TRANSCRIPT OF INTRODUCTORY SPEECH BY AUTHOR LIM HWEE HUA, AT THE BOOK LAUNCH OF "GOVERNMENT IN BUSINESS: LEADING OR LAGGING?", THURSDAY, 18 FEBRUARY 2021, 5.20PM, SIM MANAGEMENT HOUSE

Very good afternoon to all of you, and good morning, to those of you who are joining us virtually. First of all, let me thank Minister Chan Chun Sing for so kindly agreeing to be present today, to address us and share to his thoughts. I also want to express my deepest appreciation to all you friends who are here today, as well as to welcome all those who are joining us virtually.

Allow me now to share with you some of my perspectives of the evergreen debate over the role or roles of government in business, or often referred to as the public-private divide.

Now, this is perhaps a realistic depiction of how the government of many countries is currently being pulled in many directions. Whilst 'business as usual' would still require the pursuit of plans that preserve security and the protection of national interests, the Covid pandemic has aggravated the fiscal burden of bailouts and stimulus packages especially to counter unemployment. Meanwhile, the public is looking to clear leadership in not just tackling the health crisis but also supporting the collapsing economy.

When I first explored the various themes around the role of government in business, never have I thought that I would witness the about-turn of long-held assertions, all in the space of less than a year. Where it was fashionable not too long ago to incline towards a "less government-more market" economy, the Covid pandemic has turned everything on its head. All at once, the government had to take control of everything – from the regulation of the procurement of surgical masks and personal protective equipment to oversight of both the public and private healthcare facilities. And now, obviously, to the availability of vaccines and executing the vaccination programme.

On the economic front, some of the harshest, but deemed absolutely necessary steps taken, like lockdowns, pertained to grinding all activity to a halt. This widescale economic activity curb unfortunately has meant that unemployment would spike to unprecedented levels. Add to that, there's the burden of ballooning bailouts of a wide range of businesses, beyond the usual state-owned enterprises.

Let me now return to the pre-Covid days. Pre-Covid, we often hear the rumbling of how the state is always playing catch-up – and this is particularly noticeable in innovation-centric businesses where domains or even markets overlap. For example, fintech and the sharing economy like ride-sharing, and even accommodation sharing.

Dissatisfaction with the government has often been expressed over, firstly, the apparent inability to regulate new services properly, to a lack of innovation bent, and to an over-reaction tendency, essentially locking the stable doors after the horses have bolted.

In short, the government is often depicted as a lagging regulator, inept and incompetent, if not a little breathless. I would argue that this criticism may not be justified. It is in the nature of entrepreneurship and capitalism to constantly exploit new opportunities, looking for lacunae in regulatory frameworks. The quest to beat-the-system and the returns achieved by successful ventures would be attractive enough to enable the private sector to continually attract and reward the necessary talent. There is therefore an unlevel playing field. It may be challenging for any government to be able to attract and retain its fair share of talent ordinarily, in order to pre-empt trends and to prescribe the necessary rules, be it for regulation of a strategic sector or for competition reasons.

Letting innovation blossom has proven to be a good thing, especially for consumers. Think about how gloriously easy it is to make payments without having to write a cheque or pay by cash in person. Fintech will therefore continue to delight customers and consumers while posing some real challenges to regulators. Where innovation encroaches onto a regulated domain and poses real or potential systemic risks, the state has no choice but is forced to respond. Social ills can result from excessive or the wrong use of fintech innovations, real or anticipated. For example, the unbridled extension of personal credit, bypassing the prudential standards of the banking system, has to be reined in at some point. Technology has generally been a plus. But left on its own and in the wrong hands, it can pose a threat. So take for example drones, great for hobbies for photography but a real menace to planes at the airport.

Hence, are there occasions when intervention may be justified? Of course, some may argue, but timing as we all know is everything. Unfortunately, it’s not a luxury that the government has as everyone with 20-20 hindsight wants the government to have acted yesterday. Conversely, would pro-active regulation stifle innovation? I believe so.

But it really doesn’t have to be a zero-sum game. Striking the right balance between the amount of public and private participation is often a work-in-progress. There are many national aspirations that would require the government to partner the private sector so as to realise national growth ambitions. This is all the more so post the current pandemic, given the now empty public coffers and burgeoning debt levels in many countries. Yet, we know that many Public-Private-Partnerships or PPPs have come to grief. What steps can governments take to minimise such risks? What are the lessons that the state should take note of, especially in terms of project conceptualisation and increasingly, keeping politics out of the way?

Notwithstanding the possibility of collaboration, there exists many instances of market failure that only the government is in a position to address. The more obvious undertakings belong in infrastructural development, especially of capital-intensive transportation projects, like airports and seaports, and in city planning. The easier tasks may be found in seeding innovation or new growth sectors. The longer term and often ignored priorities revolve around the unpopular economic restructuring or climate change responsibilities.

There's a fine line between the government being the driver owing to market failure and ending up as the bailor of last resort. There are many examples of bloated state enterprises all over the world. No thanks to Covid, government bailouts have taken on greater prominence and proportions. There is no shortage of examples where a state bailout is the only way out. The airlines are the largest casualty of the travel restrictions brought about by the pandemic. Yet, we all know that there are airlines and there are airlines, there are arlines that the public has long urged their governments not to support, even pre-Covid.

This bailor of last resort role, unfortunately, will survive the pandemic. For as long as a country has too-big-to-fail national icons, especially banks and bloated state enterprises, there would always be the social or political pressure to mount a rescue for "the economy's sake".

Let me turn to and comment on an emerging widespread political reality – that of populism. These days, unfortunately, politicians appear to live and die by the ballot box. It's common for parties in many countries to be voted out after just one term of 3 to 5 years. Populism, and the resulting short-termism, would continue to pose the greatest challenge to any planning for the long term, especially that of building sustainable growth. Some governments wilfully conflate their roles as regulators and capital providers towards political ends and essentially go for quick wins, the low hanging fruits.

Unfortunately, this becomes a vicious cycle. Aggravating this trend are the rapid shifts in expectations of the people, especially of the type of public goods and services. This runs the gamut of price regulation of transport services to the quality of public housing to the degree of divestment of state enterprises.

Let me now move on to the role that only the government can undertake, and that is of strategic and security considerations. Many global investors note with increasing concern, the rising incidence of the use of the 'national security or strategic' argument by many governments to reject a foreign investment. And this undeniably smacks of xenophobia.

But nationalistic instincts are at their highest in many large economies and geopolitical considerations actively in play. These tend to dominate conversations rather than whether there are truly risks to opening up certain key or sensitive sectors. Conversely, social services such as health, education and housing tend to be an area where many governments remain coy about active participation.

The business of the government is never done. The spotlight will continue to be shone whether it is leading or lagging. I apologise for raising more questions than providing answers.

Allow me to end with a little confession. Over the years, I have gone from being an avid reader to a poor reader to a non-book reader. But I continue to buy books that I intend to read. Meanwhile, I consume plenty of news pushed to me on a daily, bite-size basis.

Hence, I have written this book for the non-book reader like me – the chapters and the cases can all be read piece-meal. I hope you will enjoy reading the book as much as I have had fun putting it together. So once again, let me thank Minister and all of you for your presence here today.
