

CBD lunchtime talk "Survival and Opportunities in an Uncertain World" by Tan Jee Say on Thursday 11 August 2011 at 12.30 pm @108 Robinson Road

Singapore has always depended on the outside world for its economic survival. But the external world has become less dependable, less stable and less hospitable. It's not just this latest financial crisis that began in the US and Europe or 3 years earlier. There will be more such external shocks in future and the Singapore economy will move up and down with them. The swings in the recent past had been drastic, with GDP growth falling sharply into minus territory in one year and then shooting up the following year into the stratosphere of double digits. This is hardly the stuff of good economic strategy. It destabilized economic livelihood and strained social infrastructure. How can we minimize the swings and stabilize our lives? There is no short cut - we need to look at new ways of growing the economy.

Why a new economic strategy?

The current economic strategy is in need of a major overhaul. It is the primary source of much happiness among Singaporeans. It is obsessed with high GDP growth that has scant regard for adverse consequences on society and Singaporeans. It is highly dependent on large inflows of foreign workers, mostly unskilled or low-skilled and low-level professionals - the former take away the jobs of Singaporeans with little education or depress the earnings of those who keep their jobs, and the latter replace our Singaporean PMETs, our own young middle-income Professionals, Managers, Executives and Technicians. These cheaper foreign workers lower operating costs and increase the profitability of companies, leading to higher earnings and bonuses for senior managers and a growing income gap between the low and high income segments of society.

Meanwhile, Singaporeans have to put up with over-crowding in buses, trains, shopping malls, parks and other public places. Despite being pushed and squeezed by these foreign workers, we Singaporeans have been told to integrate with them and to accommodate their different living habits; even our children have to compete with their children for places in schools.

Much of this unhappiness has been blamed on globalization and that Singaporeans have no choice but to live with it. But globalization alone cannot explain why we Singaporeans are so badly hit unlike other societies, with us Singaporeans ending up as the unhappiest workers in the world, according to a recent survey of 14 countries. Singaporeans have become vocal in expressing their unhappiness and have vented much anger at the recent General Election. Such public display of emotions has shown to the world that Singapore has become a deeply divided nation. Such deep division cannot continue if we are to remain a cohesive society. This division must be repaired without delay and the nation unified forthwith.

Unifying role of the President

Much has been said about the unifying role of the President. There is much for the next President to do in this respect. To discharge his unifying role, the President must address the fundamental cause of the deep social division in Singapore and this is the underlying economic strategy of the Government.

To be equal to the task, the President must be able to engage the Government in coming up with an alternative economic philosophy that addresses the heart of Singaporeans' unhappiness. He does not need to be involved with the nitty gritty of the economic programme but should instead focus on the big issues such as how much GDP growth should Singapore aim for in the light of our land and labour constraints, how do we overcome these constraints without disadvantaging Singaporeans, are we investing enough in Singaporeans to prepare them for the economic challenges of globalization, are we doing enough to cushion Singaporeans from the ravages of economic competition, how do we ensure that Singaporeans are competing on an equal footing with foreigners, have adequate resources been put aside to meet the education aspirations of young Singaporeans particularly for more places in the local universities, what are we doing to engage the housewives so that they can also contribute to the economy whilst taking care of their families, and are we doing enough to take care of the health needs of elderly Singaporeans?

These questions should rightly be left to the Government to deal with but obviously Singaporeans are not happy with how the Government is handling them and it has reached a point where the President needs to step in to heal the division and unify the nation. The President would need to listen to the people on their fears and aspirations. However he must also have some ideas of his own with regard to the big issues confronting our nation. At this economic talk, I would like to share my thoughts on these big issues.

The use of national reserves

I am not enamoured of the current economic strategy. It has an opportunistic undertone. It assumes that it is the only viable economic strategy given Singapore's circumstances and that there is no better strategy. All it needs to do to respond to changes in external demand for Singapore's goods and services, is essentially to regulate the supply of labour. Which was what it did in the last ten years so that increase in foreign labour accounted for 80% of GDP growth. It was an easy and lazy option. But this easy option will no longer be available, for 2 reasons. One, it will make Singaporeans more angry as we have been unhappy over the influx of foreign workers. Two, global economic growth is shrinking as a result of the current financial crisis, which will drastically affect the external demand for Singapore's goods and services. And this could go on for a prolonged period. To generate economic growth, we will need to create demand for the services of Singaporean workers and thereby create jobs for them. This has to be done on a sustained basis. I see an opportunity in this to improve and

upgrade our basic infrastructure particularly in health and education which have been neglected for a long time and have fallen behind the standards of developed economies. In my economic essay released in February this year, I suggested a similar infrastructure investment in a National Regeneration Plan where I estimated it would require a sum of \$60 billion to be spent over 5 years. I was of the view that this could be financed by Temasek Holdings through the sale of Government's shares in GLC's; I prefer this approach as it would allow Singaporeans to invest in good GLC's and at the same time play their part by investing in upgrade infrastructure to benefit their children's future. However, if this is not desirable nor practical, then I will encourage the Government to use the national reserves to finance these investments and I will give my full support to them. I prefer to invest our reserves in projects that directly benefit Singaporeans rather than in banks and companies overseas and hoping for a good return in 30 years during which time Singaporeans get no benefit.

Education

In education, I would urge the Government to focus on the following areas -

- i) pre-school education - MOE-supervised and -funded programme in line with developed countries;
- ii) smaller class size of 15-20 students per class in all schools i.e. halving the present class size - requires doubling of schools and teachers;
- iii) increase number of places available for Singaporeans in our local universities and raise the target of each cohort of students going to university from 20-30% to 50%.

Healthcare

In healthcare, I would like to see the Government -

- i) double the number of beds in public hospitals (it is unconscionable that until the Khoo Teck Puat Hospital was built that adds about 570 beds, the number of hospital beds had not increased at all for more than 10 years despite huge population increase);
- ii) increase significantly the number of doctors, dentists, nurses and all related medical staff to reach the standards of developed societies;
- iii) increase substantially the intake of Singaporean students into medical courses at the local universities so that families do not have to spend hundreds of thousands of dollars to send their children to overseas medical schools.

Organising ourselves better - integrating living, work and travel

There is a lot of wastage in the system. The average worker spends several hours a day from home to office and back to home, and all this in such a small compact island like ours. There

is a dire need to re-examine how we live, work and travel. The old practice of zoning according to use is outmoded and should be discarded particularly when there are hardly any dirty or noisy industries of significance in Singapore. We should cut down the need to travel especially when fuel costs are so high nowadays. Jobs and family life (housing with attendant services such as schools, shops, markets, clinics, hospitals) should be integrated in the same neighbourhood. Travel would then be localised within the community. We should start by building business parks in the neighbourhood so that companies can relocate their offices to where their staff live. It will also be easier to recruit both full and part time staff. In so doing, we will maximize the usage of our people and minimize wastage. I will encourage the rebuilding of our neighbourhood and the greater use of internet technology to connect with businesses and homes.

Creative energies

However much we lay out the infrastructure or the systems, it is ultimately individual Singaporeans who matter most as they are the ones who will generate the ideas and the long term income to keep this place going. We must release the creative energies of the young by helping them to start their own business ventures particularly in the creative industries. These creative industries are a key component of the knowledge-based economy and are the industries of the 21st Century in which young, well-educated and well-travelled Singaporeans can excel. We should support and propel them to the world stage by giving them grants of \$1 million to each start-up. They may well become our own Google's, Facebook's or baidu's - after all, these giants also began as small start-ups. I propose putting aside an initial sum of \$10 billion which will create 10,000 start-ups over the next 5 years, who will together hire at least 20,000 to 30,000 staff and generate business for hundreds of firms providing support services such as accounting, corporate secretarial and legal advice. These new jobs will come in handy in view of the coming slowdown in the economy. But far more important is the enterprise culture that will be created.

Employment vs Enterprise Culture

Singaporeans by and large have done well as employees of large corporations, earning good salaries and a steady life-style. However it holds back the development of entrepreneurial leadership which is what is needed to propel Singapore to a higher level of business development. We must wean Singaporeans away from a culture of steady employment so that they will become more courageous in taking risk. In recent years, many GLC's have paid huge bonuses to senior managers that are out of sync with fair notions of risk-taking - they took risk with shareholders' money, a large portion from taxpayers, got paid humongous bonuses on the back of profits but still kept their jobs when huge losses were made. This asymmetry in risk-reward relationship cannot continue as it violates our moral sense of fairness and meritocracy. If elected as President, I will put this right through my veto power

over appointment of key office holders. I will make my position clear in no uncertain terms to all who come before me for confirmation of their appointment.

The Spirit of Enterprise

But ultimately the real effective way to promote a robust enterprise culture among Singaporeans, is for the Government to stay out of business. There had been calls, loud calls, as far back as the 1980s for the Government to withdraw from businesses that the private sector can undertake. There was also an official committee, the Divestment Committee who I believe in 1986, put forth certain recommendations in this respect. However, instead of a lesser role, there are now more visible signs of Government involvement and influence in private businesses. This is not healthy for the long term development of businesses in Singapore as the bigger and well-supported GLCs can crowd out private entrepreneurs. Private businesses should be in private hands dipping into their own pockets to fund their business operations, not in the hands of Government officials using the public purse. I will encourage the Government to divest its ownership of shares and influence in GLC's so as to promote fair and genuine competition. Private entrepreneurs who have the funds and expertise can own and run these GLC's without Government help and favour. I am in favour of ultimately disbanding Temasek Holdings to allow private enterprise to take over and create a new buzz for Singapore. This is what Singaporeans want for their country's future where creativity and enterprise spring forth to enliven and enrich their personal lives. As President, I will stretch out my helping hand.