

The makings of a social investment state – Eugene KB Tan

February 22, 2014

The Budget is not just a fiscal instrument policy. It is very much an economic, political and social instrument as well. It is a unique opportunity to define and reaffirm the society that we aspire to have.

The Budget unveiled yesterday seeks to be a popular one. At a time when many other countries have continual difficulties finding adequate fiscal resources and balancing budgets, this Budget provides Singapore with the wherewithal to attend to our growing social needs. It sets the tone for the FY2015-16 Budget, when the nation celebrates its golden jubilee.

The key economic themes persist: Productivity, restructuring, reducing reliance on cheap foreign manpower, infrastructure investments and long-term planning. But social themes dominate this Budget: Taken as a whole, it exudes inclusiveness, equity (not equality) through redistribution, appreciation and gratitude (the Pioneer Generation Package, or PGP), welfare (but not “welfarism”) and opportunity.

In some respects, the Budget continues the People’s Action Party Government’s apparent leftward shift. The Budget’s centrepiece is the PGP, reflecting both the nation’s ability and the political imperative to care for the pioneers who laid the foundations for Singapore’s success. This has important and salutary effects, because it provides the tentative assurance that recognition, appreciation and care must be the hallmarks of this society.

The continuation and expansion of schemes to help lower- and, increasingly, middle-income households all indicate the abiding concern with the income gap, social mobility and cohesion. The Government is not known for its “generous” Budgets, and the larger social spending each year is bound to make those who value fiscal prudence and tight-fistedness worry.

However, I see it more as playing catch-up to make up for past under-investments in the social sector, especially in healthcare, where the budget is increasing by almost 25%.

Lest the intent is misunderstood, Deputy Prime Minister and Finance Minister Tharman Shanmugaratnam emphasised the centrality of personal and collective responsibility as a means to ensure that the Budget’s social accent does not unintentionally enervate our work ethic or set us down the road to welfare dependence.

It’s a thin line between a popular and populist Budget. While it is absolutely crucial to reduce class divides, this Budget’s greater social spending is measured and seeks to avoid setting ourselves up for a class war where the societal reflex is about “tearing down the wealthy”. The poor are not poor because the rich are rich. But the Budget could do with more direct benefits to the average Singaporean; the well-off Singaporeans benefit more directly from already low personal income taxes, for instance.

The Budget must nudge more giving by Singaporeans and corporate entities. It would be excellent if this and future Budgets could inspire Singaporeans to think about what else can be done to uplift the less well-off.

Money is necessary — but time, expertise, commitment and effort by better-off Singaporeans would make those social dollars engender meaningful, rather than stop-gap, measures and outcomes. I welcome the Budget's effort to develop social sector professionals.

I also welcome the 1% increase of the CPF employer contribution, which will be channelled to the Medisave account. This is timely and I hope employers see this as the right thing to do and recognise their social responsibility to contribute to the healthcare needs of their Singaporean employees.

In short, the Budget can play a vital role in developing social capital. Strong social capital can help make our social expenditures more impactful and sustainable, while strengthening societal bonds. We will then have the benefit of a more gracious, caring, and cohesive society.

I believe we have the makings of a social investment state — one where public expenditure is not viewed as an expense, but is used to provide stabilisation and social insurance against externally generated risks, as well as to sustain the physical, human and social capital necessary for growth.

What's unique about Singapore's social investment state is that, unlike the Nordic models, high public expenditure is not accompanied by high taxes — well, not yet anyway. As needs grow and rapidly evolve, each Budget will have to provide a platform for positive change amid continuity, and new sources of income will have to be found. – Today Online, February 22, 2014.

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