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Three things about this economic crisis

What the government, businesses and individuals can do to keep their heads above water

FROM THE
DESK OF

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1 WILL bigger government eventually mean more bureaucracy? During this economic crisis, more and more countries came up with fiscal stimulus packages which included nationalising more institutions. When private sectors stopped hiring, governments started employing more people. This means that governments are getting bigger. During times of crisis this is acceptable because it helps to create jobs and stabilise society.

For the past 10 years, Singapore has been advocating a lean and effective civil service that promotes business vibrancy and a pro-entrepreneurial environment. I am concerned, however, that after the economic crisis is over, the government may be left with more civil servants than it needs. The worst that can happen is trying to find unnecessary work to keep this excess manpower occupied. That is the root of more bureaucracy which will be detrimental to our pro-business economy.

What the Singapore government needs to do is to have an exit strategy so that when the economy picks up, the excess manpower can be released to the private sec-

tor. Be mindful that lean and effective is the way to govern.

I know it is challenging for our government to strike a balance between efficiency and reducing unemployment. But in the long run, having less red tape will benefit the economy more than having an excess of civil servants. After many years of effort from the Pro-Enterprise panel (PEP), there is still scope to reduce red tape in our public service. The battle is not over yet.

2 Pillars of a successful financial system have taken a hit. Banks have become more risk averse and the trust from their customers and investors has been eroded somewhat. Somehow, banks will not provide you with umbrellas when it rains. With reduced lending for businesses which reflects the risk aversion of banks during this crisis, large and small businesses will be devoured at a faster rate. It will take a decade for banks to win back the trust – if at all.

So how can businesses move forward if we still need financial capital for working capital? Moral persuasion together with loan guarantees from our government may be a way to make banks start lending again, but there is no guarantee that they will do so. I prefer that the government lends directly to businesses by setting up a national bank for one or two years. The loans can be sold to the private sector after the crisis.

I am not advocating nationalisation of our banks but rather the setting up of an entity to inject lending directly to companies and the economy. This downturn is too rapid and too broad-based. Money must be injected into the

economy swiftly enough for it to be effective. Companies also need to focus on managing cash instead of managing growth in times like this. Finally, learn the lesson that when it rains, umbrellas at the banks will mysteriously disappear.

3 We need to be more confident and less panicky. During good times, what we need to avoid is overconfidence. During severe economic crises, what we actually need is confidence. Energy cuts both ways. If we spend time panicking, we will have less energy to think about strategies and solutions. We must be confident about the right things we have done during the good times, and be cautiously optimistic that our actions and decisions will be able to help us ride through the crisis with grace.

Spend time managing cash flows, increase productivity and contain costs as much as possible without sacrificing your service and product quality. This economic crisis is global in scope. Global demand has declined dramatically and if Singapore thinks we can export our way out of trouble, most probably we will be disappointed. Therefore we must have an even more vibrant domestic consumption economy. When people stop buying, we must start buying. That needs confidence.

This is why I am inclined towards cutting GST by at least two percentage points for a year or two rather than the current proposed GST credit. I also like the idea of giving citizens shopping vouchers to increase domestic consumption activities. Many people will not agree with my suggestion to spend in a crisis of this nature. I am not asking those who cannot afford to spend to keep spending. Rather, I am asking those who can spend to continue spending.

No matter what, life goes on and we must continue to have fun. There is too much bad news portrayed in the media. So let's stop focusing on the negatives, focus on what really matters and enjoy the weekend!

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