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Let market forces decide

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FROM the standpoint of modern macroeconomics, this year's Budget continues, and accentuates, a welcome shift in emphasis from a neo-classical growth framework (in which growth is largely driven by the accumulation of capital and labour) to one based on endogenous growth (in which growth occurs significantly as a result of R&D and innovation, skills upgrading and efficiency improvements).

Some specific comments on this shift: First, the Budget's underlying philosophy is to enhance capabilities across the board, and then let market forces decide the winners and losers. It is not the Government's role to pick winners.

Some explanation will then be required of how this is consistent with the provision of special incentives to particular activities and sectors, as Annex 2 to the Budget describes. There are targeted or expanded incentives aimed at international legal services, real estate investment trusts, maritime finance, ship brokers, registered business trusts, aircraft rotables and others.

Are there specific "market failures" in these areas that warrant particular interventions?

Second, enhancements to the Workfare scheme are being proposed. The increased payouts should largely, I believe, be in the form of cash, rather than Central Provident Fund top-ups.

Low-wage workers have pressing current needs, and their retirement needs will be better met from the higher future incomes they receive after training.

I support the phased increase in foreign worker levies, and am not persuaded that construction, hotels and restaurants will be unduly burdened. We should study closely practices in countries such as Japan, South Korea and Australia, which do not rely significantly on foreign workers in these and other sectors.

Lastly, a general comment on HDB prices: In addition to resale price-median household income ratios, it would be very instructive to study the trend over time in the ratio of average new HDB prices to median incomes of young Singaporeans, say, in their early 30s.

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