

Pandemic resilience can be a source of competitive advantage for Singapore: Ravi Menon

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[SINGAPORE] Resilience to the pandemic can be a new source of competitive advantage for Singapore and help it bounce back stronger from Covid-19, said Monetary Authority of Singapore managing director Ravi Menon.

He was speaking on Wednesday (July 7) on the topic "The Four Horsemen" at the Institute of Policy Studies. It was the first of four lectures he is giving in his capacity as S R Nathan Fellow at the institute.

The fellowship advances research on public policy and governance.

In Christianity, the four horsemen represent different facets of the apocalypse and fundamental changes to the old order.

The four horsemen today, which are capable of bringing about such change, are demographics, inequality, technology, and climate, said Mr Menon.

Adding a potential fifth "horseman" to the list - pandemics - he said factors such as increased interaction between humans and animals, urbanisation and overcrowding, and even climate change have emerged as risk factors for new pandemics occurring more frequently.

Pandemic resilience can be a new source of competitive advantage for Singapore, he added, because the post-Covid-19 future will place a premium on trust and stability, and on countries that can handle crises well with minimal disruption to economic activity.

"Global business leaders who talk to the Economic Development Board and Monetary Authority of Singapore say how Singapore's handling of the pandemic has strengthened its relative position as a resilient place to do business."

Adapting to endemic Covid-19 Adapting to endemic Covid-19 means taking a risk management approach, and avoiding the extremes of zero-tolerance or laissez-faire, he added.

"Not imposing any safe management measures, especially if significant sections of the population have not been vaccinated, risks bringing on a renewed epidemic," he said.

"On the other hand, closing borders and imposing lockdowns in response to every new outbreak will severely affect livelihoods with little or no gain in lives saved."

Singapore's strategy now is to contain new transmissions until the population is largely vaccinated, and firms should have a business continuity plan in case mobility restrictions are re-imposed. This is a key dimension of economic resilience, he said.

Elaborating on the impact of technology on jobs, Mr Menon said reducing the need for labour with automation is not necessarily a bad thing. Robots, for example, could transform the construction and cleaning industries and reduce Singapore's dependence on foreign labour.

He said that technology is unlikely to eliminate a large number of jobs as human imagination, empathy and accountability cannot be automated away.

But to keep society on an even keel, a thriving middle class is key, he said.

This means growing median wages through active labour market policies, which is important to giving the broad middle of society hope and confidence in the future.

He added that labour markets will need to be even more dynamic and flexible, characterised by a high degree of job destruction, creation and mobility. "This will probably require more protection and security for workers than we currently have in Singapore."

During the question and answer session moderated by Lee Kuan Yew School of Public Policy dean Danny Quah, Mr Menon touched on the related topics of meritocracy and inequality.

While meritocracy is an ideal, it can create dysfunctionalities which lead people to perceive the system as unfair, he said.

Using the analogy of a race, he said that while everyone starts off at the same time, life is not one race but a relay. "The baton gets passed on at different times...and then the race goes on and on. Then where is the equality of opportunity? Because you're inheriting advantage.

"But it's the advantage that you've acquired that allows you to have an edge in acquiring merit." The solution is not to discard meritocracy, which is critical to the success of a small country such as Singapore, but to "re-tool it so that the fairness and equality of opportunity is roughly maintained".

It also means supporting the broad middle class. On this, Singapore has done well, he said, noting that real median wages increased by an average of 2.6 per cent per annum from 2011 to 2020, higher than the 1.2 per cent annual growth in the previous decade.

Something which bears watching is wealth inequality, he added. This can undermine meritocracy, as the accumulation of wealth may far exceed differences in income that are due to differences in abilities and performance.

"Because of the way prices of financial assets and real estate move, one can become extraordinarily rich with little effort. Of course the person is taking a risk, but the returns for that risk can be huge." This wealth gap can create a sense of unfairness, added Mr Menon.

"The brain surgeon who's operating on you - I don't think anybody begrudges the high pay that he's getting, and you will pay him well. What people begrudge is that his kids inherit his wealth, live a high lifestyle without giving back to society, and act as an elite.

"So hereditary meritocracy is an extreme way of describing what this might end up as, and it's something we must avoid."