

End of cheap money, cheap labour and cheap energy: Ravi Menon

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The era of cheap money, cheap labour and cheap energy is over, and Singapore must get used to higher prices as new cost structures emerge, says Ravi Menon, managing director of the Monetary Authority of Singapore (MAS).

“There has been too much borrowing, too much inequality and too much carbon emissions globally. Interest rates are not going back to the zero lower bound that we have seen in the last two decades. The cost of borrowing will be higher, more reflective of time horizons and risk premiums,” says Menon at the launch of his book, *The Singapore Synthesis: Innovation, Inclusion, Inspiration*.

Menon is the Institute of Policy Studies’ ninth S R Nathan Fellow for the Study of Singapore. His book collects the four IPS-Nathan Lectures he delivered in July 2021.

Speaking on Aug 23 at the Lee Kuan Yew School of Public Policy in the National University of Singapore, Menon says Singapore faces a shrinking labour force, extended progressive wages for more sectors of the economy, and higher qualifying salaries for non-resident workers. “We can no longer rely on cheap labour to power our economy and society; and we should not, as we forge a more inclusive society.”

In addition, the cost of energy can only go up as Singapore joins the world “in a race against time” to cap global warming. This is a noble endeavour that may cost more in the short term, says Menon.

“It is not a bad thing that money, labour, and energy are being priced to better reflect their relative scarcities. The economy needs to adjust to these new cost structures. The most effective way is through pervasive innovation and skills upgrading as the basis for higher productivity and wages across the board,” he adds.

Inclusivity as a hallmark

Inclusion must be the hallmark of Singapore society, says Menon. “To stay cohesive as one people, we must be a place where everyone has an opportunity to move up in life and everyone is treated with dignity and respect. We must lift our low-wage workers, sustain median wage growth, temper wealth inequality and promote income mobility.”

Good jobs and rising wages, rather than high taxes and widespread transfers, will improve Singapore’s social inclusion, says Menon. “We need safety nets for a basic level of support through some form of minimum wage and an enhanced workfare income supplement. We need a trampoline to help those who have lost their jobs bounce back through re-employment support. We need escalators to enable people to move up a trajectory of rising wages.”

While low-wage workers will benefit from an expanded progressive wage model, middle-income workers will gain from reclaiming jobs from lower-wage foreign workers, says Menon. “Across the spectrum, we must professionalise every job in Singapore... We must make life-long learning a reality for all, from kindergarten to the end of our lives.”

He adds: “Finally, the true test of an inclusive society is about how well we look out for the least among us — our aged destitute, our disabled, our special needs children and our migrant workers.”

377A and common spaces

A plurality of views in Singapore is natural and should be encouraged as it aids policymaking, says deputy prime minister and coordinating minister for economic policies Heng Swee Keat. However, Singapore must not let a divergence of views lead to paralysis. “[Singaporeans] need to ensure that discourse grows the common space, and not diminish it.”

Heng, who preceded Menon as managing director of the MAS from 2005 to 2011, spoke at the book launch as guest-of-honour.

“We need to take a pragmatic and constructive approach to build common ground. While values may drive our conviction, taking an overly ideological approach could very easily lead to gridlock,” says Heng.

Speaking days after prime minister Lee Hsien Loong’s 2022 National Day Rally, Heng highlighted the discourse surrounding the planned repeal of Section 377A of the Penal Code, a colonial-era law that criminalises sex between men. “This is a longstanding and deep-seated issue, with strong views for and against a repeal.”

“PM [Lee] announced that we will work towards a repeal of S377A while amending the constitution to protect the current definition of marriage from being challenged in court. DPM [Lawrence] Wong also gave his assurances that the definition of marriage would not change under his watch, should the PAP be re-elected in the next general election,” says Heng.

The announcement was made after “extensive consultation”, says Heng, and Singapore is moving towards a “new equilibrium”. “A new balance would not be possible if people insist only on pushing across their views or venture into polemics... Arriving at a new equilibrium on 377A will show that even for contentious issues, there can be room for accommodation. But we all need to do our part to carry out dialogue in a way that will move society forward and call out those whose actions undermine the harmony that we so treasure.”