When Finance Minister Tharman Shanmugaratnam delivers his Budget speech this Friday, it should come as no surprise that despite the dark clouds of a looming recession in the United States, the Government's biggest challenge comes not so much from the economic realm but from the social arena.

Given the good performance of the economy last year and the pinch of inflation now being felt, the Government will, in all likelihood, hand back some of the Budget surpluses to the people through asset-enhancement schemes, subsidies, rebates and perhaps more Goods and Services (GST) offsets. It may even dip into the reserves to help weather the storm and soothe the anxieties of the average worker.

But by and large, Singapore has a track record of rising agilely from slowdowns.

However, burdened with an ageing population, a society struggling with growing inequality and the unabated expectations of Singaporeans, the Budget will not only have to respond dynamically to, but also anticipate, societal developments, trends and needs.

While some of these pressures are imported from abroad and beyond the Government's control, the reality is not lost on the political elite that they have to cushion the impact of these developments if the Government is to maintain its legitimacy.

In striving for cohesion and unity in purpose, the linchpin is the social compact — a theme that has peppered key political speeches over the years.

And increasingly, the Budget will be pivotal in reconfiguring Singapore's social compact, which not only embodies a consensus between the state and citizens but also articulates the roles, rights and responsibilities of the stakeholders.

Globalisation has made the need to reformulate the social compact a political necessity. This is reflected in various initiatives in recent years that have moved away from sharing the nation's wealth in an equal manner.

Instead, the preferred approach is towards sharing the nation's wealth equitably.

Indeed, the growing income gap has made it necessary to right-size the evolving social compact, which in Prime Minister Lee Hsien Loong's words means "tilting the balance in favour of lower-income Singaporeans". Speaking about this year's Budget, Mr Lee said recently that the Finance Minister will "have something to distribute, especially to help the poor and needy Singaporeans". This may not remove the inequalities but it will bolster the Budget's inclusiveness and effectiveness.

However, even as the Government takes pains to tilt the balance in favour of the less well-off, the Finance Minister must be mindful of the so-called "sandwiched class" — brimming with expectations, this large group is clearly in need of pre-emptive assistance to cope with a rapidly changing world.
Herein lies one of many dilemmas facing the Finance Minister. The Budget is a powerful tool, an influential driver of social engineering. Yet, in recent years, the Budget has emphasised its goodies — the generous handouts and tax cuts — which Singaporeans have grown to expect.

It would be unfortunate if the merits of the Budget were judged by whether the Government doles out adequate goodies all round. It also does not help that the Finance Ministry panders to such thinking by having an online household benefits calculator for Singaporeans to calculate the monetary value of the benefits they have gained from the Budget.

All too often, the larger and more important messages intended by the various budgetary measures are drowned out by the noise of Singaporeans calculating and comparing their budgetary "gains" or "losses".

This "what's-in-it-for-me" mindset may unwittingly lull Singaporeans into sacrificing long-term benefits for short-term gains.

For instance, Workfare (which is likely to once again feature prominently in the Budget) has to avoid being perceived as an omnibus handout scheme for less well-off Singaporeans.

Instead, the Budget should provide the requisite incentives and initiatives for Singaporeans to adjust nimbly to the vagaries of global changes. Often, to enhance the social compact, bitter medicine must be taken.

Ironically, one way to strengthen the social compact is by having an enhanced social safety net — even as the Government strives to reduce dependence on such safety nets. Also, there should not be undue concern that enhancing the social safety net will sow the seeds of Singapore's downfall.

Our compulsive commitment to anti-welfarism, strong personal and community responsibility, and rigorous work ethic have become part of our societal DNA.

Instead, a stronger social safety net may encourage Singaporeans to be less risk-adverse and to manage the pluses and minuses of globalisation. More may be willing to take entrepreneurial risks if they can count on a social safety net. The Budget must be seen as more than just a spreadsheet of the state's revenue and expenditures in the new financial year, with goodies thrown in for good measure.

It plays a critical role in keeping our social compact resilient and preparing society not just for tomorrow, but for many tomorrows.

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