

DESIRED FUTURE ECONOMY COULD BE UNINTENDED RESULTS OF BOTTOM-UP ACTIONS

S'pore's complex challenges defy solutions of yore

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The Committee on the Future Economy (CFE), announced by Prime Minister Lee Hsien Loong last October, is finally off and running.

It has five sub-committees looking at a broad range of issues — corporate capabilities and innovation, new growth industries and markets, connectivity, all things “city”, and jobs and skills.

Each sub-committee is helmed by political heavyweights and business leaders. In short, the CFE promises to be another high-profile exercise in intensive research, rigorous analysis, and whole-of-government coordination of the kind in which Singapore excels.

The CFE is, of course, the latest in a line of high-powered committees — for example, 1985's Economic Committee through to 2009's Economic

Strategies Committee — convened every so often to answer the critical question, “What's next for the Singapore economy?”

While each committee faced a different set of challenges, they had a shared modus operandi: A structured and top-down approach to solving problems that is underpinned by an interventionist ethos.

Such an approach worked well in the earlier stages of Singapore's development.

With a weak civil society and an underdeveloped private sector, an elite and interventionist government was necessary and able to solve the problems of unemployment, housing, transport and so forth.

And each successful intervention fostered a sense of dependency, perhaps even a sense of learned helplessness among Singaporeans.

But the present set of complex challenges defy the bureaucratic and interventionist approach that we have come to rely on. There are two reasons for that.

First, the modern economy emerges from the interactions of many dif-

ferent parts. Put another way, the whole is more than the sum of the parts.

And this is because the interactions do not simply add up linearly. Take the 2011 Fukushima disaster: Japanese authorities obviously had individual contingency plans for earthquakes, tsunamis, and nuclear reactor meltdowns.

The problem arose when all three occurred almost simultaneously, with consequences beyond the mere summation of individual emergency protocols.

Second, a complex system exhibits adaptive interaction. The complexity economist Brian Arthur argues that every system will be gamed as people learn to modify their strategies in order to exploit the system to their advantage.

Or, as Arizona Governor Janet Napolitano put it pithily, speaking in 2005 on preventing illegal immigration at the US-Mexico border: “Show me a 50-foot wall and I'll show you a 51-foot ladder.”

CREATING SPACE FOR OUTCOMES FROM THE GROUND UP

Such insights from complexity science have profound implications for our attempts to reinvent the economy. For a start, the emergent nature of the economy is such that it cannot be reduced to its parts.

Everything is connected to everything else.

This means that the usual approach of reducing a problem — in this case, the economy — into smaller problems, such as innovation and connectivity will not work.

The CFE, with its division of labour among the sub-committees, suggests a divide-and-conquer approach that will prove futile if the “whole” is ignored.

At the same time, if the sub-committees operate only their own silos, they may lose sight of some of the larger, cross-cutting issues. One could be the widening income and wealth gap within society, and its implications for a sense of solidarity that is indispensable to addressing the grand economic challenge.

Another is the equivocal impact of technology — while a driver of growth, technology also disrupts by rendering some jobs obsolete and cre-

ating a sense of dislocation and anxiety among the technology “have-nots”.

A sub-committee could also be solving the symptoms of a problem that has deeper roots in other policy domains.

The innovation challenge confronting us has deeper roots in an education system that overemphasises structured learning and examinations, as well as in a societal aversion to risk-taking.

The point is that the economy is embedded within a bigger sociocultural and political “whole” and must be approached as such.

The key to the future economy may turn out to be extra-economic, such as shifts in values and mindsets, and in engaging with emotions and aspirations.

Adaptive behaviour also means that sophisticated policy instruments, such as nudges, will also fail if they are applied linearly and do not adapt to people who, over time, know they are being nudged and adjust accordingly. A system of incentives (or disincentives) will be gamed, exploited and resisted, thus thwarting policy objectives.

Clearly then, the setting up of the CFE, or any bureaucratic structure for that matter, is no panacea to our economic challenges, especially with a more diverse and educated population.

Perhaps some guidance from an ancient Chinese philosophical tract might suggest a way to appreciate and deal with complex problems.

On a wall at the Lee Kuan Yew School of Public Policy, there is an excerpt from the Tao Te Ching: “When the effective leader is finished with his work, the people say it happened naturally.”

This indirect approach, which calls for the government to take a step back to create space for spontaneous and emergent solutions, is ironic given how the name Lee Kuan Yew is synonymous with directness, boldness and interventionism.

But complexity calls for a more oblique way of acting. It may be that the most efficacious recommendation that the CFE makes is to restrain the government from action, and to create space for outcomes to emerge from the ground up. Our desired future economy could well be the unintended consequences of local, bottom-up actions.

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