

BUDGET 2015 HAS GENERATED FEEL-GOOD EFFECT FOR STATE OF GOVERNANCE

Public spending an investment, not a mere expense

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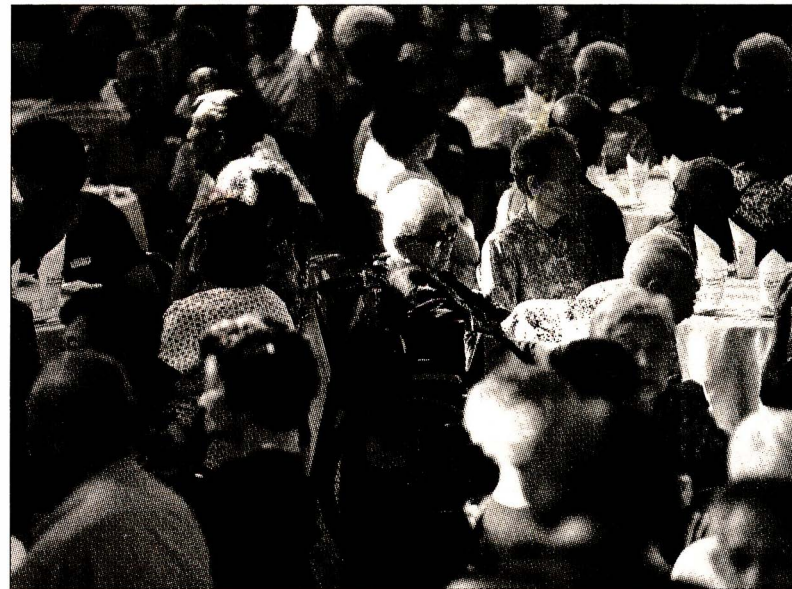


expressed over how the Government will fund the enhanced social safety nets, including the new Silver Support Scheme to help supplement the incomes of less well-off seniors in their retirement years.

With Budget 2015, the ruling People's Action Party (PAP) has taken a decidedly left-of-centre shift in social expenditure. Buy-in for this shift will be necessary. Increasing the top income tax rate from 20 to 22 per cent from 2017 continues the trend towards redistributing income through direct wealth and income taxes.

Extending a helping hand to those in need can only enhance our individual and collective well-being. As Deputy Prime Minister and Finance Minister Tharman Shanmugaratnam put it: "It is fair that this enhanced support for

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Parliament, firmly set on preparing Singapore well for future challenges, begins its debate on Budget 2015 today. A cornerstone of the measures entails helping the broad swathe of middle-class Singaporeans compete and do well in the future. The ensuing two-week debate on the Budget and budgets of government ministries should encourage us to consider the direction our society is taking.

We can expect endorsements of the various Budget initiatives. There will certainly be calls for more to be done for various segments of Singaporean society. Concerns will also be

those with low incomes should come chiefly from revenues contributed by the high-income group." But this approach is not the panacea since trade-offs are involved and the wealthy will naturally resist.

In this regard, the Budget must inculcate the imagining of larger categories of "the good" as well. It should represent society's commitment to care for the disadvantaged, attend to present needs and prepare for the future. It is a key plank of Singapore's evolving social compact on two related levels: Between the Government and the people, and among Singaporeans.

For instance, through SkillsFuture, the Budget embarks on an economic and cultural transformation emphasising lifelong learning. There is a need to change our social norms to embrace a culture of mastery. Although we are set on becoming a knowledge-based economy, the fundamental idea of a craftsman is timeless and something that we must urgently imbibe.

This craftsman mindset is vital if the economy and Singaporeans are to thrive. This means striving to attain the highest standards in schools, workplaces, government institutions, sporting activities — in fact, in every sphere of endeavour.

This emphasis on the craftsman ethos is not a clarion call to hyper-competition or social Darwinism in which the survival of the fittest is

paramount. Instead, in essence, it is about self-improvement and seeking to outperform one's best.

Thus, as we develop SkillsFuture, our social, economic and educational policies must instil the value and values of a craftsman. This speaks of a commitment and of a pride to get a job done well. It speaks to a continuing involvement in learning and the honing of skills so our craft is deeply ingrained.

Such a high level of competency is often described as "intuition", but this belies the labour of effort, determination and pride in surpassing our best. It is the craftsman-like approach that can significantly boost our productivity and innovation levels.

POOR PRODUCTIVITY AFFECTS INCOMES

We often fret about economic inequality conspiring to squeeze the middle class. But we should be mindful that anaemic productivity figures probably hurt middle-class prospects more.

Released late last month, the White House Council of Economic Advisers' Economic Report of the President concluded that in the United States, inequality remained at the lower levels when productivity maintained its growth and resiliency. In addition, middle-class incomes outpaced inflation.

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In short, poor productivity causes sluggish middle-class incomes. Of course, increasing productivity is a complex matrix of workers, management, technology, government policies and more. Our attitudes towards learning must encompass a zest for curiosity, self-improvement and self-mastery. Otherwise, we reflect a mere fetish for degrees or qualifications, rather than a love of learning.

The Budgets over the past 50 years have made the effort to balance or even have a surplus seem effortless. Will this lull us into a false sense of security, thinking that money is easily available and that the suite of subsidies, grants, benefits, handouts and tax reliefs for individuals and businesses is part of the budgetary routine?

With the larger social spending each year, those who value fiscal prudence have cause to worry about whether we are on the slippery slope to fiscal irresponsibility, and with that, the eroding of a steadfast work ethic as well as personal and collective responsibility. It is sometimes a thin line between a popular and a populist Budget.

But the sharp accent on social spending is indicative of the Government playing catch-up for underinvestment in the social sector in the past, as well as the growing needs of an ageing society.

Instead, such public expenditure should be seen as social investment to provide stabilisation and social insurance against externally generated risks. It also sustains the physical, human and social capital necessary for growth. Public expenditure is thus not a mere expense, but an integral part of the productive economy and the cohesive society.

This Budget is evidently geared towards the broad swathe of Singaporeans, especially the sandwiched middle class. They are the largest beneficiaries. It has certainly generated a feel-good effect, not so much for the PAP government, but for the state of governance we have, and affirms what we expect of our leaders as stewards.



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