THE ONLY CONSTANT IN LIFE IS CHANGE

It is said that the only constant in life is change. The world was reminded of this truth in a most tragic and horrifying way on Sept 11 2001. What once stood proudly as a symbol of American economic power had in a moment been turned into a horrific mass of twisted steel and concrete, ending the lives of some 5000 people. This American disaster shook the entire world. In Singapore, the reality of what happened affected us to the extent that the
timing of our General Elections was brought forward. Also, Singapore is experiencing one of its most severe recessions.

Yet change is nothing new to Singapore. In the 45 years since my graduation, Singapore has gone through several phases of constitutional change: from colonial government to self-government, through merger with Malaysia and finally independence as a nation state. And in the last 35 years as an independent nation state, Singapore has progressed from a third world dependent territory to a modern, progressive, first world nation, enjoying one of the highest standards of living but also one of the highest costs of living.

In 1956 I graduated with an economics degree from the predecessor of the National University of Singapore, then known as the University of Malaya in Singapore. In those days, an economics degree was a rather rare commodity and it certainly helped me to secure a place in the Civil Service. How times have changed. It is common to read in the Straits Times of stories that many graduates cannot find jobs.

So we live in a fast changing world, and indeed the rate of change itself is ever increasing. In the late nineteenth century, Yugoslav-American scientist and inventor Nikola Tesla envisioned a world connected by machines in every home. You could then supposedly transmit images or words instantaneously to anyone in the world. His contemporaries must have thought him quite crazy. But as I now sit here typing this article on my ‘antique’ 300 megahertz computer, it seems we have already begun to take the power of the Internet for granted. Certainly my young grandchildren do, as they send and receive email or browse with an ease and savvy that sometimes leaves me quite a few mouse-clicks behind.

The economy is also rapidly changing. Singapore is now embracing the “new” economy and focussing on developing knowledge based capital in order to stay relevant and competitive in the modern world. However, some illustrious Singaporeans have insisted that the “new” economy is no different from the “old” economy. Perhaps it may be true that the fundamentals of economics (like the fundamentals of common sense) have not really changed. Economics is still fundamentally about demand and supply. But the rate of change of the economic cycle has certainly increased dramatically. The Asian financial crisis of 1997 was thought at that time to be the herald of a long period of economic recession. But the upturn came much sooner than most economists expected. Similarly, the speed at which the economy began to sink again, leading to the current recession (no doubt catalysed by the events of 11th September), was also quite unexpected. Some leading figures are preparing us for another long drawn out recession. Yet others are more bullish. The American stock market indices were already breaking above their 11th September lows, much to the surprise of market watchers. Indeed, the daily fluctuations of the Dow Jones index is of a magnitude that would have stunned market watchers just several years back. But today, changes of such magnitude seem to be the norm.

Obviously, I am not able to predict exactly when the current recession will end. But my main point here is that we have to be prepared for the unexpected, having seen the trends of the last two years.

In this “new” economy, ‘creativity’ seems to be the current buzzword. The previous wisdom of ‘if it isn’t broke, don’t fix it’, has been replaced by ‘don’t wait for it to be broken, rather constantly break and renew’. We can see this trend particularly in the way our education system is being tweaked continually to ensure that Singapore survives and remains relevant and competitive in the modern world. I have no doubt that the changes will soon touch on the way economics is taught in NUS as well. True, it’s not broke. But it might be too late if we wait for it to be broken.

Change we will, for change we must. The question then is where we choose to position ourselves in this cycle of change. Will we adopt the attitude of reluctantly accepting the inevitable? Or choose to ride on the power of change, embrace it and use its momentum to carry us to new and exciting places? For the current as well as future generations of Singaporeans, I hope it will be the latter.
YOU POH SENG PRIZE IN ECONOMETRICS

Endowed in 2001 by two colleagues of Emeritus Professor You Poh Seng, a prize is awarded from the proceeds of a capital sum of $15,000. The prize, valued at $250, will be awarded to the best Economics student who has obtained at least Second Class Honours (Upper Division) in the Examination for the Bachelor of Social Sciences with Honours and has also obtained top scores in the Econometrics modules at levels 3000 and 4000.

Professor You Poh Seng was born in 1919. A Singaporean, he obtained his doctorate degree in Statistics from the London School of Economics. Besides serving on many public committees, he also served at the then University of Singapore as Dean of the Faculty of Arts and Social Sciences, Director of the Economic Research Centre, Director of the School of Accountancy and Business Administration, and Head of the Department of Economics and Statistics. Professor You’s pioneering work in conducting the 1966 Singapore Household sample survey won him the Public Service Star in 1968. In 1978, he was conferred the title of Emeritus Professor of Economics and Statistics at the National University of Singapore. The Department of Economics is proud to honour him with the You Poh Seng Prize in Econometrics and is grateful to Assoc Prof Bhanoji Rao and Assoc Prof G Shantakumar in setting up the endowment.

TSAO NG YU SHUN AWARD OF EXCELLENCE IN AGEING STUDY

The Tsao Foundation offers the Tsao Ng Yu Shun Award of Excellence In Ageing Study to students in the Honours Programme at the Department of Economics. The Award is given in honour of Mrs Tsao Ng Yu Shun, the Founder of the Tsao Foundation. The Tsao Ng Yu Shun Award of Excellence in Ageing Study was launched to commemorate the International Year of Older Persons 1999, and aims to create greater interests among University students of the importance of ageing issues and make this their academic pursuit.

Awards of $500 each, with a maximum of three, is given at the discretion of the Department of Economics and will be granted to students with the best research thesis (or theses) on social gerontology, economics of ageing, social security, social protection, health economics and demographics of ageing and related areas. The first two recipients for the award are Heng Seok Huey and Johnathon Yeo Ming Yeong. Their thesis titles are “Life Tables by Ethnic Group, Age and Sex, Singapore 1990-1999” supervised by Assoc Prof G Shantakumar and “Resource Adequacy of Senior Citizens in Singapore” supervised by Assoc Prof Chia Ngee Choon respectively.

Discussions on the possibility of graduate awards along similar lines of research is now underway.

We welcome your contributions on teaching, research and learning topics, as well as feedback on this issue. Please write to:

ecskoha@nus.edu.sg
or
ecssec@nus.edu.sg

We would like to express our sincere appreciation to all those who have contributed to this issue of the Newsletter.

Do we have your correct name and address? Would you like us to send a copy of the Newsletter to your friends/colleagues? Please fill in the form below and send it to:

Mrs Annie Koh
Economics Newsletter
Department of Economics
National University of Singapore
AS2, 1 Arts Link
Singapore 117570

Name: _______________________________________
Address: _____________________________________
______________________________________________
Email: _______________________________________
Tel: (H) _____________________________________
Tel (O): _____________________________________
Fax: ________________________________________
The Economics Executive Programme (EEP) of the Department continued with its busy schedule of training sessions in the second half of 2001. The workshops conducted include the following:

1. Contemporary Development in Banking and Finance, 5-16 November.
   Sponsors: Ministry of Foreign Affairs and the Japan International Cooperation Agency (JICA).
   Participants: 12 ASEAN countries.
   Course Coordinator: Dr Shandre Thangavelu.

   Sponsors: Ministry of Foreign Affairs and the Colombo Plan Secretariat.
   Participants: 17 member countries of the Colombo Plan Secretariat.
   Course Coordinator: Dr Lim Kim Lian.

   Public Workshop.
   Workshop Coordinator: Assoc Prof Chia Ngee Choon.

Some of the feedbacks received from the participants are appended below:

“Overall the programme is very good. It offered a lot of insights, which I find useful for an overseeing agency in charge of fiscal policies and resource allocation. Thank you very much for accepting me to this programme.”
- Mrs Gisela C Lopez, Department of Budget and Management, Philippines

“It provides an excellent opportunity to interact with highly qualified and able academicians on the issues of finance, both regional and global, issues of liberalization and deregulation, as well as to learn practical experience from the other participants in the course.”
- Mr Mohd Roselan Bin Mohd Daud, Ministry of Finance, Brunei

“Presentation, contents and style of teaching were superbly interesting and thought provoking.”
- Mr Bishwa Prakash Subedi, National Planning Commission Secretariat, Nepal

“Thanks for a thoughtful organization – keeping to time and for bringing in speakers from the private sector – this was particularly interesting – real world economics in application.”
- Ms Karen Chong, Ministry of Education, Singapore

More on the EEP Public Workshop ...

The September 11 attacks on the US set the global economies on a path of precipitous decline. This exacerbates the decline in the already battered Asian economies - with falling growth rates, job securities, real estate values and currencies. In response to this, the Economics Executive Programme conducted a one day workshop titled “After Sept 11 – Whither Singapore and the Regional Economies” organized by Dr Chia Ngee Choon, Deputy Director of the Economics Executive Programme. Drawing expertise from academics, industry practitioners and research associates, the workshop attracted close to 100 participants from both the public and private sectors.

Assoc Prof Tilak Abeysinghe and Dr Choy Keen Meng presented the Econometric Studies Unit forecast for the Singapore economy under various scenarios. Dr Shandre Mogan Thangavelu examined the importance of foreign direct investment to the long-term economic growth and emphasized the importance of improving productivity and efficiency of domestic enterprises. Dr Reza Yamura Siregar highlighted the challenges in managing exchange rates in Indonesia and Thailand. In their very candid and lively presentations, Mr Song Seng Wun, regional economist with GK Goh Pte Ltd and Mr Jummy Koh, Vice-President and Head of Treasury Research at United Overseas Bank, shared their views on the roadmap to economic recovery and the risks and strategies for Singapore and the region in this uncertain economic environment. Assoc Prof Lu Ding and Prof Ari Kokko, Stockholm School of Economics, addressed the keenly-followed issues of China’s entry to the World Trade Organization and whether a strong Chinese economy will be a drag or a catalyst of growth for the region.
The Econometric Studies Unit (ESU) held a press conference on 7 August 2001 to release updated forecasts of the Singapore economy. The timing of this event, which coincided with intense speculation on the current phase of the global electronics cycle, prompted the ESU team comprising Assoc Prof Tilak Abeysinghe, Dr Choy Keen Meng and Dr Reza Siregar to title the conference “Where Is the Illusive Bottom of the Electronics Cycle?”

The audience at the press conference included a large number of staff and students in addition to the media. To their delight, the ESU forecasters took the view that there were tentative signs that the world electronics cycle was bottoming-out. This reading was predicated on an upturn in the May and June data for new orders of electronic components in the US – a good leading indicator of semiconductor demand in Singapore. With a lead time of half a year or so, these improvements should translate into a turnaround in the local electronics industry by the end of 2001 or in early 2002.

Given the uncertainty of the times, however, the ESU presented three possible scenarios for economic growth in Singapore: a rapid V-shaped rebound, a moderate U-shaped recovery and a prolonged L-shaped slump. The scenarios were intended to capture different assumptions about the robustness of the recovery in electronics as well as the growth prospects for the US economy and other major trading partners of Singapore. Based on these subjective inputs, forecasts of Singapore’s output growth for 2001 and 2002 were generated objectively from a dynamic econometric model.

Although the ESU’s earlier prognosis on the electronics cycle seemed to have been borne out by subsequent developments, the 11 September terrorist attacks in the US provided an instructive lesson in the pitfalls of forecasting. Since the completely unexpected attacks are likely to dampen the speed and strength of the electronics recovery by hurting business and consumer sentiment in the US and elsewhere, the ESU team was compelled to announce new forecasts for the Singapore economy in the form of a press release on 23 October 2001. Taking into account the less sanguine outlook for the world economy, the revised projections envisaged significantly reduced GDP growth rates of -1.6% and 4.4% in 2002, corresponding to pessimistic and optimistic scenarios respectively.

The Economic Society of Singapore (ESS) held its 45th Annual General Meeting on 30 March 2001. Six colleagues from the Department, namely Assoc Prof Euston Quah, Assoc Prof Chng Meng Kng (Vice President), Assoc Prof Lu Ding (Honorary Secretary), Assoc Prof Chia Ngee Choon (Honorary Treasurer), Assoc Prof Gavin Peebles, and Assoc Prof Zeng Jinli (Honorary Assistant Secretaries), were elected to the 45th Council. Assoc Prof Euston Quah also assumed the position of Editor of the The Singapore Economic Review, the Society’s journal.

Last year, the Society held its Annual Dinner on 13 August 2001 at the Waterfront Hotel. Dr Tony Tan, Deputy Prime Minister and Minister for Defense, was the Guest-of-Honour. Dr Tan addressed the 400 members and guests on the “Challenges to the Singapore Economy”.

Following this event, the annual A-level seminar for junior colleges was held on 18 August 2001 in the auditorium of the Anglo-Chinese School (Independent) at Dover Road. A total of 1,209 teachers and students and 16 Society members attended the seminar. Associate Professors Tilak Abeysinghe, Anthony Chin, and Jose Tongzon from the Department delivered three of the six lectures on the Singapore economy.

The 26th Federation of ASEAN Economic Associations (FAEA) Conference, was held in Bangkok from 20-21 December 2001. The theme of the Conference was “Poverty and Income Distribution in ASEAN: Status and Policy Measures”. Dr Chang Youngho and Dr Wankyo Chung, both from the Department, were the two paper writers representing Singapore. The other members of the Singapore delegation were Assoc Prof Euston Quah from the Department and Prof Donghyun Park from the Nanyang Technological University.

The Monetary Authority of Singapore (MAS) and the Society jointly inaugurated the first MAS-ESS Essay Competition 2001. The theme of the competition was “East Asia in the New Economy: Opportunities and Challenges.” Six winners were awarded prizes in the Student Category and the Open Category. The judging sub-panels for the two categories were chaired by Assoc Prof Euston Quah and Assoc Prof Anthony Chin respectively.
The Department has just relaunched and updated its Working Papers series.

Working papers are early releases of research papers. They are by and large unrefereed, and their purpose is to generate feedback and discussion on the very latest research findings. Working papers are a major channel through which academic and other research economists communicate which each other. By releasing their research reports through a well-circulated, visible working paper series, researchers generate discussion and feedback on their latest research. Many important papers circulate as working papers months, sometimes years before their appearance as publications in top journals. By the time of their publication, these papers are often already well-known and thoroughly discussed within the relevant academic circles.

An active, well-circulated working papers series is therefore vital to any research department. To improve our working papers’ visibility, the department now contributes its working papers to Research Papers in Economics (RePEc, www.repec.org), a massive database collectively maintained by virtually all major economic departments and government research centers in the world. Through this database, our working papers can be searched by researchers the world over by topic, author name, JEL codes, etc, and are included in email announcements to subscribers to working paper announcement services such as New Economics Papers (NEP, http://netec.wustl.edu/NEP/). An additional benefit is that authors in our department who register with HoPEc, a database of authors in economics, receive monthly reports with statistics on the number of file downloads and abstract views. There are plans to include the department’s working papers series in more databases.

For the very latest research findings by researchers at the NUS Economics Department, visit the NUS Department of Economics Working Paper Series website regularly. Our working papers are accessible via the “Research” link at the department’s webpage at http://www.fas.nus.edu.sg/ecs/. All papers are in .pdf format, and are available free-of-charge. For questions concerning the working papers series, please contact Ms. Lim Meng Woan at ecslimmw@nus.edu.sg. The Co-ordinator of the working papers series is Dr Anthony Tay.

NEW MODULES

The Department has offered the following new modules in this academic year:

**EC1101E Introduction to Economic Analysis**
This course introduces students to some of the basic concepts, methods, and models in economics. These would be based on the topics such as: analysis of competitive markets, imperfect competition, welfare, externalities and market failure; structure of the macroeconomy, short-run economic fluctuations and stabilization policies; and international economies.

**EC4402 Independent Study Module**
The aim of this module is to allow students to focus on any area within the discipline of Economics that is of particular interest to them and to read in-depth into the area under the guidance of a staff mentor. The module will take the form of a “readings course”, where students, with the help of their mentors, identify the key works in a particular area and read critically these works together with their mentors. They may also undertake projects in these specially selected areas. The assessment of this module will be based solely on a term paper or project report.
STAFF SEMINARS

The Department organizes staff seminars on a weekly basis with the objective of providing an opportunity for staff as well as visiting economists to discuss their latest on-going research. Topics range from pure theoretical to applied economics. The details of papers presented from July to November 2001 are provided below:

<table>
<thead>
<tr>
<th>Presenter</th>
<th>Topic</th>
<th>Date</th>
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<tbody>
<tr>
<td>Kenneth Chan</td>
<td>Trade And Institutional Efficiency</td>
<td>23 Jul</td>
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<tr>
<td>Douglas A Hibbs</td>
<td>The Politicization of Growth Efficiency</td>
<td>31 Jul</td>
</tr>
<tr>
<td>Raymond Wu Man Tse</td>
<td>American-style Equity Derivatives with Stochastic Interest Rates</td>
<td>2 Aug</td>
</tr>
<tr>
<td>Michael B Devereux</td>
<td>Capital Flows, Capital Controls, and Exchange Rate Policy</td>
<td>10 Aug</td>
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<tr>
<td>Ake Blomqvist</td>
<td>Information Asymmetry, Insurance, and the Decision to Hospitalize</td>
<td>13 Aug</td>
</tr>
<tr>
<td>Ng Yew Kwang</td>
<td>Why Do Governments Infrastructure: Indirect Network Externalities of Transaction Efficiency</td>
<td>29 Aug</td>
</tr>
<tr>
<td>Parkash Chand</td>
<td>Subsidy Reforms and Poverty Alleviation</td>
<td>27 Sept</td>
</tr>
<tr>
<td>Kim Yoonbail</td>
<td>International Trade and The Volatility of Wages</td>
<td>4 Oct</td>
</tr>
<tr>
<td>Dr. Wei Kang</td>
<td>The Channels of Economic Growth: A Channel Decomposition Exercise</td>
<td>9 Oct</td>
</tr>
<tr>
<td>Dr. Lee Haeung</td>
<td>Productivity of Graduate Students, Faculty Members and Departmental Reputation</td>
<td>11 Oct</td>
</tr>
<tr>
<td>Dr. Uday Bhanu Sinha</td>
<td>Buy-out, Control and Entry in International Joint Ventures</td>
<td>25 Oct</td>
</tr>
<tr>
<td>Robert F Owen</td>
<td>Optimal Incentives for Income-Generation within Universities</td>
<td>02 Nov</td>
</tr>
<tr>
<td>Francisco Javier Hernandez-Macho</td>
<td>Testing the Null of Cointegration: Hausman-Like Tests for Regressions With A Unit Root</td>
<td>08 Nov</td>
</tr>
<tr>
<td>Krishnaraj Srinath</td>
<td>Structural Adjustments Policy in India And Its Impact On Labour</td>
<td>08 Nov</td>
</tr>
<tr>
<td>Bjo Sodersten</td>
<td>Growth &amp; Trade vs. Trade &amp; Growth</td>
<td>13 Nov</td>
</tr>
<tr>
<td>Roland Cheo Kim San</td>
<td>The Determinants of Corporate Liquidity in the Netherlands</td>
<td>20 Nov</td>
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</tbody>
</table>

ECONOMIC POLICY FORUM (EPF)

The EPF hosts seminars on economic policy issues. Details of papers presented at the EPF in semester I are as follows:

<table>
<thead>
<tr>
<th>Presenter</th>
<th>Topic</th>
<th>Date</th>
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<tbody>
<tr>
<td>Dr. Jang-Sup</td>
<td>Substituting versus Complementing</td>
<td>23 Aug</td>
</tr>
<tr>
<td>John Whalley</td>
<td>Decomposing Wage Inequality Change Using General Equilibrium Models</td>
<td>28 Aug</td>
</tr>
<tr>
<td>Hur Jung</td>
<td>Welfare Implications of Regionalism in the GATT: The Presence of Foreign Ownership</td>
<td>04 Sept</td>
</tr>
<tr>
<td>Cheo Kim San</td>
<td>An Evaluation of the Impact of Rubber Trees in China on the Rural Economy with Specific Focus on Xishuangbanna, Yunnan and Hainan Island</td>
<td>11 Sept</td>
</tr>
</tbody>
</table>
Promotions ...

Congratulations to Dr Chia Ngee Choon and Dr Zeng Jinli on their promotion from Senior Lecturer to Associate Professor with effect from 1 January 2002.

Congratulations and Welcome ......

Dr Choy Keen Meng who joined the Department as a Research Assistant on 25 June 2001 and was awarded a PhD degree in Economics by NUS. He is appointed to a Postdoctoral Fellow in the Department with effect from 1 October 2001.

Dr Wong Wei Kang our Senior Tutor was awarded a PhD degree in Economics by the University of California at Berkeley. He resumed duty on 1 October 2001.

Welcome back to the Department ......

Professor Chew Soo Hong who rejoined as Visiting Professor on 1 September 2001. He will be conducting a series of seminars from March 15 for a period of 6 weeks.

Professor Tse Yiu Kuen who rejoined as Adjunct Professor on 1 September 2001.

Assoc Prof Hoon Hian Teck who rejoined as Adjunct Associate Professor with effect from 1 January 2002.

Welcome to the Department ......

Dr Hetti Arachchige Gamini Premaratne who joined as Assistant Professor with effect from 6 August 2001. He obtained his PhD from Illinois, and his research areas are in Econometrics, Financial Econometrics, and Economics of Education.

Dr Uday Bhamu Sinha who joined as Postdoctoral Fellow with effect from 27 August 2001. He obtained his PhD from Jawaharlal Nehru University, New Delhi. His research areas are in Industrial Organization Theory, Game Theory, Theories of Multinational Corporation and Technology Transfer, Microeconomics, Mathematical Economics, and International Trade Theory.

Miss Vijayakala Seevarathnam who joined as Senior Tutor. She is currently on leave completing her PhD degree at the London School of Economics and Political Science, UK, and is expected back this July.

Thank you and best wishes to the following staff who had left the Department:

Assoc Prof Chng Meng Kng
Assoc Prof Gavin Peebles
Assoc Prof Shantakumar
Dr Vincent Chua (Senior Lecturer)
Dr Tan Lin Yeok (Senior Lecturer)
Dr Caroline Yeoh (Adjunct Senior Fellow)
Dr Fredrik Sjoholm (Assistant Professor)
Dr Yu Jun (Fellow)
Miss Irene Ng Yue Hoong (Teaching Assistant)
Mr Rahul Sen (Graduate Assistant)
Miss Li Ning (Graduate Assistant)
A ssoc Prof G Shantakumar, who had been with the Department for 31 years, retired from service in August 2001. Prior to this, he served as a statistician with the Department of Statistics, Malaysia for 7 years.

Assoc Prof Shantakumar’s areas of research interest include Social Gerontology, Demography of ASEAN, Higher Education in Singapore, Manpower Studies, Singapore Indian Development, Malay Community Issues, and Development and Older Women issues. His works on “Ageing Labour Force in a Labour Shortage Economy: The Case of Singapore”, “Preparing for the Greying Century: Lessons from an Industrializing Country and Future Developments”, “Accelerating Human Resources Complimentarities in the Asian Region: The Singapore-India Case”, and “The Indian Population of Singapore: At the Crossroads of Development” have appeared in internationally refereed journals such as Ageing International; Demography of Developing Countries; Asian Thought and Society: An International Review; and The International Journal of Social Economics. Other Journals include Demography India, International Labour Review, the Singapore Economic Review, and Higher Education (UK). His Census Monograph on the aged population of Singapore is a pioneering work, widely recognized locally and elsewhere. He intends to publish his manuscript on “Ageing and Social Protection in Singapore”. There are many chapter contributions and confidential Reports to his credit as well.

He played a crucial role in developing the Statistics degree programme in this Department, especially during 1970-85, during which time the sub-department of statistics was renamed the Department of Economics and Statistics to reflect the market demand for the combined disciplines.

Assoc Prof Shantakumar was equally committed to teaching as he was in his research work. His experience and knowledge in his areas of interest were favourably received by students. He was instrumental in getting the Tsao Ng Yu Shun Award for Ageing for the Honours Year students. He had also written a paper on teaching summarizing his experience at NUS, titled “Teaching Statistical Methods to Social Science Undergraduates” in CDTL, Reflections on Teaching: The NUS Experience, National University of Singapore 2000.

He had served in various capacities in government and statutory boards, for example, Ministry of Health, and Ministry of Community Development, the Archives Department, etc. He also served as a Consultant to a number of bodies, such as, the Applied Research Corporation, Singapore Airlines, National Productivity

continued on page 10
D r Lee Sheng Yi, born on 3 January 1922, passed away in 2001.

Dr Lee was a former long serving faculty member of the Department. He joined the Department in April 1965 as a Lecturer and retired in 1984. He was the main pillar in the Department on the course on Money and Banking. Well conversant with the banking institutions and banking structure in Singapore, he taught the course well and was appreciated by his students. Dr Lee was awarded the National Book Development Council’s Book Award in 1976 for non-fiction in English for his work on *The Monetary and Banking Development of Malaysia and Singapore*. The book, an outgrowth of his doctoral dissertation presented to the University of Singapore was the culmination of years of intensive study on the subject. It was a notable achievement which had contributed much to our knowledge of money and finance. Those who toil or will toil in the same field will be grateful to Dr Lee for his painstaking spade work and detailed analysis of the materials he had collected. He had eight books to his credit and 57 articles published in academic journals.

“Professor S Y Lee was a most likeable and helpful colleague and friend. I had the singular privilege of supervising his PhD thesis on money and banking in Singapore and Malaysia on which he became an authority. He later published his research and won the book of the year award for it. S Y Lee patiently and painstakingly collaborated with me in writing the book, *Elements of Economic Theory*. This became an Oxford in Asia College Text and it later ran into three editions with 12 re-printings. The book was translated into Chinese in Singapore and Malay in Malaysia and was adapted for use in Pakistan. I am sure students and staff, like me, remember him with fondness and a great sense of loss. I lost a dear friend and a good colleague.”
- Emeritus Professor Lim Chong Yah, Former Head, Dept of Economics, NUS

Currently, he is a Consultant to MCDS, designing and developing a study on Singapore Ageing. He continues to be a free-lance Consultant in demography, marketing research, and applied statistics.

Thank you for your faithful and excellent service! Keep in touch and all the best ......

“SY as we used to call him was a remarkable person who joined the department as a lecturer at the age of 45 after a career in banking. He went on to complete his PhD while lecturing, the substance of which was a book on monetary development in Singapore, still referred to in studies about Singapore. He was as prolific as he was friendly and I will miss him as a person and as a former colleague.”
- Professor Lee Soo Ann, Department of Economics, NUS

“I was deeply saddened to learn of Professor Lee’s passing. I was privileged to be his student in two undergraduate courses in the late 1960’s, and learnt a great deal from him. We continued to remain in touch after I became a faculty member. I will always remember him as an unfailingly gentlemanly, friendly, sincere and scholarly individual.”
- Professor Basant K Kapur, Department of Economics, NUS

“Dr Lee Sheng Yi was a remarkable person who joined the department as a lecturer at the age of 45 after a career in banking. He went on to complete his PhD while lecturing, the substance of which was a book on monetary development in Singapore, still referred to in studies about Singapore. He was as prolific as he was friendly and I will miss him as a person and as a former colleague.”
- Dr Amina Tyabji, Department of Economics, NUS

Besides, he has researched for UNESCO (IIEP, Paris), and others. After retirement, he has been invited as a Consultant with WHO on health database development at its Regional Office in Manila.
CONFERENCES

Some of the overseas conferences that our staff participated from July to November 2001 are given below:

<table>
<thead>
<tr>
<th>STAFF</th>
<th>CONFERENCE TITLE</th>
<th>TITLE OF PAPER</th>
<th>VENUE</th>
<th>DATE</th>
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<tbody>
<tr>
<td>Sougata Poddar</td>
<td>76th Annual/Western Economic Association International Conference</td>
<td>Network Externality and Software Piracy</td>
<td>USA</td>
<td>4-8 July</td>
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<td>Yong Jong Say</td>
<td>Australasian Meeting of the Econometric Society 2001</td>
<td>Horizontal Monopolization via Alliances: Where a Conspiracy Admits No More Than Four</td>
<td>New Zealand</td>
<td>6-8 July</td>
</tr>
<tr>
<td>Xing Xiaolin</td>
<td>4th ABAS International Conference</td>
<td>Market Situations and the Timing of Appointments</td>
<td>Canada</td>
<td>12-14 July</td>
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<tr>
<td>Shandre Thangavelu</td>
<td>2001 Far Eastern Meeting of the Econometric Society</td>
<td>Technology Adoption, Education and Immigration Policies</td>
<td>Japan</td>
<td>20-22 July</td>
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<tr>
<td>Cheolsung Park</td>
<td>2001 Far Eastern Meeting of the Econometric Society</td>
<td>Motives for Inter-vivos Transfers between Related Households: Evidence from Indonesia</td>
<td>Japan</td>
<td>20-22 July</td>
</tr>
<tr>
<td>Tilak Abeysinghe</td>
<td>2001 Far Eastern Meeting of the Econometric Society</td>
<td>The Effects of Temporal Aggregation on Granger Causality</td>
<td>Japan</td>
<td>20-22 July</td>
</tr>
<tr>
<td>Anthony Tay</td>
<td>2001 Far Eastern Meeting of the Econometric Society</td>
<td>GMM Estimation of Mixed Frequency Regressions, with an Application to Oil Prices and Output</td>
<td>Japan</td>
<td>20-22 July</td>
</tr>
<tr>
<td>Reza Yamora Siregar</td>
<td>2001 Far Eastern Meeting of the Econometric Society</td>
<td>Misalignment of the Baht, Trade Imbalances and the Crisis in Thailand</td>
<td>Japan</td>
<td>20-22 July</td>
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<td>Anthony Chin</td>
<td>9th World Conference on Transportation Research</td>
<td>Do car sharing schemes work?</td>
<td>Korea</td>
<td>22-27 July</td>
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<td>Souresh Saha</td>
<td>16th Annual Congress of the European Economic Association (EEA) Annual Conference</td>
<td>Consumer Preferences and R&amp;D Composition over the Product Life Cycle</td>
<td>Switzerland</td>
<td>29 Aug - 1 Sep</td>
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<td>Yohanes Eko Riyanto</td>
<td>EARIE (European Association for Research in Industrial Economics) Annual Conference</td>
<td>Strategic Use of Corporate Venture Financing For Securing Demand</td>
<td>Ireland</td>
<td>30 Aug-2 Sep</td>
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<td>Tay Boon Nga</td>
<td>Third Regional Workshop on Moving Forward: Closing the ASEAN Gap and preparing for the next WTO Round</td>
<td>Doha Ministerial: Possible Agenda and ASEANIS responses</td>
<td>Vietnam</td>
<td>9-11 Sep</td>
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The President of the Stockholm School of Economics (SSE), Professor Leif Lindmark, visited the Department on 22 November 2001 to officiate an MOU between SSE and the Department of Economics. Recognizing the value of academic and cultural exchange, the two institutions established an agreement to support and enhance research collaborations, joint workshops and facilitate the exchange of faculty and students. It would also provide opportunities for NUS to recruit potential graduate students from Europe. Accompanying Prof Lindmark is Prof Magnus Blomstrom, Director of the European Institute of Japanese Studies and Asia Pacific Research Centre at the SSE.

As the first activity of the MOU, the Department of Economics and SSE co-hosted a one-and-a-half-day Workshop entitled “Institutional Adjustment in Southeast Asia in the Wake of the Crisis” on 23 and 24 November 2001. It is hoped that workshop of this nature would foster greater collaborations, research projects, and allow selective papers to be submitted to academic journals.

Presenting at this workshop were academics from both institutions. From the Department of Economics side, they were: Dr Shin Jang-Sup (Institutional Change and Economic Performance; A Critical Appraisal of Transaction Cost Approach and Agenda for Comparative Institutional Analysis), Dr George Hui and Assoc Prof Zeng Jinli (The CPF as a Counter-Cyclical Tool), Assoc Prof Hank Lim (Labour Market in a Knowledge-Based Economy), Dr Reza Siregar (Banking Restructuring and Monetary Policy in Indonesia: Challenges and Dilemma), Dr Pundarik Mukhopadhyaya (Crisis, Social Sector and Income Distribution in Some Southeast Asian Countries), Assoc Prof Jose Tongzon (The Devastating Crisis, Singapore’s Extra-ASEAN Free Trade Agreements and Their Implications for ASEAN) and Assoc Prof Peter Wilson (Prospects for an Asian Monetary Union after the Asian Financial Crisis: Pipedream or Possible Reality?). From the Stockholm side, they were: Professor Christer Gunnarsson (The East Asian Development State Revisited – What was in the Concept?), Assoc Prof Fredrik Sjoholm (Human Capital and Structural Change: Educational Reforms and Challenges in Southeast Asia), Professor Jon Sigurdson (Technological Governance in ASEAN – Failings in Technology Transfer and Domestic Research), Professor Ari Kokko (Reform and Recovery in Indochina: Policy Choices for Latecomers) and Professor Orjan Sjoberg and Ms. Pernilla Sjoquist Fafiqui (The Missing Link? Institutional Adjustment for Pro-poor Growth in Post-1997 Southeast Asia).

Assoc Prof Euston Quah, Acting Head of the Department, opened the workshop by outlining the importance of the workshop in the context of the new initiative for research collaboration between the two institutions and introducing the Department to the Stockholm participants. This joint workshop was intended to be a preliminary workshop in which paper presenters could present their preliminary drafts for discussion and to generate feedbacks and comments from the participants. The final workshop, in which final drafts of the papers will be presented, is slated to be held at the Stockholm School of Economics on 9-11 June 2002. It is planned that these papers will be published into a book, and the respective editors of this proposed book, Assoc Prof Jose Tongzon representing the Department and Assoc Prof Fredrik Sjoholm representing the Stockholm School of Economics, are now in the process of identifying the most suitable publisher for the proposed book.
Khunying Dr Suthawan Sathirathai, wife of the Foreign Minister of Thailand

On 17 July the distinguished Khunying Dr Suthawan Sathirathai, wife of the Foreign Minister of Thailand visited the Department. She was accompanied by officials from the Thai Embassy and the Ministry of Foreign Affairs of Singapore. Whilst here she met with some of our staff members and was briefed on the activities of the Department. She also met with the post-graduate students from Thailand. An economist by training with a PhD from Oxford University, she was keen to establish some links to her newly founded institute, Good Governance for Social Development and the Environment Institute (GSEI).

Professor Ronald Findlay (Columbia University), Professor Cyrus Chu (National Taiwan University and Institute of Economics, Academia Sinica) and Professor Franklin Allen (Wharton School of the University of Pennsylvania, Wharton Financial Institutions Center)

The Department’s Visiting Committee comprising of Professor Findlay, Professor Chu and Professor Allen conducted a series of meetings from 6 to 8 August. As the university has a vision of becoming a world-class institution and moves away from the British model and towards the US model of universities, the committee was here to assess the current situation at the Department and make recommendations for the immediate future, with the aim of becoming a highly rated Economics Department.

Professor Findlay is currently serving as the Ragnar Nurkse Professor of Economics at Columbia University while Professor Chu is the Vice-President of the Academia Sinica and Professor Allen is the Nippon Life Professor of Finance and Economics, Wharton School and the Co-Director at the Wharton Financial Institutions Center. Their many years of experiences at administration, management and planning proved to be very fruitful at the various meetings that they had with the staff members and students.

The committee made an evaluation of the current programmes of the Department and was forthcoming with their recommendations. They highlighted possible transition models for the Department. They also made recommendations in the areas of the research environment, undergraduate and graduate programmes. The information was useful and the Department is now implementing some of these.

Professor David Greenaway, Pro-Vice Chancellor and Professor Chris Milner, Head of the School of Economics, University of Nottingham (United Kingdom)

Professor Greenaway and Professor Milner visited the Department on 27 September to discuss the possibilities in conducting joint research programmes and workshops, and other collaborations between the Department and the School of Economics of the University of Nottingham. They have agreed in principle to launch this partnership with a joint-workshop on 11 – 14 April 2002, on the theme ‘Current Public Policy Issues in Asia and Europe’. The staff of both departments will deliver papers relating to macroeconomics, international finance, labour and social issues.
This study finds that the impact of an oil price shock on the Singapore economy is marginal. The declining shares of the Singapore's expenditure on oil consumption as a percentage of its nominal GDP support the finding. This study also finds that there is unidirectional causality from GDP to energy consumption without any feedback. This implies that Singapore is not efficient in the usage of energy during the development of its economy. The impact of an oil price shock, however, is not negligible even though it is not significant in the Singapore economy, and energy efficiency in the Singapore economy is not competitive as compared with other industrial countries.

**IMPLICATIONS OF SINGAPORE’S CPF SCHEME ON CONSUMPTION CHOICES AND RETIREMENT INCOMES**

*by Lim Kim Lian*


Singapore has a unique policy of allowing the use of mandatory social security contributions to finance homeownership. An intertemporal model of housing demand is employed to demonstrate analytically that the CPF scheme can distort an individual's intertemporal and intratemporal consumption choices, and induce Singaporeans to demand more housing than they would otherwise. The withdrawals for housing have also affected the adequacy of CPF balances for financing retirement. Pegging the rate of return on CPF balances to a long-term rate is the long-term solution to curbing excessive withdrawals for housing, and ensuring the adequacy of CPF savings for financing retirement.

**MEASURING THE INCOME INEQUALITY FROM TAX RETURNS**

*by Hafiz Akband, University of Alberta and Haoming Liu*


Most previous empirical studies on the U.S. income inequality used data drawn from the March Current Population Survey (CPS). Recent studies find that reporting errors in income variables in the CPS is systematically related to income and gender. To examine the potential bias on the inequality measures caused by reporting errors, we compare inequality measures estimated using data extracted from U.S. tax return files and from the CPS. The results show that the income inequality is likely to be underestimated when the CPS data are used.

**MARGINAL INCOME TAX RATES IN THE UNITED STATES: A NONPARAMETRIC APPROACH**

*by Hafiz Akband, University of Alberta and Haoming Liu*

*Journal of Monetary Economics, Vol 49 (forthcoming)*

The objective of this paper is to estimate both the U.S. federal marginal income tax rate, and the state and local marginal income tax rates. We use the nonparametric regression method and data on income and tax extracted from U.S. Individual Tax Model Files for the period of 1985-1995. The flexibility of the nonparametric approach and the information at the individual level enable us to construct the estimates.
a more reliable time series of the average federal marginal income tax rates and that of the average state and local marginal income tax rates. Our results suggest that the average federal marginal income tax rate varies from 18.2% to 21.8%, and the average state and local marginal income tax rate varies from 4.7% to 5.6%. We also find that the state and local income tax accounts for roughly 18% of the total income taxes paid during 1985-1995.

BUSINESS CYCLE MODELS, AGGREGATION AND REAL WAGE CYCLICALITY

Predictions regarding the cyclicality of real wages are often used as a litmus test for macroeconomic business cycle models. In response a substantial literature has developed to estimate the ‘true’ cyclicity of real wages, i.e. composition bias free. Two major issues are addressed in this paper: aggregation of heterogeneous workers and potential bias in the measurement of the labor input. A general analysis of the biases is presented and alternative approaches in the literature are nested in a single framework. CPS data are used to compare the alternative approaches in a single data set and to provide “corrected” estimates based on an efficiency units concept that avoids the usual aggregation problems. The empirical results show robust evidence of highly pro-cyclical real wages in the U.S. Composition bias understimates the usual parameters of interest unless both the price and the quantity of the labour input are adjusted appropriately. If only the input price measure is corrected, some composition bias will remain biasing the cyclicity estimates downward. The total composition bias is estimated at around 25%. The estimates suggest that the implied labor supply elasticity is smaller than many in the previous literature - on the order of .65 to 1.14.

CHANGING LABOUR FORCE GENDER COMPOSITION AND MALE- FEMALE INCOME DISPARITY IN SINGAPORE
by Pundarik Mukhopadhaya

This paper traces the employment trends by gender in various industries, occupational groups and educational levels in the city-state of Singapore. Over the years Singapore’s female labour force participation rate has increased as a result of rising educational attainment. At the same time, income inequality among the females has increased, while male-female income inequality has decreased. This paper explores the gender wage gap at various occupational and educational levels. It is found that the gender wage gap has been reduced over the period 1975 to 1999. This paper also finds that because of a lack of sufficient childcare facilities and unavailability of part time work, women who leave the labour market to start family face certain obstacles when trying to re-enter the workforce.

INCOME DISPARITY IN SINGAPORE: TRENDS, DATA PROBLEMS AND POLICY ISSUES
by Pundarik Mukhopadhaya
International Journal of Social Economics, MCB Publication, USA. (forthcoming)

This paper discusses the problem of computing income inequality with the existing published data in Singapore. Trends in earning inequality in the Singapore labour force from 1974 to 1999 are explained, specifying the assumptions made for the grouped data. The selective immigration policy is one cause of the expanding income diversity. It is demonstrated that education policy is not a sufficient remedy to curtail inequality. The emphasis on efficiency, eclipsing the equity aspect in health care financing adds further stress to income disparity in Singapore.

THE GINI COEFFICIENT - A NOTE
by Pundarik Mukhopadhaya and V V Bhanoji Rao

The Gini coefficient is a widely used inequality index, which can be interpreted as the sum of total relative deprivation in a society, where individuals feel relatively deprived due to his/her lower amount of earnings compared to others. This note points out that one must take account of the difference between own income with own income as well in the computation of the Gini.

DISTRIBUTION OF INCOME AND EXPANSION OF EDUCATION IN SOME EAST ASIAN COUNTRIES
by Pundarik Mukhopadhaya

This paper examines the trends in income inequality in Singapore during 1974-1999 using Labour Force Survey data of Government of Singapore. It is found that income inequality in Singapore is quite high. This paper investigates the Singapore government’s efforts in bringing about equality in educational opportunity. This paper also examines the relationship between inequality and poverty in Malaysia, Indonesia and Thailand. Governments’ efforts in these three countries in bringing social justice through enhancing educational opportunities are examined at a comparative basis.
This paper examines the trend in income diversity in Singapore at the total and disaggregated level using Labour Force Survey data. It was observed that income inequality in Singapore is quite high. One reason is the selective migration policy of the Government of Singapore. The Government has made conscious efforts to bring equality in educational opportunity through various policies. This paper examines the effectiveness of these policies. It was found that the academic ability of children is not uniformly represented across different parental educational background groups, with students from favoured backgrounds being increasingly represented in the top strata of every cohort. And thus they remain the major beneficiaries of the education policies, which perhaps increase the income disparity further. It is concluded that the Yearly Awards scheme is better than the Edusave Entrance Scholarship for Independent Schools as the possible benefits accruing to wealthier households were limited for the former.

A METHOD TO ANALYSE TRENDS IN INEQUALITY BY SUBGROUP DECOMPOSITION
by Pandarik Mukhopadhaya

December, 2001, Asia Africa Journal of Economics and Econometrics, Serial Publications, India (forthcoming) This paper develops a method using the Gini decomposition procedure suggested by Podder to evaluate the contribution of various subgroups in explaining trends of income inequality. It is demonstrated that the overall trend in inequality can be expressed as the sum of change of population share, change of income share and change of individual group inequality (defined properly). Also an application of the method is demonstrated using Australian Household Expenditure Survey data.

TRANSBOUNDARY POLLUTION IN SOUTHEAST ASIA
by Euston Quab
World Development (forthcoming 2002), Elsevier Science, USA

Many well-known instances of pollution involve those cross-border externalities such as acid rain and global warming. Damages arising from transboundary pollution can be far reaching and excessive. In Southeast Asia, the main transboundary pollutant is the haze which, in turn, is caused by forest fires primarily in Indonesia. This paper outlines the causes of the seasonal haze which can be traced to calculated strategies and cost-savings of many local and multinational firms in Indonesia. Estimates on economic damages to countries like Singapore, Thailand, and Malaysia is presented. Suggestions on public policy initiatives which are economic incentive based are made. A cost-sharing approach involving both victims and perpetrators is proposed.

SITING ENVIRONMENTALLY UNWANTED FACILITIES
RISKS, TRADE-OFFS AND CHOICES
by Euston Quab and K C Tan, Nanyang Technological University
Edward Elgar Publishing, Cheltenham, UK, April 2002

Although innumerable articles have been written on the topic albeit by political scientists, journalists, and concerned citizens, this book represents the first attempt to put together all the major issues related to the siting problem from the perspective of economics. True, there are many published papers on the NIMBY problem in economics journal but they are mostly focused on the techniques that bear on the solutions to the complexity of problems encountered. In this book, we provide a comprehensive treatment of not only the existing methodologies and techniques for conflict-resolution, but also present the characteristics and nature of such facilities, emphasise the importance of valuing intangibles, and construct a multi-stage sequential criteria that can be used in facilitating a NIMBY siting.

Usage of some of these economic instruments in various countries are also highlighted. Case studies taken from North America, Europe, Asia and Oceania illustrating both good and bad resolutions of the NIMBY syndrome are also featured. In an effort to examine some solutions to the NIMBY dilemma, the book also presents a systematic alternative to conceptualizing the siting problem. With elements drawn from public management, risk analysis, auction mechanisms, and cost-benefit analysis, a series of decision steps are illustrated to provide a useful and credible methodology to minimize such conflicts and maximize a NIMBY acceptance.

THE ECONOMIES OF SOUTHEAST ASIA SECOND EDITION: BEFORE AND AFTER THE CRISIS
by Tongzon, J.L.
Edward Elgar Publishing Ltd., 2002

This updated and fully revised second edition provides a comprehensive examination of issues of paramount importance for Southeast Asian economies including:

- the economic implications of the 1997 Asian crisis for both older and newer members of ASEAN, including transition economies
- the role of government and FDI in ASEAN economic growth and development
• trade patterns with the US, Japan and the EU and the economic implications of China’s accession to the WTO for ASEAN countries
• the environmental consequences of industrialisation and growth
• the emergence of economic growth triangles and their contribution to ASEAN growth and regional cooperation
• the economic implications of China’s membership in the WTO and
• the economic prospects for the ASEAN countries in the post-crisis period.

CHINA’S MEMBERSHIP IN THE WORLD TRADE ORGANIZATION AND THE EXPORTS OF THE DEVELOPING ECONOMIES OF EAST ASIA: A COMPUTABLE GENERAL EQUILIBRIUM APPROACH
by Tongzon, J.L.

There is a general perception particularly among the developing countries of East Asia that China’s WTO membership would spell bad news for their exports. The ASEAN countries in particular are quite concerned about its likely negative impact on their export and growth potentials. In this light, the main objective of this paper is to empirically assess the trade implications of China’s WTO membership for these countries. Only few studies, using a Computable General Equilibrium (CGE) approach, have addressed the issue of China’s WTO membership trade implications. Further, these studies have not adequately addressed the issue from the perspective of the developing countries of East Asia, particularly the ASEAN countries. Using the latest version of the Global Trade Analysis Project (GTAP) model and based on the latest tariff reduction commitments by China, the results showed that, contrary to the current perception and previous studies, almost all of the developing countries of East Asia are likely to benefit from China’s WTO membership overall, after allowing for anticipated price adjustments. Without the price adjustments, the Philippines and Singapore would have come out as net losers.

These findings have confirmed the need for economic and export restructuring among the ASEAN countries and the importance of accelerating their economic integration. They have also highlighted the importance of promoting trade and investment cooperation between China and ASEAN countries.

INTERNATIONAL JOINT VENTURE, LICENSING AND BUY-OUT UNDER ASYMMETRIC INFORMATION
by Uday Bhanu Sinha

In an asymmetric information framework, this paper deals with the issue of instability of international joint ventures in the context of developing countries. We provide a rationale for international joint venture formation as opposed to licensing, and also its subsequent instability. The joint venture is formed in response to government restriction on foreign equity holdings in the first period. However, the joint venture becomes unstable in the second period when the government removes the foreign equity restriction. We also provide a new justification for the transfer of an inferior technology in the present framework.

IMITATIVE INNOVATION AND INTERNATIONAL JOINT VENTURES: A DYNAMIC ANALYSIS
by Uday Bhanu Sinha

In this paper we deal with some dynamic issues of international joint venture in the context of a developing country. We provide a rationale for international joint venture formation, as well as its subsequent instability, where instability is interpreted as payoff readjustments between the partners in the venture. Although the joint venture is formed in response to government restrictions on foreign equity holdings in the first period, its subsequent instability is caused by both the change in government policy, as well as the outcome of imitative technological innovation undertaken by the host partner. It is also shown that uncertainty about the government policy in the second period plays an important role in the formation of joint venture in the first period.

LONG-RUN GROWTH EFFECTS OF TAXATION IN A NON-SCALE GROWTH MODEL WITH INNOVATION
by Jinli Zeng and Jie Zhang
Economics Letters (forthcoming)

In previous studies, taxing income or consumption hinders long-run growth. Incorporating saving and leisure into the non-scale Schumpeterian model of Howitt (1999), we show that the usual growth effects of taxing consumption and labor income do not exist.
When I first entered the university, I read economics, sociology and social work. Honestly, I was not too keen to go through the MC=MR (marginal cost = marginal revenue) stuff again after scrapping through my ‘A’ level economics but was advised to continue with the discipline as it is one that certainly helps to increase one’s market value.

I seem to be able to relate to economics slightly more than the other two subjects and decided to major in it in my second year. Along the way, I tried to think like what I thought an economist would and being a student in the economics department was my first exposure to formal training in the discipline. I am very thankful to the lecturers and tutors who patiently cleared my countless doubts.

I joined the Talent Development Programme (TDP) to try to develop any little talent in me. Even though I felt that I did not manage to achieve the TDP’s objective at the end of the day, I am very glad to have met and known a lecturer through TDP. Dr Vincent Chua was a very inspiring and sincere person. The countless hours he spent in discussing economic concepts with me must have gone to waste but I hope that the many sincere advice that he has given me from time to time will not be forgotten. One of the most valuable lessons that I have learnt from him is the importance of having a good sleep at night.

A major factor in my decision to participate in the Honours programme was to increase my market value as I felt that the department’s programme is highly regarded by many organisations. I found myself in a much more competitive environment than before but thankfully, Dr Chua encouraged me from the start to have a positive attitude towards learning. Even though I slip from time to time, there were always friends around me to provide crucial support.

Of course, another pivotal person that impacted my life was my thesis supervisor, Professor Basant, who is another inspiring person. It is indeed my honour to have worked with him and his sharp reasoning and immense patience guided me through to the successful completion of my thesis.

Upon reflection, university life was truly a very memorable experience. If I am given the choice to decide again, I would choose the same path again because I had an enriching education and made many sincere friends. Just like to take this chance to thank the department and university for providing me the opportunity to learn and grow.

Little wonder the current consolidation in the cruise liner industry. On December 17, P…O Princess Cruises PLC rejected a £3.2 billion ($4.61 billion or †$5.16 billion) hostile takeover offer from Carnival Corp. and reaffirmed its merger plans with Royal Caribbean Cruise Lines Ltd. Mergers and acquisitions represent forces of change and the cruise industry had been in the throes of merger mania for many years. It is now set to dwindle to two dominant players amid a severe round of pricing pressure following the September 11 terrorist attacks.

My Economics training leads me to question the antitrust hurdle the Royal Caribbean-Princess merger would face. After all, this proposed merger involves the world’s second and third-largest cruise operators. The question of antitrust clearance is likely to turn on whether regulators view the companies as giants in the cruise industry or small players in the larger tourism market.

*continued on page 19*
There is also the question of shareholder value. In a perfect market, all mergers should enhance shareholder value. They are viewed as marriages of compatible partners to produce a new corporate entity that would be stronger, more efficient and productive. In reality, however, numerous M&A deals that promised so much on paper have met with anything but success. One notable case was that of BMW-Rover. Surveys of American and European companies in the past two years are revealing. One study by international management consultant firm Towers Perrin found almost half of the announced mergers fail and a similar portion of completed acquisitions are eventually divested.

There are many factors that contribute to a failed merger. These include lack of clear strategy and a well-defined plan of action, difficulties faced in integrating disparate corporate cultures, the flight of talent post-merger, and destructive changes to productivity and the work environment. That is why post-deal integration is of utmost importance. Yet, more often than not, when news of an M&A breaks, the immediate focus is on the price.

Such is the beauty of Economics. It helps me to understand the world, and brings an uncanny obsession and love into my life. I believe that in the pursuit of excellence, passion makes the call of the day. It’s true in any field: weak desire brings weak results, just as a small fire creates little heat. The stronger your fire, the greater the desire and impossibilities vanish.

Feeling a burning sensation under my skin, a dip in the pool again is irresistible. Parthenon Pool, here I come!

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**Winner of the DBS-Daiwa Book Prize and the University of Singapore Economic Society Book Prize, Mr Ho Kin Yip graduated with a Bachelor of Arts degree with merit.**

I am honoured to be invited by the Economics Department to share my learning experience as an economics student.

Over the past three years I realise that Economics has undoubtedly demonstrated its versatility and applicability in numerous fields. The tools and concepts that I have learnt in my course have helped me sharpen my analytical skills and clarify complex issues in the real world. Although understanding these abstract concepts can be rather daunting and mind-boggling at times, on the whole, I have enjoyed the course.

My learning process has been made even more enjoyable through the interaction with my teachers, who have patiently guided and influenced me, despite their hectic schedules. In particular, they have made me appreciate the complexity of various topics in Economics beyond what are set out in the textbooks. Additionally, they have shown that in order to develop a deeper understanding of economic concepts, one must learn how to flexibly apply them rather than commit them to memory mechanically.

Indeed, I have greatly benefited from the guidance of my teachers and would therefore like to take this opportunity to express my gratitude and appreciation to them. Special mention must be made of Gilbert Lee and Kailash Purang, who are my Economics tutors in the first year of my course and have patiently trained and encouraged me. I am also grateful to Assoc Prof Hank Lim, a specialist in the fields of Development Economics and Asia-Pacific economies. He has provided constant support and helped me develop an avid interest in these two fields. Mention must also be made of Assoc Prof Peter Wilson, whose knowledge in the field of International Economics has helped me to deepen my understanding of issues related to the international economic system.

A special note of appreciation must be made of my Honours Thesis supervisor, Assoc Prof Albert Tsui, who is also my tutor for Financial Economics in the third year of my course. His constant encouragement and his confidence in me have inspired me in my current research project. Other tutors also deserve mention; they include: Dr Ho Kong Weng, Dr Lee Jin, Dr Lim Kim Lian, Dr Liu Haoming, Dr Mark Donoughue, Dr Pundarik Mukhopadhyaya, Dr Wong Siu Kee, and Dr Zhang Wei.

Apart from the support of my teachers, my fellow classmates have been instrumental in helping me excel in the subject of Economics. My regular engagement in stimulating discussions with them has reinforced my understanding of many abstract concepts in Economics. Indubitably they have contributed to learning excellence in our Department.

Lastly, I am grateful to the support provided by my parents. Their patience and understanding have been the major motivating force behind my interest in Economics.
Despite or perhaps in view of the current economic downturn, the Department was very successful in attracting significant number of applications for the graduate programmes. Given the huge demand for the Department’s graduate studies (the Department received nearly 240 applications for the Masters programme and nearly 100 applications for the PhD programme for July 2001 intake), the Department decided to accept applications for January 2002 intake (second admission). Again, the Department received equal number of applications for Masters and PhD programme as in the normal July intake. It received more than 200 applications for the Masters programme and nearly 80 applications for PhD programme. Despite the large number of applications for the graduate programme, the Department only admitted candidates that matched the high academic admission standards set by the department (see Figure below).

FIGURE 1: ENROLMENT FIGURES FOR THE GRADUATE PROGRAMME

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<tr>
<td>M. Soc. Sci. (Econs)</td>
<td>9</td>
<td>33</td>
<td>15</td>
<td>58</td>
<td>18</td>
</tr>
<tr>
<td>M. Soc. Sci. (Applied Econs)</td>
<td>41</td>
<td>37</td>
<td>26</td>
<td>43</td>
<td>32</td>
</tr>
<tr>
<td>M.Soc.Sci. (By Research)</td>
<td>4</td>
<td>10</td>
<td>5</td>
<td>15</td>
<td>6</td>
</tr>
<tr>
<td>PhD</td>
<td>6</td>
<td>3</td>
<td>3</td>
<td>20</td>
<td>19</td>
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</table>

* New Intake, that is, students have been given offer letters

The quality of the graduate programme is reflected not only by the number of applications received but also by the quality of the current students. In the first half of the 2001/2002 academic year, several research papers of the graduate students are accepted for presentation in international conferences. In fact, most of the senior PhD students have attended or are strongly encouraged to present their research in international conferences.

FIGURE 2: CONFERENCE LEAVE (WITH FINANCIAL ASSISTANCE)

<table>
<thead>
<tr>
<th>NAME</th>
<th>DATE</th>
<th>TITLE</th>
<th>VENUE</th>
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<tbody>
<tr>
<td>PDL Wasana Karunarathne</td>
<td>9 – 10 July 2001</td>
<td>Reforms of Superannuation and Pensions</td>
<td>Sydney, Australia</td>
</tr>
<tr>
<td>Sanja Samirana Pattnayak</td>
<td>17-19 Nov 2001</td>
<td>Southern Economics Association’s Conference</td>
<td>Florida, USA</td>
</tr>
<tr>
<td>Rahul Sen</td>
<td>19-20 Nov 2001</td>
<td>Conference to Mark Ten Years of Economic Reforms in India</td>
<td>Canberra, Australia</td>
</tr>
<tr>
<td>Rajaguru Gulasekaran</td>
<td>13-15 Dec 2001</td>
<td>12th (EC)² Conference – Causality and Exogeneity in Econometrics</td>
<td>CORE Belgium</td>
</tr>
<tr>
<td>Gao Yu</td>
<td>17 – 19 Dec 2001</td>
<td>The 14th Annual Australasian Finance and Banking Conference</td>
<td>Sydney, Australia</td>
</tr>
</tbody>
</table>

continued on page 21
In addition to attending international conferences, the top graduates of the Department have been very successful in securing scholarships to pursue their PhD in North American and Australian Universities. The Department would like to congratulate the following recent graduates listed in Figure 3 in completing their M.Soc.Sci.(Economics) programmes and securing funding to pursue their PhD in Universities abroad. The Department would also like to congratulate Dr. Choy Keen Meng in completing his PhD programme and in securing a Post-Doctorate Fellowship in NUS. Our best wishes also goes to Mr Rajaguru Gulasekaran, our PhD student, who was awarded the University Graduate Fellowship. The Fellowship carries a stipend of $700 per month in addition to the research scholarship which he holds. The University Graduate Fellowship is given at the University level to outstanding students who have shown great promise. Selection of the University Graduate Fellowship is on a competitive basis twice a year.

### FIGURE 3: GRADUATES PURSUING PHD ABROAD

<table>
<thead>
<tr>
<th>NAME</th>
<th>PROGRAMME COMPLETED</th>
<th>PHD PROGRAMME</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. LEO TENG WAH</td>
<td>M.Soc.Sci.(Economics)</td>
<td>University of Toronto, Canada</td>
</tr>
<tr>
<td>2. ABDUL AZIZ</td>
<td>M.Soc.Sci.(Economics)</td>
<td>Monash University, Australia</td>
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<td>3. CHEO KIM SAN, ROLAND</td>
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### GRADUATE SEMINAR

Professor Arnoud De Meyer, Professor of Technology Management and Dean of the Asia Campus, INSEAD Singapore

As part of our on-going graduate programme seminar series, Professor Arnoud De Meyer gave an excellent presentation on “A framework for Project Management under Uncertainty” to our graduate students on 18 September 2001. Professor Meyer is currently Akzo Nobel Fellow in Strategic Management and Professor of Technology Management at INSEAD. He also serves as the Dean of the new Asia Campus, INSEAD Singapore.

Professor Meyer’s journal publications focused on his main research interests. These are related to the manufacturing and technology strategies, the implementation of new manufacturing technologies and the management of research and development. In line with these research areas, he has acted as a consultant for a number of medium-sized and large companies throughout Europe and Asia. He is the external director of three hi tech companies and a member of the board of Infocomm Development Authority of Singapore.

His presentation to our graduate students argued that the management style of a project needs to be adapted to the types of project uncertainty, such as the variation, foreseen uncertainty, unforeseen uncertainty and turbulence (chaos). He highlighted the widely used project tools that are used in the management of complexity in a project and addressed the issue of foreseeable uncertainty. These are the network planning techniques (PERT, Critical Path Methods, Gantt Charts) and risk management (risk identification, prevention and contingency planning). Indeed our students have benefited much from this presentation.
A PERSONAL NOTE ON NOBEL LAUREATE
GEORGE A AKERLOF

The winners of the 2001 Nobel Prize in economic sciences are George A Akerlof of University of California, Berkeley, A Michael Spence of Stanford University, and Joseph E Stiglitz of Columbia University for their contributions to the analyses of markets with asymmetric information.

Professor Akerlof was the Co-Chair of Dr Wong Wei Kang’s PhD Dissertation Committee. Recently, Dr Wong contributed an article in the UC Berkeley Alumni magazine on Professor Akerlof. Among other things, he mentioned Professor Akerlof’s unusual tolerance of unconventional ideas. We reproduce the full article below.

George is one of the best advisors you can imagine. He ALWAYS has time for his students. He spends hours with them (often hours with each student) on a weekly basis. While most professors are content, almost relieved, if nobody comes to their office hours, he would actually become concerned if no students show up to ask him questions during his office hours. I often wonder how he manages to find time for his own research, given his unparalleled commitment to his students.

He is extremely tolerant of unconventional ideas. My belief is that he cares about economics a lot, but above all, he cares about ideas themselves, good ideas that make sense, regardless of whether they come from the “traditional” domain of economics.

George is certainly not, what some people call, a blackboard economist. Whenever you discuss an idea with him, he will first carefully walk through your reasoning with you, even if your ideas may sound a little silly. He will then check your idea against one of his past experiences to assess its relevance, to make sure that the idea is not something that you simply conjure up out of thin air and has no bearing to real economic phenomena. The manner in which he would convey his thought process is unique, in that he would often tell you a story drawn from his past experiences.

That story is not for fun. The story is supposed to contain what is relevant to interpret your abstract idea. Not realizing this at first, I would happily listen to the story and miss the main point of his story. This manner of thinking is so unusual that it really took me a long time before I could begin to truly understand his messages. I think many of his students, initially, have difficulty understanding that. But geniuses are supposed to see things that we do not normally see anyway.

I think George genuinely believes that his students are his responsibility - not just their academic progress, but also their general well being, including their emotional well being. I could recount three concrete incidences to support my claim.

1. During our macroeconomics final, he brought cookies (good cookies too) for a class of about 80 students because he was concerned that we might get hungry taking the exam during meal time. (The university scheduled the exam between 5 pm - 8 pm, really odd time.)

2. At some point of my graduate studies, I got really worried about not being able to finish my dissertation in time. So I sent him an email one evening expressing my worry. He immediately emailed me back and asked me to call him at home to talk about it.

3. Then there is another time when I was forced to look for an apartment. For those unaware, the housing market in Berkeley is simply disgusting (no other way to describe it): high rent; few vacancies; the landlord can essentially pick and choose among 20 or 30 applicants for one tiny apartment; legacy from years of bad rent controls. After desperately searching for weeks, ultimately I found this apartment. But the manager wouldn’t rent it to me because of a lack of references, despite good credit history. Upon learning the situation, George graciously talked to the manager. He really put in a lot of good words. Needless to say, I got the apartment

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right away. (What happened was: the manager called him, asked a few standard, nonchalant questions about me, and was ready to hang up, probably after one or two minutes into the conversation. But George wouldn’t let him hang up just yet and kept saying good things about me.)

He is not only a great economist, but also a great person. That he is a great economist is public information, that he is also a great person is, unfortunately, only known to those who have met him. I talked to some Berkeley students and alumnus after the Nobel Announcement. We all agree that this year’s prize couldn’t have gone to a more deserving economist and a nicer person.

‘New’

SINGAPORE ECONOMIC REVIEW

The Singapore Economic Review, formerly the Malayan Economic Review is now in its 46th year of publication. It was launched in 1956 and has been a biannual academic journal devoted to the publication of high quality papers, which are refereed, in all aspects of economics. Among its distinguished contributors were the late Sir John and Lady Ursula Hicks, the late Harry Johnson, Herbert Grubel, H W Singer, G Rani, W M Corden, Ragnar Nurkse, Lawrence Lau, J C H Fei, Sydney Caine, H Oshima, Peter Lloyd, among others. The journal is peer-reviewed, and has a wide international circulation; among the many subscribers are the libraries of Harvard University, Stanford University, University of Melbourne, University of Cambridge, the University of Oxford, and the London School of Economics.

Thanks largely to the varied efforts and value-added contributions of past editors such as Emeritus Professor You Poh Seng, Emeritus Professor Lim Chong Yah, Professor Basant Kapur, and more recently Associate Professor Koh Ai Tee, the journal has become known as a major economics journal in Asia with special focus on Asian economics. From the April 2002 issue, Associate Professor Euston Quah will be the new editor of the journal. With World Scientific as the journal’s new publisher, the Singapore Economic Review will be re-launched with new sections devoted to public policy and applied economics, commentaries, and short papers or notes, markets and industry. The section on theory will remain as with book reviews. In addition, a new section on specially invited papers by very eminent economists will be featured in the coming issues. The journal will have new members on the editorial board. With this synergy, and new changes, the Singapore Economic Review is poised for a renewal reflecting the times and challenges ahead.

The webpage for the Singapore Economic Review is http://www.worldscinet.com/journals/ser/ser.shtml. Any inquiries on paper submission, suggestions and comments, please write to Associate Professor Euston Quah, Editor, Singapore Economic Review, c/o Department of Economics, 10 Kent Ridge Crescent, Singapore 119260.

The list of the newly constituted Editorial Board is printed on page 24.