THE GOH KENG SWEE PUBLIC LECTURE

SOME LIMITATIONS OF ECONOMICS WITH SPECIAL REFERENCE TO HAPPINESS AND ECONOMIC POLICY

Despite the title and emphasis of this talk, I regard economics as a very important and useful study. However, I also believe that its usefulness could be significantly improved by overcoming its limitations. Due to limitations of time and expertise, I will focus mainly on the narrow focus of economics.

1. The Unimportance of Higher Incomes/Consumption

Economists focus on incomes, consumption, and other material variables. However, recent studies of happiness by psychologists, sociologists, and a small (but increasing) number of economists shows that, after about US$3000 per annum per head, higher incomes do not seem to increase happiness or even the quality of life significantly.

The relationship between happiness and income cross-nationally shows only a weak positive relationship, with a top income country (Japan) registering a lowest happiness level. This may be partly explained by the modesty of the Japanese. However, this does not explain the failure (see below) of the happiness level to increase over time as per capita income exploded, since the modesty level is not regarded as increasing. Moreover, the low happiness level in Japan is consistent with some other indirect measures. For example, according to the survey of 18 thousand adults in 28 countries and regions by Durex reported in the mass media world-wide on 28 November 2001, Japan also has the lowest average number of sex over a year (36), far behind the lowest of 124 for Hong Kong and the top (U.S.) of 212.

Income matters more for happiness at very low levels of income but it still accounts for less than 2% of the overall variance in individual happiness. The positive relationship vanishes intertemporally within the same country (at least for the advanced countries which have such data). For example, from the 1940’s to 1998, the US nearly tripled. However, the percentage of people who regard themselves as very happy fluctuated around 30%, without showing an upward trend; another measure of average happiness fluctuated around 72%. Over the period 1958-88, the per-capita real income level in Japan increased by more than five times. However, its average happiness measure fluctuated around 59%, also without an upward trend. In fact, “if there is any causal relationship in rich countries, it appears to run from happiness to growth, not vice-versa” (Kenny 1999, p. 19; full references on this and those supporting other evidences stated are available in my paper ‘From preference to happiness’, forthcoming in Social Choice and Welfare). Happier people may be more able to get and keep well-paying jobs. NUS may prefer to appoint a happy, rather than a sad, person to be the Goh Keng Swee Professor.

For those who do not trust the more subjective measure of happiness and opt to use more objective indicators of the quality of life, the picture is not much different. Analyzing a panel dataset of 95 quality-of-life indicators (covering education, health, transport, inequality, pollution, democracy, political stability) covering 1960-1990, Easterly (1999) reaches some remarkable results. While virtually all of these indicators show quality of life across nations to be positively associated with per capita income, when country effects are removed, the effects of economic growth on the quality of life are uneven and often nonexistent. It is found that ‘quality of life is about equally likely to improve worse with rising income. … In the sample of 69 indicators available for the First Differences indicator, 62 percent of the indicators had time shifts improve the indicator more than growth did’ (Easterly 1999, p.17-8). Only 20 out of 81 indicators have a significantly positive relationship with income. Even for these 20 indicators, time improved 10 out of these 20 indicators more than income did.

On the other hand, there are factors much more important for happiness, including being employed, being extrovert, having some religious belief, and being married. The Singapore government is correct in encouraging you to get married not too long after graduation! However, you often hear about couples fighting each other. This is so because when couples quarrel, other people know of this; but when they are happily enjoying themselves in the bedroom, no one knows!

2. A Wider Focus Needed

If material variables are not very important for happiness, perhaps economists should focus more on a wider set of variables. I make a modest start in my paper on ‘From preference to happiness’ mentioned above by considering relative incomes, environmental quality, and imperfect rationality. This imperfect rationality is due to both nature and nurture. By nature, we have the accumulation instinct that helped us to survive in times of scarcity. Continuing to place too much emphasis on money in the current era of plenty (at least for most people in the developed countries) when money is no longer important for happiness, while sacrificing things more important for happiness, is due either to ignorance or irrationality. This is compounded by the nurture of social and peer pressure and the omnipresent commercial advertising to result in a strong materialistic bias.

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To show the need and applicability of a wider focus, consider the example of cars. Many economists consider only the issue of congestion, some also consider pollution. A wider focus should also consider issues of conspicuous consumption (which also gives rise to the diamond effect, valuing goods for their exchange value rather than their intrinsic consumption effects) and the materialist bias. In the wider perspective, Singapore’s control of cars is unlikely to be excessive, contrary to the conclusions of some economists (see my paper appearing in Singapore Economic Review for details).

As another example, consider public spending. Using their narrow focus, economists regard taxes as distortive; $1m of tax imposes a burden of $1.5m, with $0.5m of excess burden, ignoring:

- The negative excess burden on the spending side.
- The environmental disruption effects of most production and consumption.
- The negligible happiness costs of reducing high consumption.
- The external costs of private consumption due to the relative income effect.
- The negligible happiness costs of reducing high consumption.

Considering these factors, most taxes are corrective than distortive and public spending in the right areas like environmental protection, public health, and research should be increased, as argued in my book Efficiency, Equality, and Public Policy.

Individuals can help others by avoiding wastes and compete in socially useful areas than in environmentally disruptive production and consumption. They can also help themselves by putting more emphasis on factors really more important for happiness, including the four F’s: faith, form (health), family, friends. This parallels the four F’s of animal behaviour: feeding, fighting, fleeing, mating. You may now ask any question. However, please do not ask me why the four F’s ends with a term starting with an ‘M’ — ‘mating’!

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The Econometric Studies Unit (ESU) held a press conference on 10 September 2002 to update its forecasts of the Singapore economy made earlier in the year. With talk among analysts of the US economy going into a “double dip” recession, the ESU picked as its title for the press conference “The US Double Dip Danger: How Serious is the Threat to Singapore?”. Not surprisingly, the theme attracted huge media interest and many staff members.

The Head of the Department of Economics, Professor Åke Blomqvist, started the press conference by making introductory remarks on forecasting in general. He noted that economic forecasting is a very challenging endeavour and that some events — which economists call “shocks” — cannot be easily taken into account by forecasters because they are completely unexpected. Professor Blomqvist ventured to suggest that the greater value of forecasts lies in forcing the forecaster to think about the basic economic processes that generate observed outcomes.

Dr Choy Keen Meng of the ESU then proceeded to present a revised forecast of Singapore’s real GDP growth for 2002. The updated projection raised full year growth to about 5% from the 4% envisaged at the beginning of the year on the back of sustained foreign demand. The ESU also expected domestic demand to be boosted by an increase in consumption in anticipation of the GST hike in January 2003.

Looking ahead, however, the economic prospects for Singapore are rather clouded and hinge critically on the performance of the US economy. If all goes well, the Republic can expect to enjoy healthy growth of 6% in 2003.

But if corporate scandals, a weak stock market and the threat of a war in Iraq tip the US into another recession, Singapore will still escape a recession in 2003, although real GDP growth will be significantly reduced to 2.4%. These conclusions were based on simulations of the ESU’s Multicountry and Singapore models. The resilience of the Singapore economy is partly due to the greater role of intra-regional trade in recent years and the strength of domestic demand elsewhere in Asia.

For example, China is anticipated to maintain strong economic growth even in the event of a double dip recession in the US, which will provide a cushion for the Singapore economy.
**R & D ORGANIZATION, MONITORING INTENSITY, AND INNOVATION PERFORMANCE IN CHINESE INDUSTRY**

by Albert Hu


This paper examines the relationship between organizational design and technological innovation in Chinese industry. In a principal-agent model, monitoring intensity is an endogenously determined input to innovation production. A recursive system of an innovation production function and a monitoring intensity equation, where the latent monitoring intensity is indicated by the existence of an R&D organization, is estimated with a nonlinear two-stage estimator for a sample of large- and medium-sized Chinese state-owned enterprises. It is the first knowledge production function estimate for China's enterprises. I find that R&D organization affects innovation performance positively and significantly.

**FDI IMPACT AND SPILOVER: EVIDENCE FROM CHINA'S ELECTRONIC AND TEXTILE INDUSTRIES**

by Albert Hu and Gary H Jefferson

World Economy, Vol. 25, No. 8, August 2002.

This paper uses an unusually rich set of firm-level data from China to test the impact of foreign direct investment on firm performance. We specifically examine the impact of FDI on firms in China's electronics and textile industries. Our results show that FDI firms are unambiguously more productive than non-FDI firms. In both industries, concentration of FDI at the industry level tends, in varying degrees, to depress the productivity of domestic firms and to steal their market share. We find that in the textile industry, SOEs are particularly susceptible to industry FDI. We further find that industry concentrations of overseas Chinese investment and FDI from OECD countries exert different impacts; concentration of latter exhibits a much more negative competitive effect on domestic firms. We summarize that this difference reflects the relative technological sophistication of OECD-based FDI.

**OWNERSHIP, PERFORMANCE, AND INNOVATION IN CHINA'S LARGE AND MEDIUM-SIZE INDUSTRIAL ENTERPRISE SECTOR**

by Albert Hu and Gary Jefferson et al

China Economic Review (forthcoming)

China's 22,000 large and medium-size enterprises stand at the pinnacle of Chinese industry. While they account for less than a fraction of a percent of China's nearly 9 million industrial enterprises, they collectively account for one-third of the nation's total industrial output. Using a panel of these enterprise data for 1994-1999, we find a rapidly diversifying ownership structure in which the role of the state is steadily retreating. At the same time, we find considerable variation in measures of performance across ownership types and see emerging within Chinese industry evidence of high-intensity R&D performers that exhibit substantial innovation capabilities.

**AGENDA RESTRICTIONS IN MULTI-ISSUE BARGAINING**

by Younghwan In

Journal of Economic Behaviour and Organization, Elsevier Science, the Netherlands (forthcoming)

We study a bilateral multi-issue bargaining procedure with complete information and endogenous agenda. In the procedure, proposals must be made on only one issue at a time, although the proposer can choose which issue to bring to the table. When bargaining frictions are small, there is a large multiplicity of equilibrium agreements, including ones with delay. However, equilibrium payoffs cannot be made arbitrarily small — perpetual disagreement cannot be supported in equilibrium. This multiplicity contrasts with the uniqueness found in the literature for a procedure where offers can be made in any subset of remaining issues.

**PRECAUTIONARY SAVINGS AND CPF CONTRIBUTIONS IN THE PRESENCE OF A BORROWING CONSTRAINT**

by Lam Chern Woon and Basant Kapur


The neutrality result that total private savings (voluntary and compulsory) are invariant to a change in the employee's CPF contribution rate has been derived by Hoon (1991) and Liew (2000), both of whom employed the assumption of perfect capital markets. It was shown by Lim (1994) to hold in a model with borrowing constraints as long as the latter are nonbinding. In this article, we integrate the phenomena of income uncertainty (from Liew) and borrowing constraints (from Lim) in a single stochastic, intertemporal optimization model. We demonstrate the
existence of precautionary savings and, contrary to common thinking, the nonneutrality result of total savings to the employee's CPF contribution rate even for workers with positive voluntary savings. The broader implications of this result are also discussed.

**SINGAPORE ECONOMY IN THE 21ST CENTURY: ISSUES AND STRATEGIES**
Edited by Koh Ai Tee, Lim Kim Lian, Hui Weng Tat, Bhanqi Rao and Ching Meng King
McGraw-Hill Education, 2002

Much has happened since 26 academics of the Department collaborated, against the backdrop of the 1985 recession, and published Policy Options for the Singapore Economy in 1988. This new volume of 24 chapters, a collaborative effort of 33 scholars from the Department, explores the issues, challenges and strategies as Singapore positions itself to compete in a knowledge-intensive world of the 21st century.

Part 1 deals with human resources. The rapid greying of the population has implications for population and immigration policies, the utilization of older workers, the social security of the aged, income gaps and the growth of the economy. Social and physical infrastructure is the broad theme of Part 2, which deals with housing, health care, transport and communications. Parts 3 and 4 deal with the institutional framework pertaining to the industrial and financial sectors and the macroeconomy, both internal and external. Both individually and together, they provide a platform for further research and policy discussions on the Singapore economy.

**RECONCILING THE NEW KEYNESIAN MODEL WITH OBSERVED PERSISTENCE**

Despite sound theoretical foundations a drawback of the New Keynesian model is its inability to generate adequate persistence in the variables which it seeks to explain. A common solution is to modify the model to include lagged variables. However, this is unsatisfactory as many of these modifications depart from the microeconomic underpinnings of the original model. This paper presents results from simulation exercises that support the fully forward-looking New Keynesian model. In particular, we show that the exchange rate channel of monetary policy is instrumental in generating inflation persistence. However, the combination of full forward-looking behaviour and an open economy is unable to generate sufficient persistence in the output gap. By including an autocorrelated noise term to the assumption of rational expectations, the model is capable of generating persistence that match those of US inflation, the output gap, the nominal interest rate, as well as the real exchange rate.

**A GENERALISED SOCIAL WELFARE FUNCTION AND ITS DISAGGREGATION BY COMPONENTS OF INCOME: THE METHOD AND APPLICATION**
by Pundarik Mukhopadhaya

The Social Welfare Function (SWF) is a decision rule to rank alternative social states in a complete fashion in terms of social welfare. This paper questions the philosophy of Paretian Principle as a desirable property of the SWF. It shows that it is possible to generalize the widely used Sen SWF, which can be non-Paretian under special circumstances. Also, it demonstrates the disaggregation method of this SWF by components of income using the Gini decomposition process. The method is applied to Australian Household Expenditure Survey data to estimate the trend of welfare of total income and its components in Australia from 1984 to 1993-94.

**EXPORT UNDER AN IMPORT SUBSTITUTION TRADE REGIME: AN ALTERNATIVE VIEW**
By Donghyun Park and Jung Hur

Along with export promotion (EP), import substitution (IS) is one of the two main trade strategies for developing countries. We show that an IS industry may remain an infant and still be able to export. Therefore, the ability to export is not necessarily evidence of import substitution being effective in the sense of helping a protected domestic industry achieve international competitiveness over time.
INTERHOUSEHOLD TRANSFERS BETWEEN RELATIVES IN INDONESIA: DETERMINANTS AND MOTIVES
by Cheolsung Park
Economic Development and Cultural Change (forthcoming)

This paper estimates the determinants of interhousehold transfers from parents to children, from children to parents, and between siblings in Indonesia. The estimation results of transfer amount equations indicate that a single motive cannot explain the transfers and that motives are different depending on the donor-recipient relationship. Parental transfers to children are estimated to be intended mainly to relieve children of liquidity constraints and compensate them for filial services. Children's transfers are targeted toward older parents and widowed mothers and likely to be substitutes for filial services. Inter-sibling transfers are, among the three, qualitatively most consistent with the characteristics of altruistic transfers.

MANAGERIAL ECONOMICS, 2ND EDITION
by Ivan Png
Blackwell Publishers, 2002

Managerial Economics develops simple, practical tools and concepts for business students as well as practicing managers. Written in a simple, accessible style, the textbook presents the essentials of managerial economics. It uniquely integrates the discipline to other managerial functions, including accounting, finance, human resource management, and marketing. Managerial Economics teaches students how to make better business decisions, not how to build models. Each chapter is built around an actual business case. The chapter then develops the relevant managerial economics principles in a simple, easily accessible style. Some of the cases are:

- Coca Cola's vertical structure and pricing
- Break even at the Asian Wall Street Journal
- Fujitsu, Texas Instruments, and the DRAM industry
- Qwest's 230% excess capacity
- Northwest Airlines' pricing strategy
- Airbus's organizational architecture

The chapter discussions are reinforced with numerous box cases from all over the world, including Echo Bay Mines (Canada), the Brisbane Concrete Cartel, and the China Light and Power (Hong Kong). Each chapter includes fifteen review questions to underscore the basic principles, as well as over ten discussion questions to apply and expand upon the principles to recent business problems. The second edition of Managerial Economics also emphasizes the economic principles of the "new economy", and particularly, scalability and network effects. These are developed through cases including Microsoft vs. AOL in Internet service, and Amazon's vertical integration into warehousing.

Managerial Economics is supported by resources for instructors and a study guide. It is the definitive text in the discipline. It is also available in Chinese and Korean.

THE ECONOMIC COST OF PARTICULATE AIR POLLUTION ON HEALTH IN SINGAPORE
by Euston Quah and Tay Lian Boon

The rapid process of urbanization and industrialization in developing countries and newly industrialized countries (NIC) over the past few decades has resulted in degradation in air quality in these countries. However, accompanying this phenomenon has been the growing realization that economic development and environmental management are mutually supporting goals. This paper attempts to address this concern by estimating the economic cost of particulate air pollution on health in Singapore. Using the damage function/dose response approach, the mortality and morbidity effects of particulate air pollution on the population are estimated. In addition, the economic values of these health impacts are also calculated in terms of the statistical lives which could be saved and the cost of illness incurred. The results show that the cost of particulate air pollution (PM10) in Singapore is substantial both in absolute and relative terms. It is estimated that the total economic cost US$3.662 million is about 4.31 percent of Singapore's GDP in 1999. The findings thus strengthen the assertion that policy makers should not ignore the environment in their pursuit for economic progress.

THE SOCIAL COST OF SMOKING IN SINGAPORE
by E Quah, K C Tan, S L C Saw, J S Yong
Singapore Medical Journal, Vol. 43 (7), 2002

This study provides estimates for the cost of smoking in Singapore in 1997. A first attempt for Singapore, the paper reports on two different methods used, namely, the human capital approach and the demographic approach. These two measures are similar in that they compare the economic...
costs of smoking in the actual situation with the hypothetical alternative where there had been no smoking. The direct cost of smoking includes the amount spent on hospital care for five main diseases related to smoking whilst the indirect cost includes the value of lost income. The mortality cost of smoking is derived from the aetiologic fractions of these diseases. The results from the human capital approach show that the social cost of smoking in 1997 ranged from S$673 million to S$839 million. Assuming there has been no smoking since 1990, calculations from the demographic approach indicate that national output would have increased by S$614 million in 1998. Nonetheless, the results from both approaches show that most of the cost of smoking is incurred by males.

**A MARKET MECHNISM FOR SCIENTIFIC COMMUNICATION: A PROPOSAL**

by Riyanto Y E and I H Yetkiner

Kyklos, Vol. 55, No.4 (November 2002), pp.569-573, Blackwell Publishers (The United Kingdom)

The purpose of this note is to propose a market-based mechanism to formalize the access, circulation, and feedback processes for pre-print papers by defining incentives for both the authors and reviewers, to be part of a scientific network. The proposed network aims to accomplish three objectives: to establish a mechanism for quality differentiation, to introduce a formal access-distribution-feedback system, and to enable efficient and effective communication within the scientific community.

**ENVIRONMENTAL ECONOMICS: CONCEPTS, METHODS, AND POLICIES**

by Dodo Thampapillai

Oxford University Press, 2002

This text provides a comprehensive treatment of environmental economics and is perhaps a first of its kind. This is because the text illustrates an innovative and novel approach to the formulation of environmental policy by developing the pertinent concepts and methods of economics by establishing the linkages between the environment and the economy by recourse to the laws of thermodynamics. These linkages are illustrated not only at the microeconomic level (as in most environmental texts) but also at the macroeconomic level. Hence this text fills an important gap in the literature of environmental economics which has been dominated by the analysis of microeconomic issues.

**HOW REWARDING IS TECHNICAL ANALYSIS? EVIDENCE FROM SINGAPORE STOCK MARKET**

by Wong W K, Manzur, M and Chow B K


This paper focuses on the role of technical analysis in signalling the timing of stock market entry and exit. We introduce test statistics to test the performance of the most established of the trend followers, the Moving Average, and the most frequently used counter-trend indicator, the Relative Strength Index. Using Singapore data, the results indicate that the indicators can be used to generate significantly positive return. We find that member firms of Singapore Stock Exchange (SES) tend to enjoy substantial profits by applying technical indicators. This could be the reason why most member firms do have their own trading teams that rely heavily on technical analysis.

**LONG-RUN GROWTH EFFECTS OF TAXATION IN A NON-SCALE GROWTH MODEL WITH INNOVATION**

by Jinli Zeng, Jie Zhang

Economics Letters 75 (2002), pp. 391-403

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.

**REEXAMING THE INTERACTION BETWEEN INNOVATION AND CAPITAL ACCUMULATION**

by Jinli Zeng

Journal of Macroeconomics (forthcoming)

In endogenous growth models with innovation and capital accumulation, Arnold (1998) and Blackburn, Hung and Pozzolo (2000) show that long-run growth of per capita income is independent of innovation activities; it is solely determined by preferences and the human capital accumulation technology. As a result, government policies do not affect long-run growth. This paper develops an endogenous growth model with innovation and (physical and human) capital accumulation to show that long-run growth depends on both innovation and capital accumulation technologies as well as on preferences and that government taxes and subsidies can have effects on the long-run growth rate.
Some of the overseas conferences attended by our staff from July to December 2002 are given below:

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<tr>
<th>Staff Name</th>
<th>Conference Title</th>
<th>Title of Paper</th>
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<tr>
<td>Dr Souresh Saha</td>
<td>57th European Meeting of the Econometric Society</td>
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<td>Dr Yohanes Eko Riyanto</td>
<td>17th Annual Congress of European Economic Association</td>
<td>On the Strategic use of Corporate venture financing for securing demand</td>
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<tr>
<td>Dr Wong Wei Kang</td>
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<td>How good are embodied and disembodied idea flows in bridging income gaps and idea gaps</td>
<td>Venice, Italy</td>
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<td>Dr Robert F. Owen</td>
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<tr>
<td>Dr Lim Boon Tiong</td>
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<td>University of Toronto, Canada</td>
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<td>Dr Sougata Poddar</td>
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<td>Mr Roland Cheo Kim San</td>
<td>Australian Conference of Economists</td>
<td>Academic Performance and Peer Grading: An Experimental Design Examining Self Interest and Spillover Effects</td>
<td>Adelaide, Australia</td>
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<td>Assoc Prof Euston Quah</td>
<td>8th East Asian Economic Association Convention</td>
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<td>Dr Shin Jang-Sup</td>
<td>Lecture on the Korean Business Environment</td>
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<td>Assoc Prof Jose Tongzon</td>
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<td>Prof Parkash Chander</td>
<td>1) Seminars at CORE, Belgium 2) Training Programme in Environmental Economics in Jadapur, India</td>
<td>Belgium, Jadapur, India</td>
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<td>Dr Ng Seok Hian</td>
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**Notes:**
- Social Welfare Function in a Generalised Form
- Income Distribution and Social Sector After Crisis in Southeast Asian
- Economic Cost of Particulate Air Pollution on health in Singapore
- Special Business Conditions in Korea
- Port Choice and Performance in a competitions environment
- The γ-core and coalition formation
- Public Economic Theory
- Do the Economies of specialization justify the work ethics: An examination of Buchanan’s Hypothesis?
- Sluggish Adjustments and vulnerability to changes in confidence: A Mesoeconomic Perspective on the Effects of a Financial Crisis
ECONews

The Lim Chong Yah Inaugural Lecture on “Economics, Economists, and Behavioural Findings: What This Year’s Nobel Prize for Economics is About” was delivered by Professor Jack L Knetsch on 13th November 2002. Appended below are the brief biography of Professor Knetsch and the write-up of his lecture.

Professor Jack L Knetsch obtained his PhD in Economics from Harvard University in 1963 and is currently an Emeritus Professor at Simon Fraser University, Canada. He has a distinguished academic record and visited many other Universities that include the National University of Singapore and Nanyang Technological University. He has published widely on areas related to environmental economics, resource management, and experimental economics. The journals that benefitted from his contributions include The American Economic Review, The Quarterly Journal of Economics, The Journal of Political Economy, Journal of Environmental Economics and Management, Land Economics, Journal of Farm Economics, and so on.

The Lim Chong Yah Inaugural Lecture
The Economist’s Guide for doing economics — describing, explaining, predicting, and prescribing — is what has become known as standard economic theory. In many ways, it has served us well. But it is also continually being improved, as for example, in much better quantitative estimates of economic relationships and outcomes made possible by modern econometric methods.

In a similar way, the new sub-field of behavioural economics offers the potential of further improving how we do economics. This year’s Nobel Prize in economics to Daniel Kahneman, for his work in bringing insights of psychology to the analyses of economic judgments and decisions, is further evidence of how far this field of study has developed. Vernon Smith’s sharing of the Prize, for his work in experimental economics, emphasizes the complementarity as well as the differences between the two fields — behavioural is about how people make decisions and includes tests of economic assumptions and predictions, experimental is about how economics can be reproduced in laboratory settings.

The findings of behavioural economics have revealed many systematic and important examples in which standard theory leads to poor predictions of people’s choices. For example, in one experiment individuals both bought and sold an entitlement to a simple 50 per cent chance to win $20. Their (mean) value of gaining this good was $5.60, but their valuation of losing exactly the same entitlement was $11.02. This is one of many illustrations of the widespread disparity between peoples’ valuations of gains and losses. Contrary to the assumptions of standard economic theory, people do not value gains and losses equally but instead commonly value losses from two to four or more times their valuation of gains.

This difference is but one of many cases in which the predictions of economic theory are demonstrably wrong, not in any random way, but systematically so. While such differences have been widely observed, Professor Kahneman, along with his long-time collaborator Amos Tversky, made sense of them by adding the psychological understandings that, for example, people change in terms of changes from a reference rather than as final states as assumed by economists, and that they value them differently depending on the direction of the change from the reference.

Many of the findings of behavioural economics have been replicated under widely varied circumstances and
As part of the renewal of the Singapore Economic Review (SER) under its new Editor, Associate Professor Euston Quah, the SER Inaugural Lecture was officially launched on 26 August 2002. The lecture was given by Professor David Greenaway, a Professor of Economics and Director of the Leverhulme Centre for Research on Globalisation and Economic Policy at the University of Nottingham in the United Kingdom. The SER Lecture is partially supported by the Economic Society of Singapore (ESS) and World Scientific Publishing – the publisher of the journal. In addition to staff and students from NUS, the occasion was graced by the presence of several foreign ambassadors to Singapore, journalists and economists from the public and private sectors.

Professor David Greenaway chose to speak on a topic that is not only of interest to his fellow countrymen but is also of great relevance to people in this part of the world: “Can the European Union Afford the Euro and Enlargement to the East?” These are the two major challenges facing the EU viz., the adjustment of economic policies to the single currency and the incorporation of the transitional economies of Central and Eastern Europe into the Union. The speaker began by discussing the criteria for accession to the EU and relating them to the macroeconomic situations in the acceding countries. He then pointed to the likely consequences for trade of enlargement, emphasizing in particular the expected modest increases in intra- and extra EU trade.

Moving to Economic and Monetary Union (EMU), Professor Greenaway highlighted the three key issues of asymmetric shocks, labour mobility and fiscal constraints. Given the limited labour mobility between countries in the EU, he argued that asymmetric shocks to member countries would have to be ameliorated through budgetary measures by individual governments in view of the constraints on monetary policy imposed by EMU. This means that there will be pressing demands on national budgets. Moreover, these pressures will be intensified with enlargement to the East as a result of the increase in the population eligible for assistance under structural funds. Professor Greenaway concluded that there appears to be a trade-off between the EMU and enlargement, leaving the audience with the provocative question: are the two substitutes or complements?

The full text of the Lecture will be published in the April 2003 issue of the Singapore Economic Review.

Reported by: Dr Choy Keen Meng
Assistant Editor, SER
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 December 2002 are provided below:

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<td>Can ‘Irrational Exuberance’ Be Rational? A Reconciliation</td>
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<td>Dr Robert F. Owen, Visiting Senior Fellow, Dept of Economics, NUS, and Professor of Economics, University of Nantes</td>
<td>Fundamental R&amp;D Spillovers and the Internationalization of a Firm’s Research Activities</td>
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<td>Professor V. Ranganathan, Professor of Economics and Management, Indian Institute of Management</td>
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<td>Professor Yew-Kwang Ng, Visiting Goh Keng Swee Professor (from Monash University), Department of Economics, NUS</td>
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<td>Assoc Prof Ahmed M. Khadir, Bond University, Australia</td>
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<td>Professor Bernard Francq, Université de Caen, France</td>
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<td>Dr Robert F. Owen, Visiting Senior Fellow, Dept of Economics, NUS, and Professor of Economics, University of Nantes</td>
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<td>Dr Ngiam Kee Jin, Senior Fellow, Institute of Southeast Asian Studies</td>
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<td>Dr Jie Zhang, Senior Lecturer, University of Queensland</td>
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<td>Professor Ronen Israel, Interdisciplinary Center (IDC), Haifa, Visiting Professor, Chicago Graduate School of Business</td>
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<td>Dr John Aalbu-Aksnes, University of Queensland</td>
<td>Is There A Case For Low Inflation Induced Productivity Growth in Selected Asian Economies?</td>
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<td>Reconciling the New Keynesian Model With Oberved Persistence</td>
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STOCKHOLM SCHOOL OF ECONOMICS, SWEDEN

As part of the Department's initiative to promote research collaboration with similar departments of foreign reputable universities, it jointly sponsored and organized the Second Workshop on Institutional Change in Southeast Asia in Stockholm School of Economics, Sweden, on 10-11 June 2002. This is a follow-up workshop after the first workshop was held at the National University of Singapore on 23-24 November 2001.

Unlike the first workshop, the papers presented are final and revised versions of the papers presented in the first workshop after taking into account the comments and suggestions made in the first workshop. The themes of the workshop included the implications of the crisis and Singapore's extra-ASEAN Free Trade Agreements for ASEAN (Jose Tongzon), prospects for an Asian Monetary Union (Peter Wilson), CPF as a counter-cyclical tool (G. Hui), labour market in a knowledge-based economy (H. Lim), bounce enhancing capacity of institutions in the wake of the Asian crisis (Orjan Sjoberg and Pernilla Rafiqui), crisis, social and income distribution in some Southeast Asian countries (P. Mukhopadhaya) and reform and recovery in Indochina: Policy Choices for Laos (Ari Kokko). The second day covered topics including human capital and structural change: educational reforms and challenges in Southeast Asia (Fredrik Sjoholm), technological governance in ASEAN – failings in technology transfer and domestic research (Jon Sigurdson), institutional change, transaction cost and transition cost (Shin Jang Sup), and the East Asian Developmental State revisited - what was in the concept? (Christi Gunnarson). During lunch the participants were also treated to a luncheon talk by Professor Yun-han Chu from National Taiwan University and currently President of Chiang Ching-kuo Foundation in Taipei, on the challenge of China’s economic rise to East Asia.

It was an interesting and stimulating workshop with a lot of constructive ideas generated and discussed. The comments generated have been helpful in revising the respective papers. The coordinators, Associate Professors Jose Tongzon and Fredrik Sjoholm have already submitted a formal application to Routledge for possible book publication.

UNIVERSITY OF MELBOURNE

The fourth Annual Joint Symposium between the Faculty of Economics and Commerce, University of Melbourne and Department of Economics, NUS was held on 24-25 June 2002. The theme of the Symposium was “Industrial Organization and Capital Markets”. Four faculty members from the Department presented the following papers:

- Does the Structure of Debt Affect the Output and Investment Strategies of the Firm? by Dr Uday Bhanu Sinha
- The Role of Corporate Venture Financing in Expanding Market Share of a Product by Dr Yohanes E Riyanto
- On the Estimation of the Cost of Capital and its Reliability by Assoc Prof Wong Wing Keung
- Excess Entry Revisited by Dr Sournesh Saha

Two faculty members, namely, Dr Sougata Poddar and Dr Shandres Thangavelu, were requested by the University of Melbourne to be in their programme on “Teaching and Research Methodologies”.

CHULALONGKORN UNIVERSITY

A Joint Symposium organized by the Faculty of Economics, Chulalongkorn University and the Department of Economics, NUS in cooperation with the International Institute for Trade and Development was held on 6 December 2002 at Chulalongkorn University. The theme of the Symposium was “Key Economic Issues for the Future of Asia”. The following seven papers were presented by eight faculty members from the Department:

- China’s Entry to WTO and Economic Growth in Asia by Assoc Prof Zeng Jinli
- Challenges After the Asian Crisis: Fiscal Restructuring in ASEAN by Assoc Prof Chia Ngoc Choon
- Challenges After the Asian Crisis: The Need for Corporate Governance by Dr Lim Boon Tiong
- Health Regulation and Reforms by Professor Åke Blomqvist
- Environmental Management: Issues and Challenges by Assoc Prof Euston Quah
- Energy Policies in Asian: Issues and Challenges by Dr Chang Youngho
- Impact of Information Technology on Financial Markets: Regulation and Policies by Dr Shandres M Thangavelu

As in the initiatives described earlier, the objective was to encourage faculty and student exchange, as well as research collaboration, with this leading regional institution.
Two Economics Graduate Seminars were organized in Semester 1 for the benefit of our graduate students.

**Dr Vivian Balakrishnan**, Minister of State for National Development, was the first invited guest speaker for the Economics Graduate Seminar Series held on 24 July 2002 at the Faculty Lounge, Shaw Foundation Building. Dr Balakrishnan spoke on the topic "Inequality" which was well received by the more than 60 graduate students and staff members who attended the talk. The Member of Parliament went on to describe how inequality among the various ethnic groups was a natural consequence of the selective immigration policies during the British colonial era, and how Singapore’s founding leaders inherited these policies. The mandate then was to provide equal opportunities despite the inevitable inequality of outcomes. Hence, this system of accepting inequality of outcomes by providing the necessary measures for social mobility, such as education, healthcare and housing, is still the driving principle behind the present government’s policies. Dr Balakrishnan also pointed out that the price for the rapid transition from a Third World to a First World status had led to job losses due to structural unemployment. For example, retrenched workers in their forties without tertiary education were unable to find new jobs when made redundant. Social safety nets and tax policies (and how these policies have differing effects on various groups within the economy) were also issues which Dr Balakrishnan discussed.

Students and staff members raised numerous interesting and thought-provoking questions during the Question-and-Answer session that followed. His spontaneous style elicited good response from the audience, and Dr Balakrishnan fielded all the queries with witty answers and anecdotes.

On the whole, the participants had an enjoyable evening. The feeling of the audience could very well be summed up in a remark made by a graduate student that it was “simply excellent”.

**Professor Roberto S Mariano**, Founding Dean of the School of Economics and Social Sciences of the Singapore Management University (SMU) and Professor of Economics and Statistics at the University of Pennsylvania was the second invited guest speaker for the Economics Graduate Seminar Series held on 4 September 2002.

Professor Mariano spoke on the topic “Higher Frequency GARCH-Markov Chains for Predicting Currency Crises in Southeast Asia.” He discussed the monthly econometric models for predicting currency crises in major countries in Southeast Asia – Indonesia, Malaysia, the Philippines, Singapore and Thailand. Such an approach to forecasting currency crises addresses the drawbacks in earlier techniques that have been used in the literature such as probit/logit and signaling. The general framework is a Markov-regime switching model with time-varying transition probabilities for exchange rate fluctuations – implemented at various levels of complexity. Transition probabilities in the Markov chain depend on indicator variables that relate to the macroeconomy, capital flows and financial fragility. The estimated basic models proved moderately successful at sending warning signals but the results are not uniform across countries. For some depreciating episodes, such as those in 1981 and 1984 for Thailand as well as the 1997 crisis for both Malaysia and Thailand, the models provided strong signals, in some cases, several months in advance. But for both episodes, particularly the 1997 crisis for Indonesia and the Philippines, the basic models provided at best only weak warning signals. Preliminary empirical results on Thailand show that the extended model is able to identify crisis episodes and performs substantially better than the basic model without GARCH features.
Professor Mariano’s topic was well received by both students and staff members. He fielded a number of questions related to the models, and discussed how real exchange rate overvaluation, growth in real domestic credit, and money supply relative to reserves are useful early warning indicators to exchange rate behaviour.

**Graduate Students’ Symposium**

The Economics Graduate Student Society (EGSS) held its first ever graduate symposium on 25 September 2002. The symposium was an attempt to initiate a culture of debate and exchange among the graduate students in the Department. Judging from the response and support received, it is likely that a Symposium will be held every semester.

The discussion was moderated by Associate Professor Habibullah Khan. The panelists included Issahaq Umar Iddrisu, Gurpreet Singh Bhatia, Wong Chee Kong, and Sarah Chan Siaw Fume. The aim of the first symposium was to increase awareness of the stakes involved in China’s accession to the World Trade Organization (WTO). The topic was “China’s accession to the WTO: Zero-sum game or positive-sum game?”

From the presentation of the panelists, it became apparent that while China’s accession to the WTO is a positive-sum game in total, measures have to be taken by the international trade body to alleviate the possibilities of a zero-sum game resulting from China’s accession. In that respect, the trade policy orientations of WTO member countries, rules and regulations governing the WTO, and international trade provisions of the WTO have a role to play.

**The Economics Graduate Students Society (EGSS)**

Formed two years ago, the Economics Graduate Students Society (EGSS) has now become an integral part of the Department of Economics. Through the many activities organized, graduate students are able to interact with each other as well as with staff from the Department in an informal setting. An example of such an event was the social gathering at the Guild House on 24 August 2002 where more than 75 students and staff attended and had an enjoyable time over games and quizzes. The next event, a barbecue, will be held on 23 November 2002.

EGSS offers students opportunities to practise their presentation skills and participate in lively discussions with their peers and staff. The recent Symposium, which took place on 25 September 2002, enabled students to put forward their views on China’s accession to the WTO.

Learning about issues from key figures from the public sector and the private sector is also essential in helping graduate students broaden their perspective and gain a richer understanding of current affairs. At the beginning of the semester, we were honoured to have Dr Vivian Balakrishnan, Minister of State for National Development and Chairman of the Remaking Singapore Committee, share his views on inequality. It was a thoroughly interesting session and many students and staff benefited from his informative and humorous approach to the political and economic development of Singapore. Other prominent speakers invited for next semester include Mr. Peter Seah, Chief Executive Officer of Singapore Technologies.

Another aim of the EGSS is to ensure that new students, especially those from overseas, have a sense of belonging to the Department of Economics. Members of the EGSS Committee are readily available to answer any queries relating to the needs and concerns of graduate students. Furthermore, there are two Welfare Officers in the Committee specially appointed to look after the welfare of current students, and two Hospitality Officers to ensure that new students are able to settle in well in their new surroundings. Recently, a hospital visit was arranged, as a fellow student was hurt in an accident.

EGSS will continue to grow as more students enrol in the postgraduate programme in the Department of Economics. It is encouraging to see the enthusiasm displayed by the graduate students in participating in planned events. This will go a long way in fostering stronger ties among the graduate students.

Contributed by: Alex Lum, President, Economics Graduate Students Society.
NATIONAL DAY LECTURE 2002

We, the Talks & Seminar Committee, are indeed honoured to have our distinguished guest, Mr Khaw Boon Wan, Senior Minister of State, Ministry of Transport & Ministry of Information, Communication, and the Arts for the National Day Lecture 2002 on 30th August 2002. This year’s topic was “Making a Living: Your Generation and Mine”.

As Singapore’s population is ageing, we are now facing with a shrinking workforce. Not forgetting that Singapore does not have much natural resources, the only resource that can keep Singapore thriving is its people. Mr Khaw in his speech highlighted the difference of how our fathers used to work in the past (2G) compared to our generation (3G). Having them gone through World War 2 and experience hunger and poverty, they are said to be of more resilient to harsh environment. In comparison, we are considered fortunate. Many of us have lived in our ‘comfort zones’ and are yet to experience any formidable difficulties in life, the Minister said.

However, this smooth-sailing lifestyle should not be taken for granted by us, Mr Khaw warned. In this bleak economy, in order to cut down overhead costs, many companies are down-sizing their operations. This has resulted in a large number of people being unemployed. Though unemployment rate is at its peak, we still have people who are quite choosy about the jobs. This could perhaps be attributed to different priorities set by people of two generations. The 2nd generation people may be more than satisfied if they could find a suitable job to meet their daily needs. Whereas for us, 3rd generation people, we are more concerned with our material needs. Is the job promising enough and what extra incentives are given? We often ask ourselves before accepting a job offer, the Minister added.

So, for many of us, in order to pursue our dreams, we have gone abroad. Before Mr Khaw Boon Wan ended his speech, he gave an example of our home-grown singer, Stefanie Sun. Though she may have been singing for a couple of years, she has gained significant stardom overseas. Not forgetting, she has won numerous awards for Singapore too and made Singaporeans proud, said Mr Khaw.

Once again, we wish to thank Mr Khaw Boon Wan for taking time off to grace this occasion. Last but not least, we wish to express our heartfelt gratitude to all the audience and those who have made this event a success.

(Reported by Clara Eng)

NATIONAL ECONOMICS AND FUND MANAGEMENT QUIZ-NEFMQ 2002

The National Economics and Fund Management Quiz 2002, sponsored by Government Investment Cooperation GIC, is an annual event organized by ENS for all Junior Colleges and Centralized Institutes in Singapore. This year’s finals were held on 1st August in Concorde hotel with an audience of more than 250 people. Dr Khor Hoe Ee, Assistant Managing Director, Monetary Authority of Singapore (MAS) Economics Department and President of Economics Society of Singapore, was the Guest-of-honor to grace this event.

(continued on page 17)
I had the rare opportunity of spending Semester 1 of Academic Year 2001/2002 at George Washington University (GWU) in Washington D.C. in the United States on the Student Exchange Programme (SEP). Naturally I was excited and apprehensive about going on the SEP as it was going to be a brand new experience for me. I had envisaged the US to be a very different place as compared to Singapore in terms of the academic atmosphere, culture and basic values and principles in life. Indeed, as I discovered later, it was much more than I had expected.

The academic atmosphere at GWU is more relaxed than at the National University of Singapore (NUS). This is due to the nature of its academic programme and the examination system. In GWU, one can get full marks for just handing work, meaning that for some modules, one can get marks just for completing a certain amount of work. In addition, some lecturers compute the continual assessment marks by taking the best grades of all the work handed in. Consequently, the system is less stressful and does not penalize students having obtained a poor grade on a piece of work by giving them a second chance since the worst grades would be left out in the computation of the final grade.

The second major difference is that US students are very active in raising questions (even if they are remotely relevant to the topic under discussion) and very responsive in answering questions. I realized that they consider it rude not to answer when someone is asking a question. In contrast, the culture here is different. We are shyer in NUS and are hesitant in responding to questions even when we know the answers. Lecturers are therefore forced to answer their own questions. I guess this difference reflects the different ways we were brought up.

The American culture is also very different from the Singapore culture. I could often, by listening to people, reading the newspapers or watching the news, feel how strongly Americans value individual rights. In Singapore, our preoccupation is with jobs and salaries. Initially, I had a slight difficulty adapting to the American ways because of these differences but, eventually, I grew accustomed to them. The important lesson I learnt is that we must try to absorb the best of different cultures, as all societies are intrinsically different, no one society or culture is superior.

I remembered telling myself that the one thing I would never forget about this trip is the 911 incident. It was about 8 plus in the morning when the phone rang and my roommate was told that a commercial plane had crashed into one of the Twin Towers of the World Trade Centre in New York. The initial reactions from us were that it was an
accident. After a while, the phone rang again reporting that a second plane had crashed into the other Twin Tower. I still remembered that I remarked, in a sleepy mood, that something was wrong with the pilots that day. It was only after President George Bush announced that it was an act of terrorism and that planes were heading to Washington D.C., (possibly for the White House) that I jumped out of my bed. I felt I was in a situation akin to World War 2 or the racial riots in Singapore, events which I had studied in history texts. The crash at the Pentagon occurred just a few miles away from my place of residence and people were evacuated from Washington D.C. to nearby states like Virginia. The metros were packed, the White House was on high alert and there were police and military officials all along the streets. Helicopters and fighter planes patrolled the sky 24 hours and all TV channels were reporting about the 911 incidents. Being physically in the US, I could actually feel the impact and sadness of this tragedy on the American people and observe how they bonded together during that difficult time. It made me realised how sheltered I had been in peaceful Singapore.

I have ‘grown up’ much having been on this SEP, and it had added a rich chapter to my life. I would definitely regret it if I had missed out on this meaningful experience. So to my fellow students out there, seize the opportunity to go on the SEP. We live only once, so live life to the fullest!

AUTUMN IN TORONTO 2002
Henry Ng (Currently a third year Arts student majoring in Economics)

The beauty of autumn, with the different hues of leaves ushering in the start of fall, has always amazed me. Standing amidst an enchanted garden of golden maple leaves with tinges of redness was a dream which became a reality for me this fall.

Toronto, which means “meeting place” in the native Huron language, is the financial hub of Canada, with Bay Street housing the Toronto Stock Exchange, analogous to Wall Street in New York. The pace of life here is a little less hectic than in Singapore, but the University of Toronto places great emphasis on continual assessment, as evidenced by the number of mid-terms and their respective weightings in the total marks. Having virtually no tutorials for the upper level courses translates to more time for reading outside of our regular coursework, and also more time to engage in activities which will enhance multi-cultural exchanges.

With high immigration rates in Canada, Toronto is really a melting pot of multi-culturalism with students coming from a wide spectrum of countries. International students form almost half of the student population on campus. Furthermore, the International Students Centre here hosts activities such as getting students to showcase the culture and food of their respective countries, Toronto also has various townships with distinct cultures such as Little Italy, Little India, Chinatown, Korean Town, Greek Town, to name a few.

My stay here has been filled with many new experiences, such as watching a live baseball game and a live NBA game, walking in the midst of a forest full of golden maple leaves, going up close to the Niagara Falls, feeling the first flakes of snow falling gently upon my face, sampling Greek to Moroccan cuisine, and enjoying a belly dancing performance. The list never ends. Skiing and snow boarding are what I am looking forward to in the winter before I return to the sweltering heat of Singapore!

The experience of living in Canada and the opportunity of touring Boston, New York City and Washington D.C. on this exchange program has been extremely fulfilling for me. It has enabled me to experience the North American university education system, and the cultural enrichment I get from mixing with people of different races has broadened my horizons. I wish NUS will one day truly become the Boston University of the East. The best is yet to be!
Nineteen Honours Year students visited the SATS In-Flight Catering Centre at Changi on Friday 27 November 2002 together with Professor ke Blomqvist, Head of Department and Dr Lee Soo Ann, their lecturer for the EC4202 Honours Year class on The Singapore Economy: Issues and Options in a field trip to see for themselves outstanding Singapore companies which they have studied in that seminar class. Their hosts were Mr Joseph Chew, (extreme left) Chief Executive of SATS, himself an Honours graduate in 1967 and Mr Tan Chuan Lye (extreme right), Vice-President of SATS, himself an Honours graduate in 1976. The Department is grateful to Mr Chew and Mr Tan for their hospitality.

VISIT TO SATS IN-FLIGHT KITCHEN

Other alumni who wish to host Honours students in their field trips can contact Dr Lee Soo Ann at ecsleesa@nus.edu.sg.

THE ECONOMICS EXECUTIVE PROGRAMME

The Department’s Economics Executive Programme had collaborated with external bodies like the Ministry of Foreign Affairs, Japan International Cooperation Agency, Colombo Plan Secretariat, France (ADETEF), Civil Service College Consultants and Ministry of Trade and Industry (FIREfly Agencies), in organising five workshops from Oct - Dec 2002. These workshops benefited more than eighty high-ranking, top government officials, particularly from ASEAN countries. The details of the training courses are as follows:

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<td>Ministry of Foreign Affairs &amp; Japan International Cooperation Agency (JICA)</td>
<td>Contemporary Development in Banking &amp; Finance</td>
<td>28 Oct - 08 Nov 02</td>
<td>17 (ASEAN countries, Oman, East Timor)</td>
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<tr>
<td>2</td>
<td>Ministry of Foreign Affairs &amp; Colombo Plan Secretariat</td>
<td>Economic Development Experience of Singapore</td>
<td>18-29 Nov 02</td>
<td>21 (Member Countries of Colombo Plan Secretariat)</td>
</tr>
<tr>
<td>3</td>
<td>Ministry of Foreign Affairs &amp; France (ADETEF)</td>
<td>Debt Management</td>
<td>09-11 Dec 02</td>
<td>11 government officers from ASEAN countries</td>
</tr>
<tr>
<td>5</td>
<td>Civil Service College Consultants</td>
<td>Managing a Market Economy in a Globalised World: The Economic Development Experience of Singapore</td>
<td>26 Nov-13 Dec 02</td>
<td>16 Vietnamese government officers</td>
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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.

STAY IN TOUCH

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 EIGHTH LIM TAY BOH MEMORIAL LECTURE

The Eighth Lim Tay Boh Memorial Lecture was held on Thursday 11 July at 5:45pm at Lecture Theatre 13, NUS, under the Chairmanship of Assoc Prof Euston Quah. Professor Paul Klemperer, Drummond Professor of Economics at Nuffield College, Oxford, presented the lecture on “Using and Abusing Economic Theory”.

In his Lecture, Professor Klemperer showed how economic theory is often abused in practical policy-making by drawing examples from the Asian and European 3G auctions and discussed the broader lessons that can be drawn from such misapplications. The Lecture can be downloaded from http://www.paulklemperer.org

The Lecture was well attended and ended at about 7:45pm with a lively Q & A session.

THE DEPARTMENT’S CHINA INITIATIVES

A delegation of five faculty members from the Department led by the Head, Prof Åke Blomqvist, visited the Beijing University (School of Economics and the Guanghua School of Management), Tsinghua University (School of Economics and Management), Renmin University (Economics School) and Beijing Institute of Technology (School of Economics and Management) in September 2002. The objectives of the trip were:

· To explore opportunities for research collaboration, and academic exchange of faculty in economics;
· To publicise the Department’s graduate programme;
· To explore the possibility of conducting joint symposiums and public workshops in China.

Arising from the visit to China, an MOU was signed between the School of Economics, Peking University and the Department of Economics on 5 September 2002 at Peking University. The two institutions hope to enhance research collaboration and facilitate the exchange of staff and students. Joint workshops between institutions would also be encouraged.