

# Out-of-the-box ideas to remake S'pore economy

Experts suggest radical ways for country to face challenges in new era

By ROBIN CHAN

RADICAL ideas to remake Singapore's economy flew thick and fast yesterday at a seminar, which was willing to think the unthinkable to position the country for a new economic era.

Old certainties and tried-and-true policies were questioned and cross-examined by a panel of leading economists from academia and the private sector.

One idea centred on the central bank dictating interest rates and leaving exchange rates to market forces, while others put forward the notion that Singaporeans should own more shares in companies such as Singapore Airlines (SIA) and SingTel to boost their wealth.

The day-long policy forum was organised by the Nanyang Technological University's (NTU) Economic Growth Centre and the Economic Society of Singapore. The annual event comes ahead of the release of findings of the Economic Strategies Committee led by Finance Minister Tharman Shanmugaratnam.

Professor Charles Adams, a former International Monetary Fund official and now a professor at the Lee Kuan Yew School of Public Policy, ignited discussion by asking the gathering whether Sin-

gapore's monetary policy should shift in line with other countries' policies.

Unlike many other countries, Singapore's central bank manages the nation's currency and not its interest rates.

Policymakers contend that managing the exchange rate is more effective in combating inflation and enhancing export competitiveness, because Singapore is such an open economy.

Prof Adams said: "As the economy moves away from traditional manufacturing... there might be some reason to consider the role of more standard monetary frameworks such as short-term interest rates that can deal with some of the challenges of the evolving world."

Singapore Management University (SMU) professor Augustine Tan added that the exchange rate policy favoured manufacturing over the services sector.

Getting Singaporeans to spend more was another issue widely debated by the panellists, who said the country can and must boost its domestic demand. Singaporeans and the Chinese are the biggest savers in Asia.

NTU economist Choy Keen Meng said that while Singapore cannot be a China with a huge domestic consumer base, it can do more to lift domestic spending.

One reason why domestic consumption was low while savings rate was high could be that Singaporeans do not feel well-off even though the national wealth is very high, "because a



lot of the national wealth is locked up in the form of national surpluses... GLCs and so on, and Singaporeans do not feel that they own this wealth because it is not released to them", he said.

Dr Choy suggested that the Government hold fewer shares in government-linked companies and let Singaporeans own more. "The Government has been giving up shares in SingTel, why not make it an exercise and give up shares in CapitalLand, SIA and so on?" he said.

He added that developing the services sector would help the economy as the sector is more recession-resilient and would also lift domestic demand.

National University of Singapore professor Tilak Abeysinghe pushed to make health-care financing more equitable.

Health-care expenditure falls mainly on individuals and families, and has become income-dependent benefiting the wealthy over the poor, which could breed unhappiness in society, he said.

But the idea was shot down by Prof Tan, who said Singapore's system deserved praise, and that the suggestion sounded dangerously similar to that of the United States. "At least in Singapore, no one is denied basic health care."

But Prof Abeysinghe said he was suggesting cross-subsidisation where the rich can pay for the health care of the less wealthy. "I think it is a morally acceptable thing."

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 Additional reporting by Rachel Chang

## WHY NOT TRY THESE?

- Grow the services industry aggressively
- Unlock more wealth for Singaporeans
- Manage interest rates, not the exchange rate, as monetary policy tool
- Peg bonuses of civil servants to an index of GDP growth, productivity growth and a measure of well-being of lower-income Singaporeans