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SPEECH BY MR S RAJARATNAM, SENIOR MINISTER  
(PRIME MINISTER'S OFFICE), AT THE KAMPONG GLAM  
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COMMUNITY CENTRE ON SUNDAY, 25 AUGUST 1985 AT 8.00 PM

Some 40 years ago a Yale University Professor Ellsworth Huntington put forward a theory that business cycles were tied up with sun-spot activity. As I recollect he had graphs showing definite correlation between the two. Blaming sun-spots for booms and slumps in my view makes a little more sense than some of the new theories being floated to explain and tackle Singapore's current economic downturn.

For example, Mr. Jeyaretnam and Mr. Chiam, mindful of their responsibility for solving Singapore's economic problems, have unearthed what they believe to be the root cause of our economic troubles. They are high ministerial salaries and MP allowances. They have therefore tabled a motion in Parliament to cut salaries, allowances and pensions of Ministers and MPs because by eradicating the cause you would be curing the disease. I am not so sure whether the two Opposition MPs really believe that pay cuts would in fact transform an economic downturn into an upturn but obviously they must set great store by their motion. They would not be exhausting the time and patience of Parliament debating it if they thought otherwise for they are men of high and serious purpose..

So I am really looking forward to learned expositions by the two economic thinkers to convincingly establish a definite link between the quantum of ministerial salaries and our economic difficulties.

I notice too that the professional earnings of lawyers have been excluded presumably because no link has been established between the earnings of lawyers and our present economic problems. I would be interested to learn from them why sacrifice of ministerial earnings alone will help while sacrifice of lawyers earnings might harm the national interest.

At the moment the motion strikes me as a bit of Karung Guni economics. The motion is less of a solution to Singapore's economic difficulties and more of an attempt by the two MPs to build a reputation for themselves as great patriots on the cheap. The two MPs know that the Government, unless it is completely off its rocker, would not make itself look ridiculous by participating in a charade which has no bearing on our economic problems and is really intended to inflate deflating egos.

The two MPs can then go around complaining that the Government by rejecting their motion had thwarted their patriotic urge to sacrifice on behalf of the nation. They can then not only in good conscience continue to draw their allowance in full but in addition earn for themselves a reputation as self-sacrificing patriots.

However if the two Opposition MPs are sincere in their desire to make a gesture of self-sacrifice, Government rejection of their motion need not in any way be a barrier. They could, as a matter of honour and of principle, announce that they would, despite rejection of their motion, unilaterally forego their allowance or part of their allowance until good times return.

But if they put back their loaded wallets into their pockets simply because an uncooperative government had not given its approval to lighten their pouches then all we would have witnessed would be a bit of Karung Guni economics.

Another theory our current economic difficulties has spawned is from one of my P.A.P. colleagues. He was reported as saying that the responsibility for our present economic problems rested squarely on the Government. The Government, he said, had "fallen into a black hole" of its own making.

The Black Hole economic theory has admittedly a scientific twang to it. As I understand it the Black Hole is a compound of high CPF rates, Skills Development Fund and payroll taxes.

A characteristic feature of a Black Hole is that it illuminates nothing. Any light that crosses its path is immediately swallowed up and permanent darkness prevails.

The Black Hole economic theory whatever its other merits casts, I fear, no light towards the understanding of our current economic problems.

I would therefore like to put forward for consideration what I will call my White Hole theory of economics. I am not saying that it is the best economic theory in town but I think it is a decided improvement on Karung Guni economic theory and the Black Hole theory.

The first fact to note is that for two decades Singapore had experienced more or less uninterrupted prosperity and rising living standards despite CPP, Skills Development Fund, payroll taxes, NWC awards, Government run enterprises, rising wages and rising ministerial salaries and MP allowances. Over the past two decades the

Government eliminated poverty and chronic unemployment. Slums and squatter areas were cleared to give way to not only clean and modern housing estates but also a society where soon 80 per cent of the population will live in homes they own.

For two decades many people, including Black Hole converts, were singing psalms about the "Singapore Miracle". Others held up Singapore as a possible model for the Third World.

But almost overnight the miracle working Government has become a Government of economic dolts and nincompoops. A few critics are not so much wringing their hands over Singapore's alleged journey towards economic ruin and damnation as ringing bells.

I find all this somewhat sad and a little odd. That the Government has over the past two decades made economic errors is not disputed. But the current image that some critics are trying to create is that of a Government thoroughly incompetent and one which has lost control over the economic machine; that in fact there was no economic miracle but a series of inept economic measures which are now coming home to roost.

One of the architects of Singapore's economy is Dr. Goh Keng Swee whose achievements, if some current critics are to be believed, are pure illusion projected with the aid of mirrors.

If so I am somewhat baffled why the leaders of one billion people should have nominated Dr. Goh as one of their economic advisers. May be the leaders in Beijing through many years of bitter experience are better able to distinguish between real economic incompetency and mismanagement and presumed incompetency.

During a crisis and, in particular, an economic crisis the market is full of snake charmers, purveyors of charms and rabbit's foot and readers of animal entrails ready to profit from the panic they help to spread.

Of course Singapore is, after 20 years of prosperity, running into rough economic weather. Only those who are fools enough to believe in permanent prosperity or permanent adversity will give way to panic. And in this category I include critics who assail Government on grounds that it has not ensured permanent prosperity and therefore should be adjudged incompetent and a total failure.

An important fact critics and people who panic easily have ignored about the current crisis is that the underlying causes for Singapore's economic difficulties stem not so much from faulty domestic policies as from the growing disarray within the global economic system. So long as the global economy was robust our domestic economic policies succeeded in syphoning off into Singapore more than its fair share of global prosperity. Right from the start we projected ourselves as a global city and sank roots into the global economy simply because a national economy was too barren a base on which to erect our prosperity.

All measures, such as CPF, payroll tax, high wages and government managed enterprises which are now identified by critics as the source of our economic ills, did in fact act as a fillip to our economy during days of global prosperity. Undoubtedly now that the international economy is losing its post-war vigour some of our earlier domestic measures require adjustment and modification. These modifications by themselves will not bring back prosperity. That can only come through reinvigoration of the global economy on which the prosperity of not only Singapore but that of practically all nations depends. In the case of Singapore the dependence is greater still because our international trade is three times our Gross Domestic Product. Singapore is in no position to bring vigour to the global economy.

The purpose of modifications to domestic economic policies is not to restore prosperity but to ensure that Singapore remains politically and economically intact; that it survives until the global economy recovers its balance; until good times return. This will require economic and political measures as realistic, precise and innovative as those that served us well during days of international prosperity. This is no time for Karung Guni gimmicks or the impenetrable darkness of Black Hole theories.

One cannot say how long the twitchings and thrashings of the global economy will go on. They may subside or grow more violent. They may last a year or two or persist for many years during which nations which had enjoyed themselves too well and too unwisely during days of prosperity could well collapse during the long march to global prosperity of whose return I am absolutely convinced.

A great many unpleasant and unexpected thing can happen during times of prolonged economic difficulties. Economic decline can bring in its wake economic unrest, panic and irrational economic remedies, unbearable distress leading to political instability and violence. This is already happening in many countries in the face of mounting economic difficulties. I cannot say how many nations will experience serious devastation, some irreparable, before the next cycle of global prosperity returns.

But I am certain that however rough the economic storms ahead and however long they persist Singapore can and will emerge, battered and bruised no doubt, but intact and whole to once more thrive and bask in the sunshine of world prosperity when it returns.

This is not a case of whistling in the dark. This prognosis rests on a bedrock of hard facts. First global economic difficulties have existed for quite a few years but until this year Singapore had been affected by them only marginally. Even today as we feel the chilling winds of an

economic storm there are no long unemployment queues, industrial unrest and strikes or soup kitchens - all of which are already features in countries bigger, richer and more advanced than Singapore. There are no mobs of striking workers and rioting unemployed to provide grist to the mill of down-at-heel politicians in search of trouble.

Some of the things the Government did during the decades of prosperity now serve as gyroscopes to see the ship of state through any economic storm. These are the measures which when we first introduced them attracted a lot of criticism, both domestically and abroad. Those were the days of complacent tranquility and growing prosperity.

Take Parliament for a start. At present there are only two opposition MPs. I am relieved that they constitute of men of the calibre of Mr. Jeyaretnam and Mr. Chiam. Their capacity to politically exploit, even if they were so inclined, our present difficulties is negligible. They could of course enhance their future political prospects by coming out with bold, constructive, innovative and imaginative ideas on how best we can cope with the looming economic crisis. In a time of crisis people are ready to listen to people with sound ideas and practical remedies. All that our two Opposition MPs have managed so far is pull out of the sack a dead rabbit - cut ministerial pay and MP allowances as a way of coping with our economic difficulties.

A few weeks ago I said that these two MPs were capable, if they tried hard, of rising above Karung Guni politics. This requires a serious study and understanding of our political and economic problems and not simply fooling around with these subjects.

But the situation would today be far more serious and less promising had the last elections resulted in, say, 20 or 30 opposition members. Given the economic downturn we

would by now be back to the turbulent times of Barisan Sosialis politics when Parliament became a factory for organised bedlam. The prospects of our being able to calmly tackle our economic problems would then be almost nil.

Our trade union reforms which used to be dismissed as castration of labour unions are now making it possible for us to face our economic problems without the usual violent battles between unions and management. A wage freeze to prevent unnecessary retrenchment or collapse of small enterprises would have been unthinkable with the old type of unions.

Perhaps more important is that the savings accumulated through CPF ensures that the average worker would have enough fat to fall back on should the downturn persist for longer than many anticipate.

There are many other fall back positions for Singaporeans should the downturn persist. First retrenchment has not assumed tidal proportions yet. Should this happen the axe, provided Singaporeans are not choosy, will first fall on thousands of foreign workers.

When that is exhausted wage cuts will buy us more time.

If that is exhausted there are the CPF savings. By the time we reach this stage very few nations will be economically alive.

Then there are Government's accumulated reserves. They are there simply because we resisted exhortations in the days of prosperity to give people a good time through free-wheeling subsidies to win votes.



If the global economy lasts longer than all these then I am certain that the end of the world has finally come. This can be met by the only way I know - by offering animal sacrifices to unknown gods or counting prayer beads.

Let me assure you that if the great flood finally happens then we will try and make sure that Singapore will be among those few who enter the Ark.

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