

# *Two questions for ministers*

■ **BY IVAN PNG**

**A**S THE Budget debate gathers speed, MPs will be working hard to prepare “cuts” for ministers. Here are two for their consideration.

■ Ask Deputy Prime Minister Teo Chee Hean if he would consider investing to research the micro-economic dimensions of productivity?

The Economic Strategies Committee would like to double the annual growth of productivity from 1 per cent to over 2 per cent. DPM Teo spearheads the national productivity effort.

Raising productivity is a complex challenge. At the macro level, with low foreign worker levies and few restrictions, businesses would rather hire cheap foreign labour than invest in automation and training. The solution is simple: Raise foreign worker levies. The Ministry of Manpower has just done so.

However, recent studies of manufacturing have revealed persistent shortcomings within organisations: They are just not adopting simple management practices, never mind best practices. The puzzle is why.

The reason is likely quite complex. Nationally, to save energy, we have targeted to set air-conditioners at above 23 deg C. Yet, university facilities are always freezing. One morning, I arrived early and discovered the reason. The cleaner had set the thermostat to below 15 deg C to cool herself quickly. A good policy was undermined by personal motives.

To “work smarter” effectively, we really need to understand better the interplay between management, organisation and

individual incentives. Just as we are spending large sums on research into science and engineering, we also need to invest in research into productivity. This is too important to be left to intuition.

■ Ask the Minister for Finance if he would consider replacing the ban on the sale of chewing gum with a suitable excise duty on chewing gum?

We want Singapore to become a leading global city, commanding the best among the world’s talented and wealthy. At present, however, even among educated foreigners, the first thing that comes to mind when Singapore is mentioned is its ban of chewing gum.

Discarded chewing gum is indeed a nuisance. But rather than simply ban the retail sale of chewing gum, we could apply our approach towards other “sins” like cigarettes, alcohol and gambling: Impose a heavy excise duty to reflect the environmental costs of chewing gum.

By applying a tax, we would again lead the world in innovative public policy – as we have with Electronic Road Pricing and the opt-out system for organ donations.

The excise duty would rightly focus attention on the costs of dealing with discarded chewing gum. Indeed, the minister should also consider levying a lower duty on biodegradable chewing gum.

**The writer is the Lim Kim San Professor at the NUS Business School and professor of Economics and Information Systems at the Economics Department, National University of Singapore.**