

Pandemic resilience can give S'pore competitive edge, says MAS chief

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Resilience to the pandemic can be a new source of competitive advantage for Singapore and help it bounce back stronger from Covid-19, said Monetary Authority of Singapore managing director Ravi Menon.

He was speaking yesterday on the topic "The Four Horsemen" at the Institute of Policy Studies (IPS) at the Lee Kuan Yew School of Public Policy (LKYSPP).

It was the first of four lectures he

is giving in his capacity as IPS' ninth S R Nathan Fellow. The fellowship advances research on public policy and governance.

In Christianity, the four horsemen represent different facets of the apocalypse and fundamental changes to the old order.

The four horsemen today, which are capable of bringing about such change, are demographics, inequality, technology and climate, said Mr Menon.

Adding a potential fifth "horseman" – pandemics – to the list, he said factors such as increased interaction between humans and animals, urbanisation and overcrowd-

ing, and even climate change have emerged as risk factors for new pandemics occurring more frequently.

Pandemic resilience can be a new source of competitive advantage for Singapore, he added. This is because the post-Covid-19 future will place a premium on trust and stability, and on countries that can handle crises well with minimal disruption to economic activity.

"Global business leaders who talk to the Economic Development Board and Monetary Authority of Singapore say Singapore's handling of the pandemic has strengthened its relative position as a resilient place to do business."

Singapore's strategy for now is to contain new transmissions until the population is largely vaccinated, he said. Firms should have a business continuity plan in case mobility restrictions are reimposed – a key dimension of economic resilience.

Elaborating on the impact of technology on jobs, Mr Menon said

reducing the need for labour with automation is not necessarily a bad thing. Robots, for example, could transform the construction and cleaning industries and reduce Singapore's dependence on foreign labour.

He said technology is unlikely to eliminate a large number of jobs, as human imagination, empathy and accountability cannot be automated away.

But to keep society stable, a thriving middle class is key, he added. This means growing median wages through active labour market policies, which are important to giving the broad middle of society hope and confidence in the future.

Labour markets will need to be even more dynamic and flexible, characterised by a high degree of job destruction, creation and mobility. "This will probably require more protection and security for workers than we currently have in Singapore."

During the question and answer

session moderated by LKYSPP dean Danny Quah, Mr Menon also touched on the related topics of meritocracy and inequality.

While meritocracy is an ideal, it can create dysfunctions that lead people to perceive the system as unfair, he said.

Using the analogy of a race, he said that while everyone starts off at the same time, life is not one race but a relay.

"The baton gets passed on at different times... and then the race goes on and on. Then where is the equality of opportunity? Because you're inheriting advantage."

The solution is not to discard meritocracy, which is critical to the success of a small country like Singapore, but to retool it so that fairness and equality of opportunity are maintained.

It also means supporting the poor and middle class. On this, Singapore has done well, Mr Menon said, noting that real median wages rose by an average of 2.6 per cent

per annum from 2011 to last year – higher than the 1.2 per cent annual growth in the previous decade.

But wealth inequality can undermine meritocracy, he said, when wealth accumulation far exceeds differences in income due to different abilities and performance.

"Because of the way prices of financial assets and real estate move, one can become extraordinarily rich with little effort."

This wealth gap can create a sense of unfairness, Mr Menon added. "The brain surgeon who's operating on you – I don't think anybody begrudges the high pay that he's getting, and you will pay him well. What people begrudge is that his kids inherit his wealth, live a high lifestyle without giving back to society, and act as an elite."

"So hereditary meritocracy is an extreme way of describing what this might end up as, and it's something we must avoid."

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Call for bold moves in transitioning to green economy

Transitioning to a green economy may be challenging for Singapore because of its lack of natural endowments. But it can thrive if it makes bold, decisive moves, said Mr Ravi Menon.

Delivering an Institute of Policy Studies lecture yesterday, the managing director of the Monetary Authority of Singapore pointed out that Singapore is the first country in South-east Asia to implement a carbon tax.

But at \$5 per tonne of greenhouse gas emissions, it is “far below” what is needed to catalyse carbon mitigation efforts, he said.

He observed that carbon pricing is gaining momentum around the

world, and most countries that have implemented carbon pricing have carbon prices below US\$50 (S\$67) per tonne of carbon dioxide equivalent, except for some in Europe, such as Sweden and France.

But carbon prices must be much higher to put the world on a trajectory towards achieving the Paris Agreement goals to limit global warming, he said, noting that experts have put the needed increase at between US\$100 and US\$160 per tonne of carbon dioxide equivalent by 2030.

The International Monetary Fund recently proposed a three-tier carbon price floor among the world’s largest emitters, at US\$25,

US\$50, and US\$75 per tonne.

“If major emitters agree on a global minimum carbon price, there is likely to be a convergence globally towards that price,” said Mr Menon.

He said that higher carbon prices will have a significant impact on many industries globally.

Harder-hit ones could include building and construction, as well as those providing power generation from fossil fuels and production of steel and cement.

As the global transition from hydrocarbons to renewable energy gathers steam, it will be challenging for Singapore because of its natural limitations in its ability to

harness renewable energy, he said.

Thus, it needs to be innovative to overcome these disadvantages – such as by using reservoirs to tap solar energy, and exploring transmission lines to neighbouring countries to tap and trade in the renewable energy they produce.

“We will need many more of such innovations in the years ahead,” said Mr Menon, adding that transitioning to a net-zero economy opens up opportunities.

“Countries with the technological capabilities and fiscal resources will be able to seize opportunities brought about by transition.”

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