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SPEECH BY DR. AUGUSTINE H.H. TAN, CHAIRMAN OF NATIONAL PRODUCTIVITY BOARD AND POLITICAL SECRETARY TO PRIME MINISTER AT THE OPENING OF THE CONFERENCE ON "MONEY, TRADE, INFLATION - THE PROSPECT FOR SOUTHEAST ASIA" ORGANISED JOINTLY BY THE ASSOCIATED BUSINESS PROGRAMMES, SINGAPORE INSTITUTE OF MANAGEMENT AND THE NATIONAL PRODUCTIVITY BOARD AT SHANGRI-LA HOTEL ON THURSDAY. 6TH FEBRUARY AT 10 A.M.

It is my pleasant duty and honour to welcome our very distinguished speakers and participants to this Conference, jointly organised by the Associated Business Programmes Ltd., the Singapore Institute of Management and the National Productivity Board. The subject of the Conference "Money, Trade, Inflation - The Prospect For Southeast Asia" is one which has a direct bearing on our economic health, indeed, the economic health of the world economy.

The causes of and the remedies for world problems of money, trade and inflation have been analyzed by many people at other conferences. The challenge to us is threefold. Firstly, can we identify some crucial causes which others have neglected? Secondly, can we offer realistic remedies, **taking into** account political, economic and institutional constraints? Thirdly, how can Southeast Asia countries adjust to the realities of the international economy?

Over the last year, there has been extensive debate over the seriousness of the problems facing the world economy. Optimists pin their hopes on four factors. First of all, they think that new sources of energy will be discovered and utilized. Secondly, they believe that science and technology will prevail to relieve material and food shortages. Thirdly, they believe that Keynesian economics is so

universally accepted now that no Government can stand idly by in the face of mounting inflation or unemployment. Fourthly they believe that modern economies have built-in safety devices like unemployment insurance, which will prevent too serious a recession. Somehow, therefore, optimists believe and hope that the world will muddle through without a depression or catastrophe.

To be more realistic, I think we should consider the following propositions:

1. It takes energy to recover energy. For example, oil from Alaska or the North Sea or gassification of coal or nuclear energy require heavy inputs of capital and energy. In economic parlance, new sources of energy may be available but at increasing cost. Although the hydrogen bomb has long been with us, harnessing thermonuclear energy, according to Dr. Edward Teller, will not be commercially practicable until the twenty-first century..
2. Technological breakthroughs do not seem to conform to any law or have any relationship with expenditure on Research and Development. Professor Galbraith to the contrary, it has been observed that most of the new products introduced in the postwar period came from individual backyard laboratories or from research conducted by small and medium-sized firms. Moreover, our concepts of efficiency and productivity are quite misleading. In my view, science and technology have not produced

greater efficiency in the positive sense but have merely reduced inefficiency. Buckminster Fuller, the well-known engineer-poet-philosopher-architect, says that North America is operating only at 4% efficiency, i.e. 96% of the energy inputs is lost. In his view, man is the short-circuit in the Universe. Indeed, we have consumed in a few decades, the oil that it took Nature millions of years of produce.

3. Therefore, unless we find some marvellous new technology, the world is entering an era of material, energy and food shortages. Economic thinking will have to return to fundamentals - the vagaries of Nature and the Malthusian **population-food** balance will be much in the forefront in the years ahead.
4. There is no solution in sight for the petro-dollar recycling problem. The oil problem is a massive one in terms of transfer of real resources, in financial terms and poses a massive readjustment problem in production and consumption. Rapid obsolescence and induced changes in consumption via advertising are luxuries of the past. Can we adjust to scarcity without trauma?
5. It is becoming harder and harder to relieve unemployment and inflation. The simple Keynesian world, where output and employment can be increased without price increases, no longer exists, if it ever existed at all. Policy-makers face a cruel dilemma : the devil of runaway

inflation or the sea of excessive unemployment. Unless policy-makers are prepared to use unconventional measures like wage and price controls, indexation or more selective, less aggregative monetary and fiscal measures, there would appear to be no terra firma of grounded prices and full employment.

6. Modern communications and transportation have so increased the interdependence of the world economy but we lack the machinery and the will to cope with it. A curious tension exists between economic nationalism, or the desire to pursue economic objectives and policies freely, on the one hand, and global interdependence, on the other, as manifested by capital mobility, trade liberalization, communication and transportation. Something must give: either we find some viable mechanism to accommodate national objectives and policies consistently within a global framework of interdependence or the world economy will be polarized into economic blocs, each largely self-sufficient, and all the poorer for it.

But people seem to prefer to live on hope. A recent event amply illustrates this. During the recent British general election, the Conservative Party painted a gloomy but realistic picture of Britain's prospects while the Labour Party chose to gloss over the difficulties in a platform of reassurance. Well, the Labour Party is in power and is now having to persuade the British people to face the grim realities.

I prefer to be a realist from the outset. Unless there is a big technological breakthrough, the era of high growth rates is over for the world economy. We in the developing countries have to adjust our sights downwards, and revise our expectations, values and attitudes accordingly. The adjustments we have to make are going to be very painful. Instead of aiming for high growth rates, we would do well to look more closely and carefully at the composition and distribution of output, as Professor Galbraith has advocated. For the advanced countries, this is dictated by considerations of equity; for the less developed countries, it will be more by virtue of necessity. Moreover, we need to induce our people to revise their hopes, values and attitudes if we are to avoid the backlash of disappointment.

It is now my pleasure to call upon the Honourable Minister for Finance, Mr. Hon Sui Sen, to deliver his opening address.

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