

BOOK REVIEW

Making sense of socio-economic forces in today's world

Headwinds and Hazards
Economic Snapshots In An Age of Populism
By Vikram Khanna

By Vinod Thomas

WE are constantly trying to find our bearings in the thick fog of the many global socio-economic trends that will increasingly affect our lives – from promising ones like breakthroughs in digital technology to intractable ones like climate change.

The good news is that help is at hand. Vikram Khanna's just-published *Headwinds and Hazards: Economic Snapshots in An Age of Populism* offers compelling insights into these rapidly unraveling issues. While drawing on global experience, the book has special significance for Singapore and South-east Asia.

The book is a collection of essays on socio-economic trends that are affected by three sets of forces: finance and governance, productivity and labour markets, and growth and wellbeing. The corrosive effects of corruption make their mark on many of these new trends, and exact a high price on precious public resources. Increasing immigration, while an antidote to the falling productivity that affects many countries, is a highly contentious issue socially. Economic growth is an ally of poverty reduction, but the effects on income distribution can be negative, with impacts on rising populism.

The book's messages on governance and finance are memorable. Drawing on the mess left by one of the biggest corruption scandals in memory Operation "Lava Janto" (which means "car wash" because many of the illicit trades were carried out at petrol stations), for instance. With numerous examples, Mr Khanna – associate editor at *The Straits Times* – conveys a simple message: "Engaging in corruption is risky and dangerous."

Elsewhere, he tops a vivid account of the global recession that started in 2007-08. It was triggered by reckless and greedy behaviour on the part of some, but many others had to pay the price. The message on globalisation has great significance for Singapore: "As an open economy, it can suffer massive collateral damage from external shocks through no fault of its own".

The book draws attention to the crucial role of productivity – getting more payoffs from investments – as a means to making the economy more resilient in the face of headwinds and hazards. Faced with fertility decline and a shrinking labour force, Singapore needs to be in the front line for finding answers. Notably, the share of resident workers aged 60 and above reached 13 per cent of the labour force in 2018, more than double the 5.5 per cent in 2006.

For Mr Khanna, the solutions are realistic and forward-looking immigration and labour mar-

ket policies. And it can bring unexpected gains in terms of productivity: for example, low-skill immigration in the US helped to raise the entry of high-skill women into the labour force.

The essays on economic growth show how this is being effected by traditional investment and disruptive innovation. The author's penchant for behavioural economics enlivens his analysis of growth and distribution. He shows, using examples from Singapore, how greater social and environmental awareness can be achieved through rewards, modelling behaviour and "nudges" – in donating blood, in reducing rush-hour traffic or in saving energy.

The book draws on interviews conducted over the author's career as a journalist, that show how the human side plays a big part in good economic and social outcomes. Rasmus Hougaard, co-author of *The Mind Of The Leader*, told him that one important maxim many corporate leaders ignore, or do not realise, is that "leadership is less about what you do than who you are". Such modelling of leadership is in short supply. And here's Joe Gebbia, co-founder of Airbnb, on the hospitality business: "Good design is hospitable to the user", and it really neutralises the "strangers are dangers" bias.

A common thread of the discussion on innovation is that this process often involves thinking outside the box. For Daniel Kahneman, a Nobel Laureate in Economics, innovation often starts

with how one approaches a problem. He illustrates this point often with a puzzle – like, a bat and a ball together costing \$1.10. The bat costs \$1 more than the ball. How much does the ball cost? System 1, the faster and more associative thinking, leads one to say 10 cents, but the right answer from System 2, more deliberate and slower thinking, is 5 cents.

Economic growth has a salutary effect on poverty but it has also been accompanied by rising inequality. Growing inequality is affecting both low-income countries, where rising inequality hurts attempts to reduce poverty, and high-income economies, such as France and the United Kingdom, where it can be a source of social instability. This theme ties in with populism, with its appeal to common people. Populism is nothing new, but the current economic distress and insecurity have meant that populism has roots not only in low-income nations but also in high-income, Western democracies.

Mr Khanna's illuminating book widens our understanding of the intensifying hazards and headwinds that all countries face, and raises important questions that need to be asked to further our understanding of these risks.

■ Vinod Thomas is Visiting Professor at Lee Kuan Yew School of Public Policy, National University of Singapore. He was formerly vice-president of the World Bank and its chief economist for Asia. He can be reached at vndthomas91@yahoo.com

