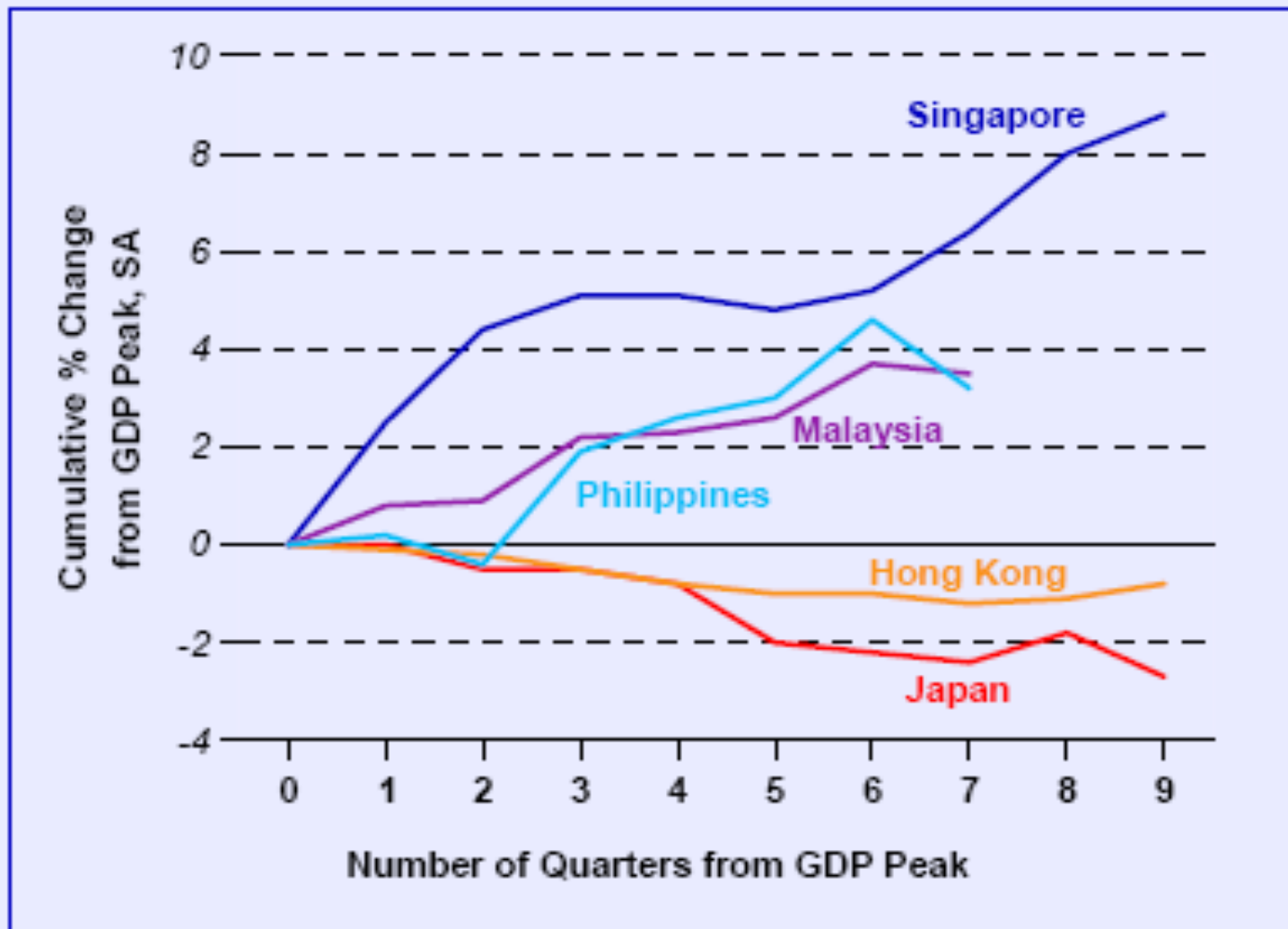
Primary Surplus/Deficit



Total Employment Changes



Employment Growth since the start of the Great Recession by Country



Source: CEIC, Haver Analytics, IMF staff calculations and EPG, MAS estimates

Sustaining the Mother-ship

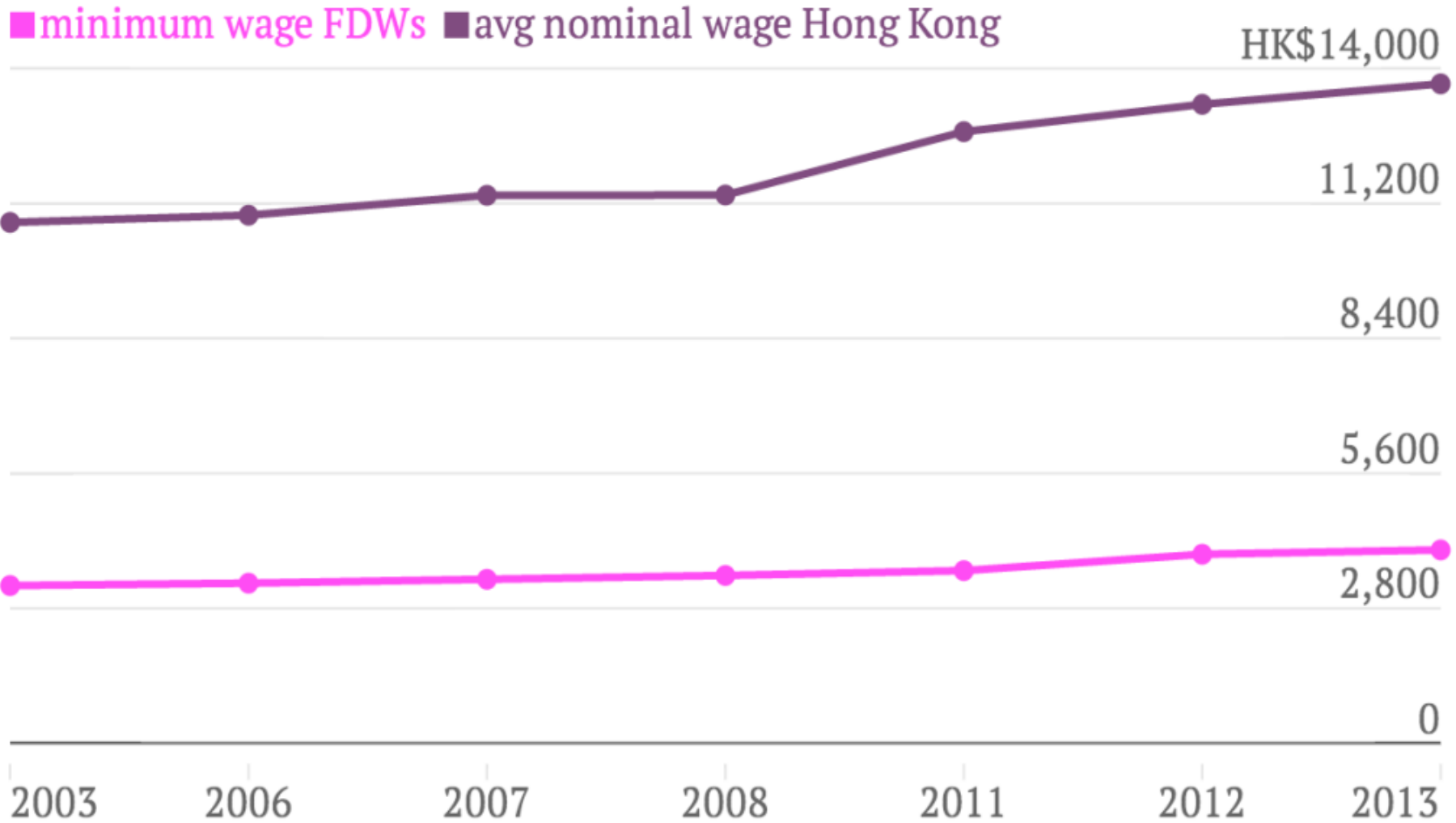
Strengthening the Mother-ship

- **Strengthening the “Singapore brand premium”**
- **Governance**
- **Multiracialism**
- **Openness**
- **Key infrastructures**
- **Security**
- **Robust institutions**

Globalization and The Mother-ship

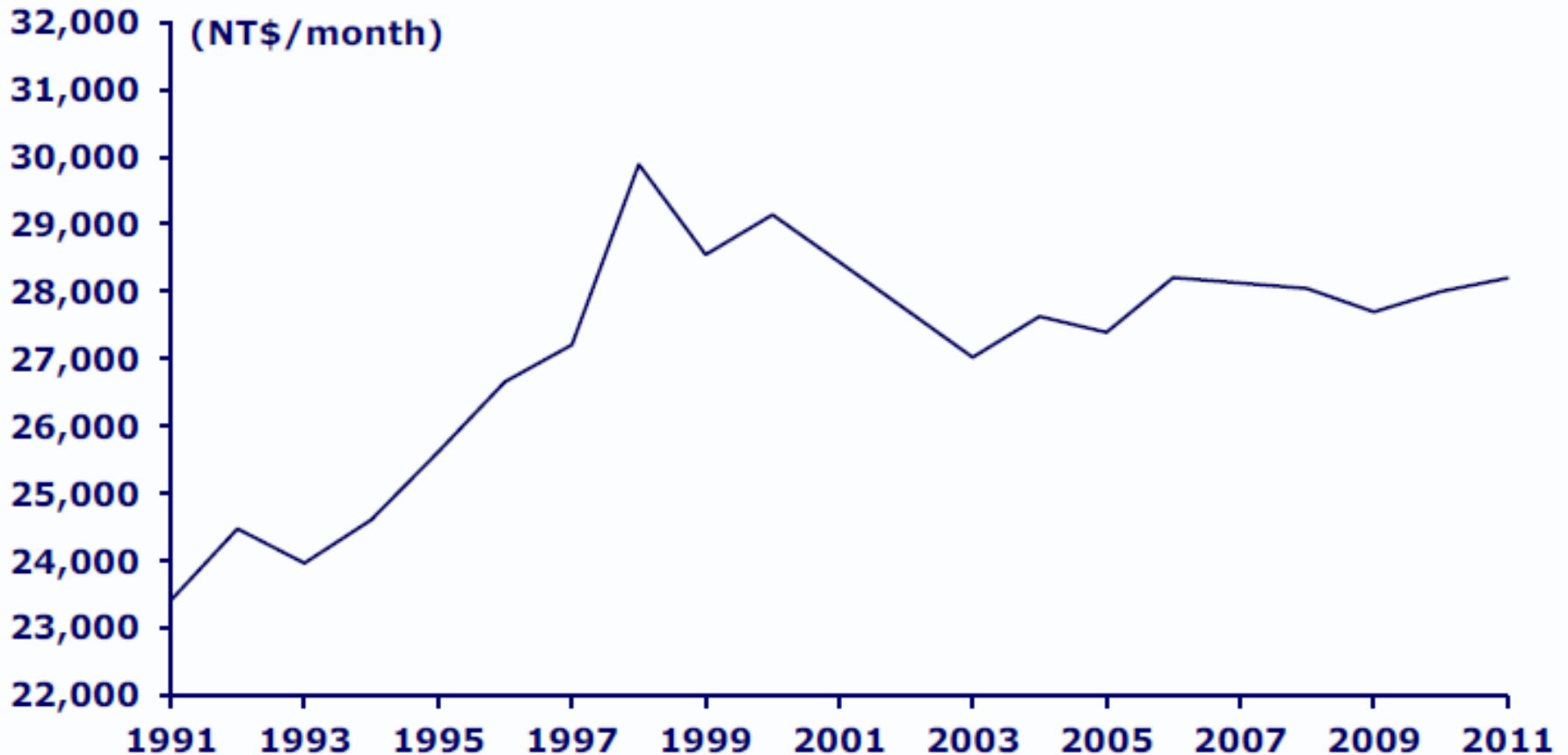
- **Taiwanese and Hong Kong economies not doing well**
- **Wages stagnating especially for young graduates**
- **Taiwanese and HK companies and selected globalized elites prospering in Mainland China**
- **Mother-ships in Taiwan and Hong Kong abandoned**
- **Locals and non mobile workers' despair**

Stagnating Wages: Hong Kong



Taiwan: Stagnating Wages of Fresh Graduates

Entry level salaries for graduates



Source: Taiwan CEPD

Conclusions

Conclusions

- **Close monitoring of nominal median income relative to the costs of living of housing, transport, food and health care**
- **Focus on the welfare of relative losers: lower 30% of population and some aspiring middle class**
- **Government as collective risk insurer and diversifier as well as social and political stabilizer**
- **Strengthen the Mother-ship**