"Take Back Our Money, Be True First World"

My Economic Plan for the People of Singapore

by Tan Jee Say

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Singapore: An Unequal Society, Not True First World

Singapore is an unequal society. The economy needs fundamental reform. For too long, the benefits of economic growth have been lopsided that favour the elite and are not fairly shared with ordinary families. Singapore may have moved from Third World to First World in terms of physical infrastructure and per capita income. But Singapore is not the only country making this economic leap. Many other countries have also benefitted enormously from the post-war economic boom and expansion of global trade, particularly countries in East Asia such as Japan, Korea and Taiwan and in Western Europe. But they also achieve something more valuable and desirable that Singapore does not have namely, a more balanced and progressive society, with greater social equality, greater democracy and diversity in leadership (not just one family in power!), all of which are the qualities of a true First World society.

Impact of Government Welfare Spending

Why have these countries been more successful than Singapore in reducing inequality? Let's compare our respective measures of economic inequality, the Gini coefficient. A Gini of 1 means total inequality where the entire income is owned by one household whereas a Gini of 0 represents perfect equality where nobody owns any income. So the higher the Gini, the greater the inequality. Governments reduce inequality by providing subsidized goods and services to the people in housing, healthcare, education, public transport and other welfare benefits including cash grants; these benefits are collectively called government transfers. These subsidies and grants come from taxes collected from the people; usually the rich are taxed more and this narrows the gap between the rich and the poor.

What is the impact of these government transfers and taxes on the Gini? How does Singapore fare against First World countries? Before transfers and taxes, Singapore's Gini in 2018 was 0.458, lower than USA's and UK's 0.47 but higher than Finland's 0.44, Netherlands' 0.42 and Denmark's 0.40, and the average of OECD countries was 0.42; these figures are from the latest available year. After transfers and taxes, Singapore's Gini dropped to 0.404 which is above the international inequality threshold alert line of 0.4; this makes Singapore a fairly unequal society unlike OECD countries whose average Gini after transfers and taxes was 0.29, with USA at 0.37, UK 0.34, Japan at 0.31, Netherlands 0.29, South Korea at 0.26, Finland 0.25 and Denmark 0.24.[1]

[1] Recent reports have shown that Singapore's Gini has not dropped below 0.4, a figure that is calculated on the basis of household income per household member, a method typically used internationally. The Government has also calculated the Gini using the square root scale which resulted in a Gini below 0.4. This is because the square root makes the original household size smaller hence inflating the income per household member e.g. a household income of $4,000 in a household of 4 members means an income per household member of $1,000 but the square root scale results in 2 household members and a consequential income per household member of $2,000, double the original figure of $1,000. This glaring example of distortion also appeared in the Yearbook of Statistics Singapore, 2019. Because of this major distortion, the widely used method that does not adjust for household size is preferred.

Table 1. Impact of Government transfers/benefits and taxes on Gini coefficient

Country	Gini coefficient		Redistribution Impact (%)*
	Before transfers & taxes G1	After transfers & taxes G2	
1. Finland	0.44	0.25	43
2. Denmark	0.40	0.24	40
3. Austria	0.42	0.26	38
4. Norway	0.38	0.25	34
5. Netherlands	0.42	0.29	31
6. UK	0.47	0.34	28
7. Australia	0.43	0.32	26
8. New Zealand	0.42	0.33	21
9. USA	0.47	0.37	21
10. Japan	0.38	0.31	18
11. Korea	0.30	0.26	13
12. OECD Average	0.42	0.29	31
13. Singapore	0.458	0.404	12

*Redistribution Impact = (G1-G2)/G1 (%)
Note: The individual Gini coefficients are read off from the chart provided in the OECDECOSCOPE paper mentioned below.

Sources:
1. "Income distribution across OECD countries : main findings and policy implications", posted on 14 February 2019 by OECDECOSCOPE, and authored by Orsetta Causa, OECD Economics Directorate, and Anna Vindics and James Browne, OECD Directorate for Employment, Labour and Social Affairs.
2. Yearbook of Statistics Singapore, 2019.

Hence transfers and taxes reduced Singapore's Gini by only 12% compared to 31% for the OECD average, 43% for Finland, 40% for Denmark and 31% for the Netherlands. All these European countries have Gini well below the inequality threshold and are considered fairly equitable societies unlike Singapore. The conclusion is crystal clear, Singapore has done much less than other First World countries in reducing inequality. Other countries spend more money on their people. Their governments give back what they take from the people. Unlike them, the PAP government over-taxes the people and under-spends on the people. They take from the people more than they give back, that is, the PAP government takes away one whole chicken from the people and give us only a chicken wing.

Instead of redistributing the tax revenue back to the people generously in a whole range of welfare benefits, Singapore has retained much of its tax revenue and accumulated them in huge surpluses rather than deploy them to benefit the people like other First World countries. Surpluses result from an excess of tax revenue over government expenditure, and huge surpluses mean that the people are over-taxed while the government spends relatively little of the taxes they collect from the people on public services. Why? Because the Government regards the surpluses as their money and not the people's money. But "there is no such thing as public money, there is only taxpayers' money" as the late British Prime Minister Margaret Thatcher pointed out in this video:

Video Credits:

"The state has no source of money, other than the money people earn themselves. If the state wishes to spend more it can only do so by borrowing your savings, or by taxing you more. And it's no good thinking that someone else will pay. That someone else is you."
"There is no such thing as public money. There is only taxpayers' money."
Mrs Margaret Thatcher, in a speech to Conservative Party Conference, October, 1983.

<u>Singapore's Reserves: An Estimate</u>

Singapore's huge revenue surpluses come from taxpayers. Yes, they are the people's money, our money, our reserves. Yet the government has refused to tell us how much these reserves are, claiming that,

"It is not in our national interest to publish the full size of our reserves. If we do so, it will make it easier for markets to mount speculative attacks on the Singapore dollar during periods of vulnerability."

(Source: https://www.ifaq.gov.sg/MOF/apps/fcd_faqmain.aspx#FAQ_1567)

This strange and laughable claim does not stand scrutiny. Firstly, all public funds are accounted for in official published statistics and they can be pieced together to give an estimate. Secondly, vulnerability of the Singapore dollar to speculative attacks arises only when the Singdollar is weak, but the Singdollar is stable and the authority has been restraining its appreciation. Thirdly, the Singdollar is not an international currency; its supply is limited and we have many times more resources to counter any speculative attacks.

Putting this irrational fear aside, let's work out an estimate based on published statistics. The government is welcome to correct me with the actual figures.

Our reserves are held by the Monetary Authority of Singapore, Temasek Holdings and the Government Treasury which publishes a statement of assets and liabilities in the Finance Minister's annual budget statement. Together, the reserves have exceeded $1 trillion or $1,000 billion each year for the last 2 years. In the year ended 31st March 2019, the reserves were worth more than an estimated $1,050 billion.

Table 2. Singapore's Reserves (estimates)

Government Agency	$ Billion as at 31st March				
	2015	2016	2017	2018	2019
1. Monetary Authority Singapore: Total Foreign Reserves	340.7	331.5	362.8	376.5	400.6
2. Temasek Holdings: Net Portfolio Value	266	242	275	308	313
3. Ministry of Finance**:					
a. Consolidated Fund	275	293	304	329	337
b. Other Funds (reserved for specific purposes such as Trust, Endowment) excluding Government Securities Fund	160	156	158.6	173.6	185.7
Sub-total : Net Funds Value (a +b)	435	449	462.6	502.6	522.7
4. Total Reserves * (uncommitted to specific use) (1+2+3a)	881.7	866.5	941.8	1,013.5	1,050.6

*Exclude reserves in statutory boards and "Other Funds" which are committed to specific use.

**Source: Statement of Assets & Liabilities attached to annual budget.

These huge reserves generate substantial investment returns but the government allocates only a tiny portion of up to 2% to the annual budget. In 2019, the amount allotted was $17 billion, about 20% below the 2% target of around $21 billion. If the full 2% target were allocated, there would be about $4 billion more to help the people.

Table 3. Returns on Singapore's Reserves (estimates)

Government Agency	$ Billion as at 31st March				
	2015	2016	2017	2018	2019
1. Total Reserves*	881.7	866.5	941.8	1,013.5	1,050.6
2. Net Investment Returns Contribution (NIRC)**	9.90	14.37	14.61	16.44	17.17 (est)
3. NIRC as % of Total Reserves	1.12%	1.65%	1.55%	1.62%	1.63%
4. Maximum NIRC target at 2% of Total Reserves	17.63	17.33	18.83	20.27	21.01
5. Shortfall in NIRC (row 4 - row 2)	7.73	2.96	4.22	3.83	3.84
6. Possible NIRC at 4% return without touching principal***	35.26	34.66	37.67	40.54	42.02
7. Shortfall in possible NIRC (row 6 - row 2)	25.36	20.29	23.06	24.10	24.85

* Estimates comprise MAS total foreign reserves, Temasek net portfolio value and MOF Consolidated Fund (see Table 2). Surpluses in other government agencies such as statutory boards are not included.

** NIRC comprises up to 50% of the Net Investment Returns (NIR) on the net assets invested by GIC, MAS and Temasek and up to 50% of the Net Investment Income (NII) derived from past reserves from the remaining assets. This self-imposed rule allows the government to spend up to half of the expected returns from the investment of our reserves. Historically the expected long term real rate of return has been set at 4%.

*** As 4% is the rate of return expected over the long term, drawing down this 4% return from the reserves will not touch the principal sum, hence "the reserves will not be raided".

In fact, the government could be more generous and spend the full expected rate of return of 4% without touching the principal sum of the reserves which can remain fully invested to generate future returns. This is what Norway does with its sovereign wealth of over US$1 trillion, giving the full expected return to the national budget each year.

A full 4% contribution for the Singapore budget would mean over $42 billion available to be spent to help the people in 2019, instead of the allotted sum of $17 billion, and the extra $25 billion is more than enough to enable us to abolish the 7% GST, increase subsidies for healthcare, education, housing and public transport, and provide modest cash allowances to children and the elderly which will in turn boost the local economy and help small businesses (shops, bakeries, supermarkets, hawker centres, food courts, restaurants).

<u>PAP's War Chest</u>

But why is the PAP government not giving all these benefits to the people when there are more than enough funds available that are far in excess of our nation's needs including contingencies and longer term national and economic protection? Mr Goh Chok Tong told an EDB dialogue in 2015 that from his experience, *"what you give, you can never take away from the population"*. He went on, *"(Founding Prime Minister) Lee Kuan Yew's style was to give away bit by bit. If you give all at one time and have nothing else to give, that's when they kick you out."*

(Goh Chok Tong, Straits Times 27 November 2015).

So you have it straight from the horse's mouth, that PAP uses our nation's reserves to buy votes from the people, election after election, from Pioneer Generation Package to Merdeka Generation Package 5 years later even though healthcare is needed by all age groups at all times and there is more than enough money in the national kitty to provide for our essential, legitimate and critical needs. **So the PAP shamelessly uses our money to manipulate our votes, keep themselves in power and pay themselves millions.**

The CPF Shortchange

To add insult to injury, in addition to over-taxing the people, the government also shortchanges us on the returns of our CPF balances. Let me explain. Our CPF money is invested in Special Singapore Government Securities (SSGS) issued by the government on which the government pays a range of interest rates from 2.5% to 6%[2], averaging, in my guestimates, about 4%. The government then transfers this CPF money invested in SSGS to GIC to manage.

Over the 5-year period ending 31st March 2018, the SSGS funds in GIC earned an annual return of 6.6%, exceeding the estimated average annual interest of 4% paid to CPF by 2.6%. This excess represented a shortfall in payment of investment returns to CPF members.

In the relevant 5-year period to 2018, the cumulative shortfall amounted to $41 billion and in the latest one-year ending 31 March 2018, the shortfall was nearly $10 billion. This shortfall should be returned to CPF members as it is their rightful money. Compare this with Malaysia's Employees Provident Fund which achieved a return on investment of 6.57% in 2018 and gave almost all of it back to its members with a dividend of 6.15%, a payback of 93.6%.

[2] These rates are supposed to match the interest rates paid on CPF members' balances namely 2.5% on Ordinary Account, 4% on Special Account and Retirement Account, with additional 1% for combined balances up to $60,000, and another 1% for members aged 55 and above on the first $30,000 of their combined balances.

Table 4. Shortfalls in Returns on CPF Members' Money ($ billion)

	2014	2015	2016	2017	2018
1. Amount due to Members	275	299	328	359	391
2. Special Issue of Singapore Government securities to CPF (SSGS)	263	286	314	344	374
3. Return on SSGS managed by GIC (using nominal nominal annualised return of 6.6% over 5-year period ending 31 March 2018)*	17.35	18.87	20.72	22.70	24.68
4. Interest on SSGS offered by Government (using average of 4%)**	10.52	11.44	12.56	13.76	14.96
5. Shortfall of Return to CPF (row 3 - row 4)	6.83	7.43	8.16	8.94	9.72
Cumulative Shortfall	N/A	14.26	22.42	31.36	41.08

* Source: https://www.mof.gov.sg/policies/our-nation's-reserves/Section-I-What-comprises-the-reserves-and-who-manages-them

** Source: CPF Annual Reports

How Will We Return Money to the People

So Singaporeans have been slammed a double whammy by the PAP – overtaxed and shortchanged in CPF money. We have been shortchanged for so long and have unwittingly allowed the revenue surpluses to pile up year after year at the expense of our critical needs. These huge national reserves are the people's money, our money, and it is high time that we take back our money and use it to improve the welfare of our people, help businesses to prosper and invest in key sectors that will sustain our standard of living and drive the economy forward at the same time.

Cost of Living: GST and Healthcare

Our immediate priority is to reduce the cost of living, especially GST and healthcare. The 7% GST raises the cost of everyday necessities substantially. In 2019, the Government expected to collect a sum of $11.69 billion from the people or an average of $8,822 per household. This is too heavy a burden for most families. We can and should remove this GST altogether and use our huge surplus returns on our reserves to make up for the loss of revenue collected.

The rising cost of healthcare also exacts a heavy toll on our families. Yet the government planned to subsidise only half ($6.1 billion) of the annual healthcare spending of $11.7 billion in 2019 (Source: Fourth Report of the Estimates Committee presented to Parliament on 13 November 2019). Other countries subsidised much more, with some providing virtually free healthcare out of their general tax revenue. We should do the same as we can afford to do so with the huge return on our reserves. We should fully subsidise healthcare for our people and remove the 9% to 11% contribution to Medisave. This will reduce the wage cost to employers and bring down cost of doing business substantially. Employees will have more take-home pay to spend. Their existing Medisave balances can be transferred to their Special Account to boost up funds for retirement.

Education: from Pre-School to University

Education is key to a child's future. We should neither discourage nor prevent them from realising their full potential by imposing unnecessary fees or requiring them to take up huge student loans. A recent bank survey "found that 74 per cent of parents are using their day-to-day income to help pay for their child's education. Many don't have the savings they need for education expenses." (TODAY, 5 August 2018)

To enable the vast majority of our parents to help their children achieve their full potential, we should remove all fees from primary school through to ITE, polytechnic or university. This would cost the government in foregone fees of an estimated $1 billion per annum which is a worthy investment in our children. In fact, we should go even further by offering them free pre-school education to develop their early childhood years. This is estimated to cost another $1 billion a year.

Children's Allowances

It is not cheap to raise a child. A good number of school children start the day without breakfast as they do not have adequate pocket money. Many families also struggle to provide their children with the essential tools for access to technology without which their acquisition of knowledge would be impeded. It is no wonder that young couples are discouraged from having children with Singapore having one of the lowest total fertility rates in the world at 1.14 per female. We should help them cope by providing cash allowances of $500 per child per month up to the age of 19. This will cost about $2.4 billion a year.

Elderly Pensions

According to a recent survey published in May 2019 by researchers Ng Kok Hoe (NUS) and Teo You Yenn (NTU), a single elderly person needs $1,379 a month to meet a basic standard of living. However, the study quoted CPF data showing that around half will not even receive the basic annuity of less than $800 a month from their CPF retirement account and they have to depend on their family and social organisations to make up the shortfall of well above $500 a month. But with a declining birth rate, families are getting smaller and will become less of a source of help to the elderly. The government and social organisations will need to step in. As it has the means to do so, the government can start by providing the elderly with a monthly pension of $500. The total cost of this pension will amount to $2.4 billion a year.

The elderly pensions and children's allowances will increase spending on consumer goods in the local community and provide a significant boost to local small businesses; the shops, bakeries, supermarkets, hawker centres, food courts and restaurants will benefit substantially.

Public Transport

Public transport fares in Singapore are high relative to wage levels. The average household spends 3.5% of its household expenditure on public transport, 40% higher than the average household in the European Union, and much higher than Luxembourg's 0.6%, Belgium's 1.1% and Denmark's 1.4%. We should bring down the Singapore household's 3.5% to at least the EU average of 2.5% by providing a subsidy of $800 million a year.

Table 5. Return of the People's Money to the People : Taxes, Grants & Subsidies ($'million)

Programme/Activity	Existing, 2019	Proposed subsidy rise/tax fall (from 2020)	Cost, minus 2019
1. Goods & Services Tax, GST (7%)	11,690 est	0 (no GST)	11,690
2. Healthcare	11,700*	5,600	5,600
3. School fees (include ITE's, Poly's, Universities)	1,000 est**	1,000	1,000
4. Pre-school grants	N/A	1,080***	1,080
5. Child allowances (age 0-19)	Nil	2,400****	2,400
6. Elderly pensions (60 and above)	Nil	2,400*****	2,400
7. Public Transport	N/A	800******	800
8. Total	N/A	N/A	24,970
9. Amount available from balance of 4% return on reserves ($42-$17 billion), leaving principal sum of reserves untouched	25,000	N/A	N/A
10. Unutilised balance from 4% return on reserves (row 9 - row 8), adding to reserves	30	N/A	N/A

* Fourth Report of the Estimates Committee presented to Parliament on 13 November 2019
** Includes fee of $228 million collected from schools and junior colleges
*** $1,000 per month per child, assuming 30,000 children x 3 (ages 3-5)
**** $500 per child per month (400,000 children)
***** $500 per elderly per month (400,000 elderly)
****** In 2017/18, 1.325 million households spent an average of $781 per month per household on public transport or 3.5% of average household expenditure; versus the EU average of 2.5% ($125), Luxembourg 0.6%, Belgium 1.1%, Denmark 1.4%. (Source: Eurostat Household Expenditure 2017).

<u>Buffer</u>

The above programmes will not use up the unutilised balance of $25 billion from the 4% return of $42 billion on our reserves. There will still be a balance of $30 million which provides some buffer to protect the principal sum of the reserves from being "touched" or "raided".

<u>Land sales</u>

There is another buffer and this is provided by the revenue from sales of state land leases. Currently, this revenue is channelled directly into past reserves which prevents it from being used in the current budget. This PAP's 'budgetary innovation' is contrary to the accounting standards of the International Monetary Fund which allow land sales revenue to be treated as current revenue and can be spent in the current year. As an international financial hub, we should be aligned with international best practice and adopt the international budgeting format of the IMF. To those who think that we are selling away our children's future by converting state land into current revenue and spending it, please be reminded that only the lease on the land is sold and at the end of the lease (be it 20, 30 or 99 years), the land reverts to state ownership and the state has another round of revenue to collect and spend for future generations, that is, we are not selling away our children's future.

In the past 10 years, sales of state land have generated tens of billions of dollars every year, ranging from $11.2 billion in 2016 to $$19.0 billion in 2011, giving a total of $158 billion over 10 years or an average $15.8 billion a year. We must not let this revenue lie unused in state coffers but invest it prudently in areas that can and will enhance our children's future.

<u>How to Sustain First World Welfare</u>

While these programmes will improve the daily welfare of the people substantially, we must sustain it well into the future by safeguarding and building up their long term stakes in the country.

But first, we must put our people's minds at ease by resolving the issue of the decay of HDB leases.

<u>Declining HDB Lease & Regenerating Housing Estates</u>

HDB flats decline in value as they reach or go past the halfway mark of their 99-year lease. The Selective En bloc Redevelopment Scheme (SERS) has helped sustain or push up the value of the older flats. But the government has decided to discontinue SERS as it does not find it profitable to do so as commercially attractive sites are no longer available for government to redevelop and make huge profits even after paying compensation to the flat owners. This is a shortsighted move as it denies the community the desirable outcome of SERS which is the regeneration of the housing estates into better integrated, lively, robust and multi-use communities with new and better design flats, shops, offices, schools, clinics, hospitals and other community facilities.

The government's decision to replace SERS with VERS is a non-solution to the problem of declining value of older flats as VERS kicks in only when flats are 70 years old, twenty years down the road. We should continue with SERS for all flats reaching the age of 50 years as their existing design and structure would have become obsolescent then. All the options under current SERS should continue to be offered including compensation based on independent valuation of flats and newly built replacement flats nearby. The flats should be priced on development costs alone without including land cost as with all new flats henceforth (see section on Housing below).

Based on the construction cost of $1,800 per square metre for an average standard condominium (*Arcadis 2019*), an average 4-room flat of 90 square metres would cost $162,000. (There will be other size flats, 2-room, 3-room, 5-room, but we will use the 4-room as the average to estimate the total costs of the scheme.) If we put aside $1 billion for this new SERS, we can build 5,000 new SERS flats a year at a total cost of around $800 million which will leave a balance of $200 million. The cost of $800 million can be recovered from the sales of these flats.

We suggest that compensation be based on the replacement cost of each flat (the price of the new equivalent flat) plus a moving expense to be paid out of the balance of $200 million which will give about $40,000 to each flat owner for his resettlement expenses.

So the new SERS will give every flat owner a brand new equivalent size flat plus pocket money of about $40,000 to cover his expenses of moving out. If he decides to downsize to a smaller flat, say from 5-room to 3-room, he can keep the difference in the price and get more than the moving out expenses of $40,000. This will effectively protect the value of his flat while the proposed formula of pricing new flats based only on construction cost (see next paragraph) will ensure that the flats are inexpensive and truly affordable to young couples.

<u>Housing</u>

Housing is expensive and the major cause is the price of land. In the early days of public housing, HDB flats were inexpensive as the cost of land was not significant. This changed from the 1980s onwards and land cost now is estimated to account for at least half the total price of a HDB flat. (This is a guesstimate as the government has refused to disclose the breakdown of the cost of HDB flats.) To make HDB flats truly affordable to young couples, the land cost should not be included in the price of HDB flats. This would "cost" the government an estimated $2 billion a year based on the deficit that HDB incurred in 2018 in the purchase of land from the State and grants to eligible buyers.

To be fair to owners of older flats whose prices included land cost, there should be appropriate restrictions on the subsequent resale of these inexpensive flats like increasing the minimum occupation period to say 10 or 15 years before resale is allowed or requiring resale of the flats back to the HDB.

<u>Healthcare Facilities & Manpower</u>

More hospitals, clinics and other healthcare centres should be built to cut down waiting time. The current waiting time for specialist appointments of one to two months should be reduced to one to two weeks. This will ensure more timely treatment and save lives. Hospital beds should be doubled and hospitals spread out over different housing estates to make them easily accessible to residents.

Manpower should also be increased substantially like doubling them, with more doctors, dentists, nurses, medical technicians, physiotherapists. Our medical schools, universities, polytechnics and ITEs should increase their intake aggressively.

The aggressive expansion of healthcare infrastructure and manpower will take care of the needs of an ageing population while adding to the attractiveness of Singapore as a medical hub in the region.

We should put aside a total of $2 billion a year for this sector, $1 billion to expand the healthcare infrastructure and facilities and another $1 billion to produce the expanded manpower needed.

<u>Education, Schools and Teachers</u>

Singapore's current education system is elitist. More state resources are channelled into helping the academically better students at the expense of ordinary students. This is clearly shown in the difference in class size. The typical class in the Integrated Programme (IP) which is specially set up for academically stronger students, has around 25 pupils but the average class in an ordinary secondary school has 40, that is 60% more students.

Shouldn't it be the other way round with greater resources allocated to assist and coach the academically weaker students as they are the ones who need help more? We should halve the class size to 20 so that closer and more personal guidance can be given to the weaker students. This would require doubling the number of school teachers (from the current 30,000) and an appropriate increase in supporting staff, schools and physical facilities.

We should also redesign the entire education system to collaborate closely with industry so as to facilitate a smoother flow of skills and talents from school through to ITE, polytechnic and university and through to industry. This will make education and training a truly life-long experience that will help people and industry grow together.

We should invest $2 billion a year in this major revamp and expansion of our educational and training institutions, with $1 billion each for physical facilities and manpower. In addition to helping our own people, this expansion will enhance Singapore's reputation as a major education hub for the region and turn education into a major pillar of our economy like in the UK, USA and Australia.

Mid-Career Change and Upgrade Fund

People often wish to change their career midway in their working life either because their interests change or they have had enough of a hectic corporate life and want a stable career in academia or public service, or they might think other professions offer better prospects; however, many are held back by cost considerations as it may involve a few years of professional training (including PhD or Master's degree courses), so they are stuck in their career, unfulfilled and unhappy. There are probably thousands of such mid-career professionals around and they represent wasted talent in our midst. There are also others whose careers are "disrupted" by technology or changes in market demand. We should help these people, popularly known as PMETs (Professionals, Managers, Executives, Technicians) by setting up a Mid-Career Change and Upgrade Fund with a billion dollar to start off.

Young Enterprise Fund

The new economy is full of examples of small start-ups developing into technology giants that spearhead economic growth and create thousands and thousands of new jobs. Inspired by them, many of our young people are brimming with bright new ideas and aspire to be the next Facebook, Apple, Amazon, Netflix, Google, Alibaba, Tencent or Baidu. But they lack the capital to pursue their dreams. We should set up a billion dollar Young Enterprise Fund to help them realise their dreams. The potential payback to Singapore is enormous. It is a worthwhile bet on our young enterprising minds.

Bold & Green

In the new economy, tackling climate change must be given urgent priority as a small but well populated island economy is particularly vulnerable to pollution and rising sea levels. It should be a grounds-up initiative involving the young in particular as it is their future that is at stake. We should set up a $1 billion Green Fund to facilitate the work of this initiative whose primary purpose is to reduce carbon emissions and to protect us from rising sea levels.

Producing and using renewable energy (sun, wind, tidal wave or any other source) should be a key and integral part of the transformation and regeneration of our housing estates, hospitals, schools, offices and other infrastructure as proposed in this paper.

Table 6. Sustaining Singapore's Welfare

Programme/Activity	Proposed Budget Per Annum
1 New SERS Compensation & Redevelopment	$1 billion
2. Housing land subsidy	$2 billion
3 Heathcare Facilities & Manpower	$2 billion
4 Education Facilities & Manpower	$2 billion
5 Midcareer Change and Upgrade Fund	$1 billion
6 Young Enterprise Fund	$1 billion
7 Green Fund	$1 billion
8 Total	$10 billion
9 Funds Available (based on average annual land sales revenue of past 10 years)	$16 billion
10 Balance from annual land sales revenue	$6 billion

Sustainability Plan

These programmes (Table 6) will complement the proposed initiatives outlined in Table 5, to sustain for the long term, a robust Singapore welfare system. It will cost $10 billion a year which still leaves a very substantial balance of $6 billion from the annual average land sales revenue. Meanwhile we need to undertake a few institutional reforms to protect our workers.

Labour Reform:

Minimum Wage

A minimum wage is necessary to enable our workers to live life with dignity. More than 90% of countries have imposed a minimum wage on employers. Singapore belatedly introduced a "minimum wage" equivalent a few years ago but only for a limited range of occupations like cleaners and security guards. It should be extended to the entire economy.

Workers' Rights

Current legislation allows employers to hire and fire workers at short notice, a measure introduced in the early days of industrialisation to attract investments. Fifty years have since passed and we are no longer desperate. Our workers deserve to be treated with dignity. We should begin to adopt the norms of industrial relations in First World countries. At the minimum, we should extend the notice period to 3 months with adequate compensation.

Unemployment Benefits Fund

In addition, we should help out-of-work Singaporeans cope with periods of unemployment that are getting longer and more frequent because of economic restructuring causing disruptions to jobs. We should set up an Unemployment Benefits Fund (UBF) comprising contributions from both employers and employees, with each paying 0.5% of the employee's wages to the CPF. Based on total wages in Singapore accounting for 40% of the GDP in 2018 ($491 billion), the UBF will have around $2 billion a year to dole out to unemployed Singaporeans. Details of implementation can be worked out in consultation with employers and employees.

CPF Reform

Currently the CPF contribution rate is 37% of monthly wage up to age 55 and it comprises 17% from employer and 20% from employee. The rate drops after age 55. The CPF money goes into 3 different accounts, Ordinary, Special and Medisave. The Medisave contribution rises from 8% of monthly wage to 10.5% as a member gets older, resulting in an estimated average of around 9%. Since it is proposed that the government fully subsidises the healthcare needs of Singaporeans, there is no need to continue with the Medisave account and we can replace it with the Unemployment Benefits account proposed above. The net fall in CPF contribution will then be at least 8%, reducing monthly contribution to around 29% of monthly wage. Existing balances in the Medisave account can be transferred to the Special account to boost the retirement funds of members.

To enhance the investment returns of CPF funds, CPF should set up its own independent investment committee to invest these funds on its own instead of buying only Special Singapore Government Securities that pay around 4% return a year. As Malaysia's Employees Provident Fund has shown, an in-house investment committee can earn a much higher return and enable the EPF to pay most of it back to members. CPF should be allowed to hire its own investment team to focus on members' specific needs and maximise returns on its funds.

Regional Anchor Against Disruptions

Building up our financial strengths will position us to deal effectively with disruptions to our economy. Such disruptions will become more frequent as technology advances and geopolitical tension gathers pace. One effective way to counter these economic disruptions is to grow with the region particularly countries in ASEAN which have a growing middle class economy that we can provide with a range of services such as logistics, finance, legal, healthcare and education.

In particular, we have common long term needs in healthcare and education. By investing in hospitals and schools to cater to the needs of our people, we will also build them into sustainable businesses to serve the region. Domestic and regional demand will anchor our economy and jobs against technological and global geopolitical disruptions.

No New Taxes, Not "Raiding" the Reserves, Not Bankrupting the Country

Over the years, the PAP government has focussed public spending mostly on investment and given little for spending on the people's welfare. In fact, welfare spending is only a sideshow. The PAP attitude is that welfare will demotivate our people and make us lazy. The experience of several First World countries has shown how wrong-minded the PAP has been in this respect.

The PAP has also warned us that welfare spending will lead to high taxes and will bankrupt the country. The facts quoted in this proposal show that no tax increase is required to sustain our proposed First World welfare programmes; instead taxes such as the GST and fees and charges for education and healthcare can be removed, taking a huge burden off the people's back. We are able to do this because we have huge reserves which are the result of the government over-taxing our people and under-spending on our welfare.

In this proposal, we will only be spending the investment return on our reserves without touching the principal sum. Our country will not go bankrupt but will continue to have more than the principal sum of our reserves intact which will continue to generate returns to sustain our welfare spending.

Dual-Engine Economy: Growth & Welfare Together

It is time that we take back our money to improve our welfare. We must now abandon the lopsided growth ideology of the PAP and fire the engine of the economy on both fronts at the same time, achieving economic growth and people's welfare together like a true First World society. Isn't this the goal we have been striving for? We deserve it and can achieve it. **It is time that we take back our money and build a true First World society.**

"There is no such thing as public money. There is only taxpayers' money."
- Margaret Thatcher, October 1983

"Take Back Our Money, Be True First World"
- Tan Jee Say, February 2020

Summary

An Unequal Society, Not True First World

Singapore is an unequal society and not a true First World country. Other First World countries have things that we do not have. They spend more money on their people. Their governments give back what they take from the people. But the PAP government over-taxes and under-spends on the people. They take away one whole chicken from the people and give us only a chicken wing. As a result, the government accumulates huge surpluses that now exceed $1 trillion ($1,000 billion).

These huge reserves generate substantial investment returns. But the government allocates only a tiny proportion of up to 2% to the national budget even though they expect to achieve a higher long term annual real rate of return of 4%. We propose allocating the full expected rate of return of 4% to the budget as this would still leave the principal sum of the reserves untouched. This is what Norway does with its sovereign wealth of over US$1 trillion, giving the full expected return to the national budget each year.

First World Welfare

A full 4% contribution for the Singapore budget would mean over $42 billion available to be spent to help the people in 2019, instead of the allotted sum of $17 billion, and the extra $25 billion is more than enough to enable us to

- abolish the 7% GST,
- provide full subsidy for healthcare,
- provide full subsidy for education (no fees for school, ITE, poly, university),
- provide cash allowances to children and the elderly which will in turn boost the local economy and help small businesses (shops, eateries etc), and
- lower fares of public transport.

How to Sustain into the Future

We can and must sustain this First World welfare well into the future by safeguarding and building up the people's long term stakes in the country –

- continue with a new SERS to counter the declining value of old HDB flats,
- make HDB flats truly affordable to the young by not charging the cost of land, adding additional restrictions on the resale of these new flats,
- build more hospitals and schools, and double healthcare and educational personnel,
- fund career change plans of mid-career PMETs facing career disruptions,
- inspire and fund the young to realise their dreams of creating technology giants and
- support and fund initiatives of the young to tackle climate change.

This program is estimated to cost up to $10 billion. As it involves safeguarding the future, it should and can be funded by revenues from land lease sales. The past 10 years of land sales had generated an average of nearly $16 billion a year which is $6 billion more than required.

No New Taxes, Not "Raiding" the Reserves, Not Bankrupting the Country

No tax increase nor new tax is required to provide and sustain our proposed First World welfare programmes; instead taxes such as the GST and fees and charges for education and

healthcare can be removed. Moreover, we will only be spending the investment returns on our reserves without touching the principal sum. Our country will not go bankrupt but will continue to have more than the principal sum of our reserves intact that will continue to generate returns to sustain our welfare spending.

<u>Dual-Engine Economy: Growth & Welfare Together</u>

We must now abandon the lopsided growth ideology of the PAP and fire the engine of the economy on both fronts at the same time, achieving economic growth and people's welfare together like a true First World society. We deserve it and can achieve it**.**

It is time that we take back our money and build a true First World society.

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- Tan Jee Say, February 2020

Tan Jee Say graduated from Oxford University where he read philosophy, politics and economics on a Singapore Government scholarship. He began his career with 11 years in the Singapore civil service. Six of those years were in the Ministry of Trade and Industry where he was head of economic planning and secretary to Dr Albert Winsemius, the economic adviser to the Government of Singapore. Jee Say accompanied Dr Winsemius on his meetings with Cabinet ministers, top officials, businessmen and trade unionists. He completed serving his scholarship bond but decided to stay on and was subsequently appointed as Principal Private Secretary (PPS) to Mr Goh Chok Tong who succeeded Mr Lee Kuan Yew as prime minister.

After working as PPS for 5 years, Jee Say took up new challenges in the private sector as an investment banker. He advised companies in the Asian region on corporate restructuring, mergers and acquisitions and fund raising. He then went on to become a fund manager. As regional managing director for Asia Pacific, he helped investment trusts, pension funds and a sovereign wealth fund to manage their investment portfolios.

Jee Say was appointed a Fellow of Oxford and Harvard Universities in 2013 and 2014 respectively.

In February 2011, Jee Say published his economic plan: "Creating Jobs and Enterprise in a New Singapore Economy: Ideas for Change". Three months later, he contested the general election to advocate his plan. Continuing his desire to serve his country, Jee Say stood as a candidate in the 2011 presidential election, on a platform of providing checks and balances on the government. He fought the 2015 general election on a manifesto for a robust social safety net for the people. His latest essay "Take Back Our Money, Be True First World" is his second economic plan for the people of Singapore in which he sets out what needs to be done for Singapore to become a true First World country. Jee Say hopes that this economic plan will be vigorously discussed and debated (like his first economic plan) in the lead up to the next general election to be held by April 2021.

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