

CITY SHOULD CONNECT MULTIPLE ECONOMIC DOMAINS

Singapore's future, and lessons from Boston

City-states are a paradox as they constantly have to struggle with complex challenges that large nations do not have to be concerned about, says former head of civil service Peter Ho. But governance of a city-state such as Singapore is not all about reducing complexity, he added in the third IPS-Nathan lecture yesterday. Instead, in some cases, Singapore should catalyse complexity, by creating more networks to connect multiple economic domains. Below is an excerpt of the lecture by Mr Ho, who is now senior adviser to the Centre for Strategic Futures.

Perhaps the central and most obvious paradox of Singapore is that its national boundaries coincide perfectly with its city limits. And what is more, the fantasy and glamour of Singapore's global city status often stand in sharp contrast to the insecurities that define its statehood.

Sovereign city-states are anomalies, surviving despite their very small size, without natural resources, and surrounded by much larger neighbours. Their existence is a constant struggle, with challenges that larger nations with hinterlands and resources do not worry about. They are a paradox, the exceptions that prove the rule that size matters.

At independence, there were huge challenges to overcome (for Singapore): Our small size, a heterogeneous and migrant population without any sense of nationhood, lack of natural resources, and a geopolitical vulnerability stemming from the double minority situation, as a Chinese-majority state in a predominantly Malay world.

But struggle is a Darwinian process, in which only the strong — and strong-minded — survive. It was our water scarcity that led us to develop water-treatment technologies that we now export to other parts of the world, including the Middle East, Latin America, and Africa. Our shortage of land, poor urban conditions, and severe lack of safe and quality housing led us to develop urban planning solutions, and both high-rise as well as underground space. Our lack of strategic depth impelled us to acquire or develop sophisticated bespoke defence systems, and innovative training models and arrangements with friendly countries to overcome this challenge.

But this does not mean that our fundamental problems have been solved. Our small size and low-lying position make us extremely vulner-

able to climate change. In that sense, Singapore, more so than most, is a perpetual work-in-progress.

All the unfavourable conditions that attended Singapore's unexpected elevation to sovereign city-state still exist today. But our success in overcoming them may well have masked the deep challenges that remain, and remain mostly undiminished. This is the paradox of Singapore.

FUTURE OF GOVERNANCE

Today, the quality of Government in Singapore is routinely listed at the top of a host of global rankings. That Singapore is already operating at the leading edge in many areas of governance means that it is no longer enough for Government policymakers just to copy and adapt from elsewhere.

For many of the emergent issues that we have to deal with, Singapore will have to evolve its own strategies and approaches. To achieve real breakthroughs, the Government will need to depend more and more on its own innovations.

And as a result, the Government will have to assume new levels of entrepreneurship with its attendant risks and uncertainties. A government that explores will also at times have to sacrifice some degree of efficiency in service of discovery. And it will need to become expert at conducting bounded experiments. Indeed, the emergent, complex issues of the 21st century suggest the need for a new paradigm in governance — one that is Whole-of-Government, networked, innovative, exploratory and resilient in the way it confronts the challenges of our time — challenges rooted in complexity and accelerating change of the Anthropocene.

What is the appropriate model of governance for Singapore going forward? The coming years will see a growing need for governance — which requires collaboration across the public, private and people sectors — rather than Government acting as the sole, or dominant, player.

Today, the Government faces myriad complex public policy issues, in which the trade-offs are much more difficult to make, because each could lead to unintended consequences and risks. Many of these public policy issues exceed the capacity of Government working alone. Instead, they require the active contribution of private and people sectors. A government-



Aerial view of Singapore's Parliament House and Central Business District. To achieve real breakthroughs, the Government will need to depend more and more on its own innovations.
TODAY FILE PHOTO

centric approach focused on efficiency and productivity will likely give way to a broader approach that leverages on the collective capacity of non-government actors, in order to achieve results of higher public value and at a lower overall cost for society.

ORDER VERSUS DISORDER

The bureaucratic propensity is to create order and consistency, both in the external environment and domestically. But while governments and people try to reduce the complexity out there by coming up with all kinds of regulatory systems, there is a limit to how much order we can — or should — produce in a complex environment. It is both an aesthetic and economic issue.

Literacy, political structures, levels of industrialisation, and per capita income, are conventional indicators of economic health. However, economists such as Ricardo Hausmann, Cesar Hidalgo, and Luciano Pietroneo, have suggested that the most important predictor of growth is economic complexity, or the diversity of products an economy possesses.

Countries with the most natural resources tend to have simple economies, as they do not produce unique goods. Thus, economies that are dependent on a particular kind of export — for example, oil or timber — may do well when demand for these products are high, but fail in the long run because they are not diversified and cannot compete in other sectors.

The ability to produce unique goods and services depends on the amount of "productive knowledge" in an economy. This is the kind of knowledge derived from experience and exposure to different sectors and domains of production. Invention and innovation occur when these bits of productive knowledge are connected. Improvements to economic growth can be achieved either by harnessing existing capabilities in new combinations, or by accruing new capabilities to ex-

pand the productive potential of the country. It is an important outcome of economic complexity.

So, governance of a city-state such as Singapore is not all about reducing complexity — far from it. Instead, in some cases, it should catalyse complexity, by creating more networks to connect multiple economic domains.

LESSONS FROM BOSTON

The Harvard economist, Professor Edward Glaeser, tells of how Boston, in the 17th and 18th centuries, was the leading port in America. It thrived as a conduit of goods between the old world and the new. But by the mid-18th century, Boston as a port had been eclipsed, first by Philadelphia, then by New York.

What saved Boston from the fate of other New England ports was a large population of Irish immigrants. By the late 19th century, Boston had transformed itself into a centre of manufacturing built on immigrant labour, and it prospered on the back of America's industrialisation.

But Boston's heady period of growth was over by 1920. Population growth slowed and even began to shrink after 1950. However, in the last two decades of the 20th century, Boston again re-invented itself, this time from an industrial city in decline into a high-tech, service based economy. Its population grew rapidly between 1980 and 2000, reversing 50 years of stagnation and shrinkage.

Boston is now a centre of the information economy. Today, education is the dominant factor in Boston's economy. Boston ranks highly in its share of employees in managerial and professional jobs. Its top four export industries today are all skills-based: Technology, finance, education and healthcare.

Using the lens of economic complexity, the Boston case shows us that the ability to re-orientate and create new value hinges on economic com-

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plexity. From its earliest days, Boston was never just a port. Artisans manufactured some of the goods traded on Bostonian ships. Boston had banks, brokers and insurers from its seafaring days because shipping needed financial services. Education was always valued in the colony — Harvard University was founded in 1636 with government money.

Its rich, complex strengths and competencies enabled Boston to reach within itself to find new connections and value propositions. These enabled Boston to re-invent itself time and again when other more brittle, less economically complex cities such as Detroit, which was heavily dependent on manufacturing, went into terminal decline.

Can Singapore rely on our position as a global transshipment hub, or will we have to confront the possibility, in the future, that changes in technology, logistics patterns, and geo-political shifts, mean that our pre-eminence as a global port will decline? And then will we be able to reinvent ourselves?

LONG TERM VERSUS SHORT TERM

The point of this dialectic on governance is not to posit false binaries where there are none. There are no absolute “rights”, especially not when the world is constantly changing. What the Government needs to do is to prepare itself — and Singapore — for the black swans and disruptions that will surely surprise us in the future.

To achieve this, the Government must put into proper perspective the pressing, day-to-day concerns within the larger context of longer-term challenges and uncertainties.

The question you might wish to pose is: What is the long view? How far ahead can and should we really think? Some policy issues, such as demographics, the environment and education, stretch out over many years. In contrast, government institutions are designed for four- to five-year electoral cycles. Even if we had the political will, do we really have the imagination to view and tackle challenges that lie beyond the life-time of the already-born citizen?

At the same time, we talk about making the future; but if we were to reframe it, is it not also the case that our actions in the present are “taking the future” away from unborn generations to come? Here I am thinking of our actions — or rather inaction — on a global basis with regard to climate change, for example.

This is a question of responsibility and trade-offs. On one hand, the current generation has a responsibility of stewardship, for example in steering Singapore to SG100 and beyond. However, in order to fulfil that duty of stewardship of the future, certain tough decisions have to be taken in the here and now. How much appetite is there really for long-term thinking in a society that is focused on the short term,

dealing with the problems of the day, and “putting out fires” all the time?

This is why thinking about the future is an essential yet delicate task for governments to foster — both as a matter of institutional processes and as a habit of thinking.

Singapore’s success in managing its paradox has been achieved by a mixture of good Government, good luck and a heavy dose of kiasuism. But

Andy Grove, late CEO of Intel, once said: “Success breeds complacency. Complacency breeds failure. Only the paranoid survive.”

This echoes something that Mr Lee Kuan Yew himself once said: “What I fear is complacency. When things always become better, people tend to want more for less work.”

But, of course, too much paranoia can ultimately consume a soci-

ety. Paranoia suggests always looking over your shoulder, always being driven by threats, rather than also looking out for opportunities. Paranoia, taken too far, can also lead to a loss of solidarity within society, leading to people viewing the world purely in zero-sum terms. What about being pulled forward by the better angels of our nature, instead of being chased by demons?



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