

Experts weigh S'pore economic policy options

Teh Shi Ning

The Business Times, 1 July 2009

'Emergency room' measures and automatic stabilisers among issues aired
(SINGAPORE) Economists, policymakers and businessmen yesterday debated the merits of embedding more automatic stabilisers into fiscal policy, versus relying on discretionary measures.

Some of the 54 participants at the 11th Singapore Economic Roundtable, organised by the Institute of Policy Studies and The Business Times twice-yearly, also said that it is time to replace 'emergency room' measures with more structurally oriented measures.

Manu Bhaskaran, IPS adjunct senior research fellow and Centennial Asia Advisors CEO, chaired yesterday's session, which opened with two presentations on Singapore's macro-economic trends and outlook delivered by MAS lead economist Tu Suh Ping and Standard Chartered economist Alvin Liew.

In ensuing discussions, participants debated the profile of economic recovery. Most views were underscored by a note of caution, as speakers pointed to global uncertainties that will affect Singapore's external demand and may impinge on the strength and sustainability of recovery here, whatever its shape.

Discussion then shifted to assessing this year's Budget, with CIMB-GK economist Song Seng Wun highlighting the impact of Jobs Credit and other employment schemes in particular. Other participants from the business community echoed his view that measures have encouraged hiring and retention, answering in part a question posed in Ms Tu's presentation - why the labour market adjustment appears to be less painful this time around.

Citigroup's head of Singapore research Chua Hak Bin, however, questioned whether the large sum spent on Jobs Credit might have been an 'overreaction', given the rise in unemployment in places such as Hong Kong - which has no similar scheme - has been less severe than expected. Other measures praised included the swift implementation of the special risk sharing initiative, described by one participant as a 'blood transfusion'. Yeoh Lam Keong, director of economics and strategy at GIC, said that as stabilisation begins, 'longer term treatment' should now involve supply-side measures to tackle the diversity and productivity of Singapore's post-crisis economy. Several participants applauded the fact that Singapore's fiscal policy has become more explicitly counter-cyclical and responsive. Donald Low, head of the Civil Service College's Centre for Public Economics, suggested that there is an argument to be made for implementing fiscal policy via fixed automatic stabilisers - taxes or welfare payments, as these operate with shorter time lags than discretionary measures.

But Gerard Ee, director at Great Eastern Life Assurance, was hesitant about such fixed policies, saying the ability to respond in a flexible manner is necessary in a fast-changing environment. One question from the MAS presentation not picked up in the free-flowing discourse was how the crisis might affect regional cross-border production network strategy.