Asset Building and Property Owning Democracy: Singapore Housing Policy as a Model of Social Investment and Social Justice

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Available at: https://scholarworks.wmich.edu/jssw/vol45/iss4/7
Asset Building and Property Owning Democracy: Singapore Housing Policy as a Model of Social Investment and Social Justice

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This paper discusses a fundamental issue that continues to haunt Western welfare states: despite rising levels of social expenditures and a rigorous social investment-oriented social policy, poverty and acute social inequalities persist. Using the concept of Property Owning Democracy (POD) advanced by John Rawls, this paper argues that an asset-based housing policy might be able to improve social justice and reduce poverty. Using Singapore’s housing system as an example, this paper illustrates the connection between asset building and POD, and suggests that Singapore’s housing system, to some extent, fulfills the requirements of Rawls’ theory of justice in terms of maintaining an ex ante ownership of productive resources by all citizens through a nation-wide public housing program that provides early access to state-produced home ownership. The result is comparatively more dispersed property ownership and wealth that better meets the requirements of the theory of justice.

Keywords: Rawlsian property owning democracy, asset-based social policy, housing policy, social investment

Modern welfare states are challenged by two fundamental issues: first, notwithstanding continuous increases in social expenditures, most welfare states have failed to adequately address the problem of stagnating poverty and pervasive unemployment; second, social policies have failed to ameliorate the...
issue of income inequalities and distributive justice. The gap between the haves and have-nots remains unprecedentedly wide in many advanced industrial economies, and consequently social injustice prevails in many corners of the world. Complicating this scenario is another critical global issue—rampant housing price inflation and the pervasiveness of housing affordability problems for low-income households, forcing many governments to re-examine long-accepted premises underpinning their social housing policy. This paper intends to shed some light on the above scenario based on a number of observations emerging in the fields of housing policy, social investment and social philosophy.

First and foremost, in social philosophy, John Rawls has strongly criticized the failure of contemporary welfare states in achieving social justice and proposed the idea of a Property Owning Democracy (POD) with radically different social institutions in order to meet the requirements of his theory of justice (Rawls, 1971, 2001). He observes that worsening inequalities under welfare capitalism must be remedied by a wider dispersal of property ownership ex ante rather than ex post. This means a distribution of some basic assets to every citizen at a very early age so that they can invest them for a return, rather than provide them welfare at a later stage when they are experiencing difficulties.

Second, in recent years it has been observed that many western industrial economies have begun to restructure their social housing policies to those that seek to embrace asset-building and home ownership for the masses. The idea is that if housing assets appreciates in value over a family’s or an individual’s lifecycle, the wealth accumulated to some extent supplements/enhances social welfare resources for the aged and in some cases may even reduce inequalities. This development is interesting in that it signals an important departure from a traditional social-rented housing policy to a tenure that emphasizes owner-occupation and asset-building. Finally, it has been observed that the social investment approach in social policy since the new millennium has encountered issues of focus and design, with initial results much less encouraging than was anticipated.

To effectively integrate social and economic policy, this paper argues that social investment in housing assets is as important as investment in human assets, as the former helps to build the latter. In particular, the role and impact of housing policy in
social investment needs to be rigorously explored. Using Singapore’s housing system as an example, this paper illustrates the connection between an asset-based housing policy and Rawls’ POD. I argue that Singapore, to some extent, fulfills Rawls’ theory of justice in terms of maintaining an *ex ante* ownership of productive resources through a nation-wide public housing program that ensures early ownership of assets. The result is comparatively more dispersed property ownership and a more rigorous fulfillment of the requirements of the theory of justice.

The Problematic of Housing Policy and Social Investment

One key problem of contemporary housing policy lies in the absence of a coherent understanding of its role in social investment. Housing policy has often been seen as a “wobbly pillar” in the study of the welfare state, as it has a complex relationship with the economy (Malpass, 2008; Ronald & Doling, 2010). Notwithstanding the long traditions of the two well-developed academic disciplines—housing studies and social policy—they remain strange bedfellows who seldom communicate. One possible explanation of this impasse points to the dual nature of housing both as consumption goods and capital investment. Its impact on GDP and its longevity as an asset often render its assessment beyond the scope of traditional social policy analysis. It therefore remains difficult for policy researchers to clearly assess its role in welfare capitalism when compared to other key social policy pillars such as health and social welfare.

However, this state of affairs is increasingly unsustainable as global house prices went from peak to peak, pressurizing governments and policy researchers to find ways to tackle the housing question and to restructure social housing in a way that will not further burden the welfare state. Likewise, the wealth effect of home ownership, particularly among the fortunate middle class and the better-off working class households who enter the housing market at the right time, has prompted the question: is the idea of housing as asset-based welfare a viable alternative to replace conventional social housing policy? Simply put, if there is a potential wealth effect for homeowners that could result in a reduction in welfare expenditures, scarce social housing resources could be allocated to other more urgent
social needs. Some even go as far as to call for new attention to so-called “privatized Keynesianism,” where welfare attainment is increasingly seen as lying within the private domain but with careful orchestration by the state through setting up a framework for the financialization of housing assets over one’s lifecycle (Van Gent, 2010).

Concomitant with the idea of housing as a major tool of asset-based welfare is the increasing importance of social investment as a foundational direction of social policy in western industrial societies. This is especially relevant in the European context; since the first decade of the new millennium was marked by an initial failure of the welfare state to meet social needs of the poor. Traditional social policy based on unilateral transfer and ameliorative welfare policies are no longer seen as viable solutions to meet social needs in an unstable global economy.

In 2013 the European Commission adopted a Social Investment Package that sets out a direction for an approach to social policy aiming both to facilitate economic growth and to protect people from poverty (Bouget, Frazer, Marlier, Sabato, & Vanhercke, 2015). The core rationale is that welfare systems should fulfill three functions: social investment, social protection, and stabilization of the economy. The approach relies strongly on the key assumption of the social development approach that the right mix of social and economic policies should be mutually reinforcing, hence pointing towards a developmental view of welfare (Midgley, 2013). Theoretically, this new policy direction is highly relevant, but the real challenge lies in the mix and integration of various economic and social policies. Moreover, when framed in a social investment perspective, it represents a precondition for future economic and employment growth, gradually transforming a welfare state to a social investment state. In other words, social policies, in the right manner and combination, should have lasting impacts by offering economic and social returns over time (Bouget et al., 2015).

These were encouraging visions at the turn of the new millennium when the European Union was contemplating its long-term direction in social policy. What remains problematic, however, is that the initial results of social investment projects remain unsatisfactory. In particular, a number of EU studies (Cantillon, 2011; Morel, Palier, & Palme, 2012; Vandebroucke & Vleminckx, 2011) demonstrated that the transition from the
old distributive welfare state to a new social investment state is more difficult than expected. Poverty and unemployment still persist despite a highly targeted policy aiming at increasing social expenditures in the last decade (Cantillon, 2011). Some began to think that social investment was fast becoming policy rhetoric rather than a reality, when the EU budget disposed of only 1% of GDP on social investment (Nicaise & Schepers, 2013). The attainment of the 2020 EU target of lifting 20 million people out of poverty now seems more distant than ever.

Research findings have further suggested that the social investment paradigm may have shifted resources away from programs that are more distributive to programs that are less so, and that social investment might have contributed to a “re-commodification and retrenchment of unemployment benefits” (Vandenbroucke & Vleminckx, 2011, p. 451). These studies on large-scale national social investment efforts in Europe flagged one important blind spot of the social investment package. That is: while it is theoretically sound to integrate social and economic policy, given the wide spectrum of policies, the relative/differential effectiveness of various policy integrations have not been fully explored or understood.

There are two dimensions that need consideration. The first is time, as the results of some social investment policies take a much longer time span to realize. For example, social investment inputs in education take a very long time to realize and its socio-economic effects might not lead to immediate employment. Factors such as chance or personal effort also play indispensable roles in turning social investment into real employment opportunities. Second, the nature/structure of a particular social policy might determine how well it could be integrated with economic goals. For example, a minimum income support program offers immediate social protection but might not be able to encourage work ethics and economic independence. On another level, structural issues in local economies may hinder the realization of integration given certain time-space constraints.

Moreover, a careful examination of the substantial contents of the Social Investment Package reveals one startling omission. Most policy instruments are heavily skewed towards the training and development of human assets, to the extent that physical assets or real assets have been neglected in the conception of social investment. Given the premises that national
social policies in EU are about job creation and the reduction of dependence on social protection, the situation is self-explanatory. However, research findings mentioned above have already suggested that employment demand is more often a function of global trends in production rather than a general rise in skilled labor supply (Sawyer, 2010). In any case, the nature of the social investment asset itself plays a significant role in determining the successful integration of social and economic policy. This then brings us to the issue of housing policy.

The Nature and Problem of Housing Policy

Housing is essentially a physical asset, hence it is not considered a form of human asset or employment creation. However, if investment in housing assets gives rise to income and wealth, it then bears a relationship to enhanced life opportunities and capacities to weather family risks, quite similar to the effects of income from employment. If this is established, then the implication is that a social investment state should likewise embrace a policy on assisting households to build up housing assets. To appreciate the importance of this claim, we need to lay down some basic premises about the nature of housing.

Housing bears two distinct characteristics. First, it is a commodity providing individuals with shelter as well as a stream of residential services over a very long time given its durability. This is called the “use value” of housing (Harvey, 1982). However, the fact that housing can be bought and sold like all other financial assets with changing market values makes it much more complex when compared to other social policies. This is called the “exchange value” of housing (Harvey, 1982). To illustrate, if government provides residential care services for the mentally ill, it is a form of welfare expenditure and consumption, and hence not so much a form of social investment. But then, if the government builds and sells low-cost condominiums to low-income families, then other than the consumption of residential services, housing price appreciations are a tangible outcome of asset investment that provides families with accumulated wealth for future use.

Theoretically, the increasing isolation of the exchange-value from use-value, not just in housing exchange, but in all kinds of commodity exchanges, highlights one fundamental contradiction
of modern capitalism (Harvey, 2012; Mises, 1933/1978). Such iso-
lation encourages exponential extractions of capital gains from
housing exchange that partly explain the phenomenon of ram-
pant house price inflations in major housing markets such as
San Francisco, Hong Kong and New York. In housing economics,
these two values serve two important economic functions: first,
the provision of shelter for families satisfies a demand for space;
second, the exchange value satisfies a demand for asset invest-
ment (DiPasquale & Wheaton, 1996). When people own their house, it
is natural for them to embrace both values. The importance is the
relative weight people attach to each value.

It has been suggested that when households put greater em-
phasis on the exchange-value, the housing market tends to be
more speculative and fluctuates more; this makes house prices
less stable as homeowners move more often to realize capital
gains or to adjust their housing investment portfolio, either up-
scaling or downsizing (Forrest & Lee, 2004). This situation is
typically found in major housing markets around the world.
Alternatively, if homeowners place greater importance on the
use-value, the housing market tends to be more stable, as people
tend to move less often and the market is less prone to specu-
lative activities (Ball, 2002; Harvey, 2013). This situation is typ-
ically found in housing markets such as Germany, Switzerland
and Finland. These markets are characterized by more mature
homeowners and relatively stable house prices (Diwilde & Ron-
al, 2017; Forrest & Lee, 2003). However, even Nordic welfare
states or corporatist Germany are now becoming vulnerable to
the globalization of housing speculations, with parts of their ur-
ban housing markets also showing signs of instability (Emanu-
elsson, 2015).

Given this investment nature of housing, the key issue is thus
about how the returns on housing investment could form part
of the social investment package, to the extent of counteracting
the monopolization of capital gains by big capital by dispersing
gains amongst the less well-off. However, before considering
how an appropriate institution could be set up to reap the social
investment benefits of housing, there is another justification why
the state has a stronger role to play in the housing system. This
is about the inflationary trend of global housing markets and the
high concentration of property wealth among a small sector of
the population within most advanced industrial economies.
Housing researchers have long observed the inflationary trends of housing markets in major cities around the world (Ball, 2002). Two reasons could be adduced: the first is about speculative international investors looking for investment opportunities around major global cities. According to the 2016 Economist House Price Indicator, the global housing market continued to rise unabatedly, with Hong Kong, Canada, Australia and New Zealand leading the pack in 2016 (The Economist, 2017). Foreign investors, particularly those from China, have fueled the global housing markets. Since autumn 2014, an estimate of $1.3 trillion of capital has flowed out of China, and some of that cash has found its way into the residential property market in some of the world’s most congested cities (The Economist, 2017). In addition, according to the 2017 International Housing Affordability Survey, Hong Kong is found to be the world’s least affordable housing market alongside with places like Sydney, Vancouver, and Auckland, with the Least Affordable Housing Index of 18.1 (Demographia International, 2017).

The second reason for the inflationary trends in housing markets concerns institutional barriers, such as land-use regulations to prevent adequate supply of land for housing. One important reason advanced to explain housing price inflation in the San Francisco Bay Area and Hong Kong has been concerned with land use regulations in force in these two places that effectively prevent the release of land for development (Demographia International, 2017). Donald Brash, a long time governor of the Reserve Bank of New Zealand, stated, “the affordability of housing is overwhelmingly a function of just one thing—the extent to which government places artificial restrictions on the supply of residential land” (Betraud, 2014, p. 8). Given these institutional barriers and speculative investment capital, economists have long suggested that it is quite impossible for government regulations to halt house price inflations (Bosch-Badia, Montllor-Serrats, Panosa-Gubau, & Tarrazon-Rodón, 2014). Administrative measures, such as the increase of property tax or transaction tax, are frequently used as cooling-off measures for overheated real estate markets. However, the long-term effectiveness of such price regulation measures is often hampered when “hot money” floods into the real estate market again.
The high concentration of property wealth within a small sector of the population that gives rise to a much higher income inequality is yet another aspect that justifies stronger state intervention in more dispersed property ownership, particularly for housing. Thomas Picketty’s most celebrated economic study in 2013 suggests that capital or wealth ownership is much more concentrated than the distribution of income from work. His data for the U.S. indicates that the top decile own 72% of America’s wealth while the bottom half’s claim is just 2% (Picketty, 2014). In other words, the rate of return on capital is greater than the rate of economic growth; the result is thus an overconcentration of wealth amongst the rich. Henceforth, one possible measure to ensure adequate supply of affordable housing for low-income groups is through a proactive housing policy in assisted home ownership so as to disperse property ownership at an early stage.

Property Owning Democracy and Housing Policy

Although state intervention in the housing market through social housing is generally justified on the basis of market failures, social philosophy broke new ground on such policy rationale in the last decade. This is based primarily on the work of John Rawls, as he was unhappy with the pervasiveness of social inequalities amongst modern welfare states. Re-examining his theory of justice at the beginning of this millennium, he made one important observation: the continued high concentration of productive resources by big capital remains problematic with achieving the social conditions essential for a just society (Rawls, 1971, 2001). His defence of POD against welfare state capitalism in *Justice as Fairness: A Restatement* (2001) has revitalized discussions over the merits of an asset-based approach to social policy, as opposed to the income-based approach, which was raised by Michael Sherraden decades ago under the aegis of welfare policy reform (Sherraden, 1991; Sherraden, Nair, Vasoo, Liang, & Sherraden, 1995).

Rawlsian POD concurs with Sherraden’s asset-based approach in that an income-based approach to welfare fails to bring about social justice. Instead of relying solely on transfer payments *ex post* to those who fall below certain social minimum, it
is paramount to make sure that there is a more equitable distribution of initial holdings *ex ante* so that everyone can start with some assets. While an income-based approach seeks to provide a decent minimum standard of living below which no citizens should fall, an asset-based approach is about making sure that “all citizens have tangible property, and enough of it to materially affect their life prospects and possibilities for exercising personal liberty” (Williamson, 2012, p. 226). Rawls’ position is best summarized in the following quotation:

The background institutions of property-owning democracy work to disperse the ownership of wealth and capital, and thus to prevent a small part of society from controlling the economy, and indirectly, political life as well. By contrast, welfare-state capitalism permits a small class to have a near monopoly of the means of production. Property-owning democracy avoids this, not by the redistribution of income to those with less at the end of each period, so to speak, but rather by ensuring the widespread ownership of production assets and human capital at the beginning of each period, all this against a background of fair equality of opportunity. The intent is not simply to assist those who lose out through accident or misfortune, but rather to put all citizens in a position to manage their own affairs on footing of a suitable degree of social and economic equality. (Rawls, 2001, p. 139)

In short, a Rawlsian POD calls for an allocation of a certain amount of tangible property to every citizen and places restrictions on the accumulation of wealth and capital, contending that these two measures can help bringing an end to domination in politics.

The key is thus about the timing of social policy. Resources provided when an individual or the family faces difficulties are considered consumption rather than investment. For instance, providing access to the right education for young people early in their lives is far better than retraining them when they lose their work. In other words, to what extent a country can be fully or partially described as Rawlsian POD can be judged by three criteria: (i) Are there redistributive programs aiming at giving every citizen some tangible property to begin early in life, or even at birth? (ii) Are there legal and institutional arrangements serving as restrictions on accumulation of wealth and inter-generational
transfer of property? (iii) Are citizens able to enjoy fair value of their political liberties as a result of a more equitable distribution of property ownership?

My general argument is that assets distributed through the housing system provide individuals and families with important financial assets supplemental to educational or skills assets, as proposed in the social investment package. A house owned and occupied by the owner represents a stake in the country and thus provides lifelong services such as shelter and ontological security (Saunders, 1990). However, the most important aspect of assisted home ownership through social housing programs is about providing the poor a foundation asset with the potential to appreciate over a lifetime, similar to what capital investment is about for major capital owners and firms. A high percentage of home ownership, to the extent of 80% or above, actually represents a society with comparatively more dispersed property ownership, when compared to one having say, 50% home ownership.

The Case of Singapore: Asia’s First Property Owning Democracy?

Although Singapore is one of the richest countries in Asia, it is not considered the most equal. With successive economic deregulations since the last decade, some homeowners have used their capital gains from housing to invest in the small but speculative private housing market and made windfall gains. Coupled with other liberalizing economic policy, there are signs that social inequality is worsening. Nonetheless, with a Gini Coefficient of 0.458 in 2016, the lowest in a decade, Singapore still compared favorably with places like New York, London and Hong Kong, where Gini-coefficients are much worse (Singapore Department of Statistics, 2016). Moreover, from zero share of housing wealth in 1965, households’ share of gross housing wealth exceeded 60% during the Asian financial crisis. Despite the volatility of asset prices, by 2005, 85% of individuals and families residing in public housing enjoyed a share of about 50% of the gross housing wealth, providing clear evidence to justify the value of an early asset-building housing policy (Phang, 2001, 2015a, 2015b).
Given this housing wealth background, three distinct features make the Singapore housing system vastly different from most other housing systems in the world. With a home ownership rate of 90.9% in 2016, Singapore is the first country in the world with a housing policy aiming at 100% home ownership for the masses. This is the first distinct feature. There are two important underlying values: (a) home ownership is considered good for all as it provides every family with a stake in the country; (b) home ownership should help households to build up assets and wealth, thus enabling citizens to share the fruits of economic growth. This is evident from Lee Kuan Yew’s important memoir *From 3rd World to First*:

My primary preoccupation was to give every citizen a stake in the country and its future. I wanted a home-owning society. I had seen the contrast between the blocks of low-cost rental flats, badly misused and poorly maintained, and those of house-proud owners, and was convinced that if every family owned its home, the country would be more stable...my other important motive was to give all parents whose sons would have to do national service a stake...If soldiers’ families did not own their home, he would soon conclude he would be fighting to protect the properties of the wealthy. (Lee Kuan Yew, 2000, pp. 95–96)

In the middle of the twentieth century, Singapore was nothing more than a small tropical city with unpleasantly high humidity, abundant marshland, and a population mostly of Chinese descent; but by 1980, Singapore has already emerged to become one of the most important new economic powers in East Asia, with a per capita GDP of U.S. $6865 and a population of 2.4 million. In 2017, Singapore’s per capita GDP is estimated at $51,431, with a population of 5.6 million. An important challenge for the developmental state is for the capacity of the government to respond to changing circumstances in the context of an increasingly competitive global market. This then brings up the second distinct feature of Singapore’s housing system.
Asset-building through Home Ownership for All

To attract international capital, the Singapore government faces one major challenge: to build a multi-racial workforce that is productivity-enhancing, supported by families who find life secure. How could this be achieved? To do so, the society needs a social security system that encourages individuals and families to save for the future and a shelter that provides them security and decency. This means social planning for a secure lifelong income stream through savings and asset-building. The government reckoned that this could only be done primarily through a collective saving institution that could create the necessary capitalization for housing investment—that is the Central Provident Fund (CPF). The idea is that with CPF building up compulsory savings for all households, savings are then channeled for capital formation at the macro level, where the government invests them in owner-occupier housing built by the state. This housing is then sold to CPF members, who pay their mortgages provided by the housing authority out of their CPF savings. This process creates a circuit of capital going from the people to the state and back to the people.

The interesting thing to note is that the Housing Development Board (HDB) actually provides loans and mortgages to Singaporeans and hence successfully marginalized commercial banking activities. The monopolization of the mortgage business by the state is further sealed by fixing the mortgage lending rate at 0.1% higher than the interest rate provided by CPF for household savings, thus ensuring affordability in loan repayment.

We then come to the third distinct characteristic—monopoly in housing production and housing finance. To ensure that Singaporeans develop confidence in their housing wealth, one needs to establish a mature and stable housing market and a highly regulative housing finance system, one that ensures relatively stable house prices over the long-run and with the least price speculations. To achieve this, the government needs to take advantage of some kind of monopolistic position. To do so, first the Singapore government joins up the CPF and the HDB. This means a monopoly of: (a) housing production; and (b) the mortgage market. In other words, Singapore’s largest developer is the HDB
and the largest mortgage bank is also the HDB. Mortgages from commercial banks only apply to a tiny sector of the housing market existing outside the public system and hence, unlike the rest of the world, price movements in the private housing sector exert little influence on overall house prices. To mitigate speculative activities, the Singapore housing market is closed, where only citizens could buy or sell public flats with, of course, quite a few restrictive rules. In addition, with carefully built-in adjustment mechanisms for the CPF contribution rates for employers and employees, the consequence is a relatively stable price regime. When the economy is overheated, CPF contribution rate for both households and employers will increase, whereas during an economic downturn, the lowering of the contribution rate helps boost consumption and reduce labor costs. More important, prices for new government flats are fixed in accordance with prevailing income data to ensure affordability. Without these monopolistic control mechanisms, house prices would fluctuate enormously, like the rest of the world.

An interesting comparison is to contrast Singapore’s housing system with that of Hong Kong. In Hong Kong, the housing system is quite independent of the social security system. Although the housing authority produces and distributes some 50% of housing in both rental and owner-occupier housing, the government lacks any adequate capacity or monopolistic mechanisms to stabilize house prices. Instead, in the last four decades the housing market was monopolized to a great extent by a few large real estate developers, whose concerns were apparently profit maximization (Lee, 1999). House prices have always been subjected to great fluctuations as a result of intense speculative activities, not just from global corporate investors, but also from small homeowners who see home-buying as a channel for quick gains (Smart & Lee, 2003). Henceforth, only a small part of the middle class households managed to accumulate assets and were highly dependent on the time of their exit and entry to the housing market (Forrest & Lee, 2004). Unfortunately, today many middle class households still cannot afford private housing as a result of long-term house price inflations. The government barely plays a role in pursuing a social policy based on asset-building, resulting in a constant battle with the political left about building more public housing to ease housing shortages. A tour around Hong Kong’s new condominium districts
is self-explanatory. While there is an acute housing shortage, there are at the same time many vacant flats being hoarded by housing investors big and small! This is exactly why John Rawls was so depressed by welfare state performances and why he considers it paramount to provide tangible assets \textit{ex ante} rather than \textit{ex post}.

\textbf{Justice as Fairness: The Genesis of a Just Housing Policy}

If one reason for the success of Singapore housing lies in its integration of the social security system with housing, then what is the underlying purpose of such institutional arrangement? For Singapore, the beginning of one such institutional arrangement was accidental and closely linked to an establishment of a primitive saving scheme run by the British colonial government in 1950s (Lowe, 2001). CPF essentially began as a self-funded savings scheme to help local government servants who were excluded from civil service benefits of British colonial officials. It was modeled after African and Malaysian systems in order to ensure that the British government was not unduly burdened by social security expenditures of its colonies. However, as it developed, the Singapore Provident Fund scheme turned out to be an extremely valuable legacy for the new government. From the outset, the emphasis of the CPF scheme was on provisions for old age. Despite pressure from workers calling for changes to enable them to flexibly withdraw their savings, the government stood firm on the rule that savings could only be withdrawn upon retirement at 58. It was not until the late 1960s that the CPF rule was liberalized to include home purchase from the housing authority with CPF savings. Since then, it has been slowly adapting to the changing needs of an increasingly affluent population. Singaporeans can now use their CPF savings for various purposes, including stocks investments, health-care insurance and overseas college education for children from the aspiring middle class. In 2016, the Total Contribution Rate for CPF was 37\% of wage, with 17\% from the employer and 20\% from the employee. The involvement of the state in facilitating the management of an individual’s lifelong wealth portfolio through home ownership is perhaps the key
characteristics of the Singaporean social policy model. Amidst emotive labels such as “the nanny state” or “Singapore Incorporated,” is, in fact, a radically different social policy approach—one that goes beyond meeting housing needs by helping households to accumulate lifelong assets and attain security through home ownership.

While many welfare states in the West have generally done well to provide the material base of the welfare state, they do not guarantee that the needs of all social groups are well met, particularly those from the low income groups and the socially deprived. The virtues of welfare capitalism in the form of private property ownership, free enterprises, and open competition can have very bad side effects. The downside is greed and selfishness when profit motivation is taken to its extreme. Although Rawls attached a much broader meaning to the idea of property in POD, embracing both human and physical assets, the extremities of market imperfections are demonstrated much more vividly in the housing market. Henceforth, to enable a housing system that works for the masses, one must establish such a system at an early stage. To do so, Singapore set out strict laws and regulations on land use and transactions in the early 1970s, not to make allowance for windfall gains by private developers on land acquisition. This is evident in the following statement from Lee Kuan Yew’s memoir:

I further amended the law to give the government power to acquire land for public purposes at its value on a date then fixed at 30 November 1973. I saw no reason why private landowners should profit from an increase in land value brought about by economic development and the infrastructure paid for with public funds. (Lee Kuan Yew, 2000, p. 97)

This is an absolutely unimaginable public policy position in a free market economy like North America or Hong Kong, since it not only empowers the state to monopolize land use, but also forestalls private gains on land. However, if seen from the POD perspective, this represents an early institutional arrangement to shift land resources allocation to mass home ownership in order to achieve fairness and justice in its use, something that requires careful crafting in terms of social planning from the very beginning.
A distinction needs to be made between the productive aspect of capitalism and its distributive aspect. Very often, capitalism results in a distribution that is neither desirable nor sustainable. The private motivation of buyers and sellers, each maximizing utility and profits, could generate behavior that is counterproductive to class interests. It is here where the politics of governance prevails, laying down the foundation of modern welfare capitalism - the state having a role to play as the umpire to maintain a pattern of distribution that could induce “just” class interests. The ultimate aim is to achieve a fair and just society where individual differences and motivations can be protected, while not resulting in favoring only a few big winners.

Embedded in Singapore’s social policy is a clear claim for social justice. Lee Kuan Yew (2000) considers that there is nothing wrong with socialism or the welfare state. What is problematic concerns getting the institutional arrangements right. The following statement in his first memoir is highly reflective of his systematic attempt to establish social justice in social policy. “A Fair, not Welfare Society,” the title of Chapter Seven of his first memoir, clearly states his ultimate aim:

> We believed in socialism, in fair shares for all. Later we learnt that personal motivation and personal rewards were essential for a productive economy. However, because people are unequal in their abilities, if performance and rewards are determined by the market place, there will be a few big winners, many medium winners, a considerable number of losers. That would make for social tensions because a society’s sense of fairness is offended. (Lee Kuan Yew, 2000, p. 95)

It is interesting to note Lee’s comparison of Singapore to Hong Kong. The following statement again reflects Singapore’s attempt to balance the adverse effects of growth and the role of the state:

> A competitive winner-takes-all society, like colonial Hong Kong in the 1960s, would not be acceptable in Singapore. A colonial government did not have to face elections every 5 years, the Singapore government did. To even out the extreme results of free-market competition, we had to redistribute the earning power of citizens, such as education. Housing and public health were also obviously desirable. But finding
the correct solution for medical care, pensions, or retirement benefits was not easy...We decided each matter in a pragmatic way, always mindful of possible abuse and waste...Our difficulty was to strike the right balance. (Lee Kuan Yew, 2000, p. 95)

Given this background, three primary connections between housing and social policy in Singapore are clear. First, for a social policy to be sustainable in the long-run, it has to uphold the principle of justice, particularly for the not-so-competitive. Second, there has to be an institutional arrangement that does not work against individual incentives. Third, because of the unique nature of housing both as investment and consumption goods, its vulnerability in the open market, and its asset-building nature, the housing system tends to work more equitably in a collective manner, and must be divorced from pure profit maximization. To achieve this, the society must make an early choice between the market or the state regarding housing. This again begs an interesting comparison between Hong Kong and Singapore that reflects their fundamental differences in governance. While both places belong to what Schwartz & Seabrooke (2008) coined “residential capitalism,” where housing and the real estate sector play central roles in their economy, as a result of very different institutional arrangements, Singapore enjoys the status as one of the best-housed countries with an abundant supply of affordable housing, while Hong Kong constantly suffered from spiraling house prices and affordability problems over the last three decades. Both places, interestingly, exhibit a high degree of state intervention in public housing: Hong Kong 53%; Singapore 90%. As rightly argued by Schwartz & Seabrooke (2008), housing policy is a prime causal factor for domestic and international economic and political outcomes.

In the last three decades, the lack of effective regulation in the Hong Kong housing market and the constant housing price inflation has spurred great political tensions between political parties representing popular interests and real estate interests. “Real estate imperialism” and “government-business collusion” have been two strong allegations confronting the Hong Kong political agenda. An unjust society has been developed along the fault-line between those who own and those who could not. Politically, however, this scenario does not apply to Singapore.
Why? My previous discussions all point to the conscious formation of institutional arrangements in housing policy by the state, based on a clear social philosophy of fairness and justice. I think this is by far the most neglected and the least studied aspect of Singapore’s social policy.

Analysis

When John Rawls deliberated the idea of POD in *Justice as Fairness: A Restatement*, Singapore’s housing system had already been in operation for thirty-seven years. It was unlikely Lee Kuan Yew had consulted his idea when the homeownership program was launched in 1964. In those days, Singapore’s housing was all about political legitimacy (Chua, 1997). After her bitter separation from Malaysia, Singapore badly needed a stable work force for economic development. A stake holding approach to housing seems a logical choice for nation-building. Later, when the economy grew in the late 1970s, it also met with a corresponding increase in housing prices, and hence the first feeling of wealth by homeowners. There were pressures on the government to reduce CPF contributions so that there could be more take-home pay for consumption. The government then realized an important public choice had to be made: should it focus on present or future consumption? My previous quotations from Lee Kuan Yew have already explained Singapore’s choice.

To conclude, I return to the three POD criteria mentioned at the beginning of this paper to see if Singapore fits well: (i) Are there redistributive programs aiming at giving every citizen some tangible property to begin with? The answer is obviously yes. The CPF cum housing program clearly demonstrates its positive effects in terms of an improved dispersal of property ownership through housing at an early stage. This paper does not address the education and health care programs in Singapore, however, they also fit well in the asset-building schema and are very much reflective of the spirit espoused in POD. (ii) Are there legal and institutional arrangements serving as restrictions on over accumulation of wealth and inter-generational transfer of property? This is the not-so-successful part of Singapore’s plan. Economic liberalization has expanded in successive governments, and to strengthen political legitimacy, the government has allowed some to prosper more than the others.
This engenders widening inequalities and likewise reflects a lack of insitutional establishment to restrain accumulations. (iii) Are citizens able to enjoy a fair value of their political liberties as a result of a more equitable distribution of property ownership? This is a more controversial part of the equation that deserves a rigorous discussion going beyond this paper. However, Singapore is a limited democracy with universal suffrage. The People’s Action Party (PAP) has won every election since 1959. The dominance of the PAP, a low level of press freedom and restrictions on civil liberties and political rights have led many to classify Singapore as a semi-authoritarian regime. In this respect I am inclined to adopt a process approach to answer the third question. I believe Rawls has made an important point in justice as fairness and the primacy of political rights. The present political system in Singapore clearly does not measure up to the requirements of the fair value of equal political liberties. However, if the structure of social policy is based on a genuine fairness for its citizens in a POD sense, citizens will be empowered politically as a result of widely dispersed property ownership, hence providing Singapore the best potential to develop as Asia’s first POD.

Finally, notwithstanding the fact that Singapore does not fully meet with the three POD criteria, its housing system does serve as a distinct model for social investment. In fact it fully meets the three objectives of EU’s Social Investment Package: social investment, social protection, and stabilization of the economy. Many researchers have agreed that without the housing system, Singapore would be a very different place today (Castells, Goh, & Kwok, 1991; Chua, 1997; Doling & Ronald, 2010, 2014; Forrest & Lee, 2003, 2004; Lowe, 2001). Indeed, its unique approach to social investment through housing deserves a much more rigorous examination in both theory and practice.

References


