‘Answers not clear-cut’

Challenge is to manage trade-off between inflation and slowing growth, says Lim Hing Kiang

If ONLY economics textbooks had the answers to the financial crisis gripping the world. Unfortunately, as Trade and Industry Minister Lim Hing Kiang pointed out yesterday, the real-world challenges are complex and mired in dilemmas in need of fresh and untried solutions. Chief among these challenges is managing the trade-off between inflation and slowing growth amid the global credit crunch — the peculiar situation that many countries are now finding themselves in.

This backdrop of potential cost pressures amid slowing growth is a prime example of the challenges that policymakers and economists are now facing," said Mr Lim, who was speaking to under-graduates at the inaugural economics dialogue between the National University of Singapore and the Ministry of Trade and Industry.

Your economics textbooks will tell you that if the government were to use the standard tools to deal with slowing growth, we will push inflation even higher. On the other hand, the tools to deal with inflation will dampen growth even more. How do we deal with this dilemma?" he asked.

While stressing that "new answers have to be found", Mr Lim said the government relied on "some clear guiding principles" to help in its policy formulation, including the belief that markets and prices "were best left when allowed to operate freely".

Which is why unlike many other countries in the region, the Government has shunned price controls and subsidies on commodities, which distort market forces, he said.

Also, the authorities would seek to "understand the underlying factors affecting our economy so that we use our tools most effectively", he said.

Some economists regard monetary tightening as a blunt instrument... The Government has to constantly balance these trade-offs, and the answers are seldom neat and clear-cut.

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IGNORANCE AND GREED

I SAY

AS HONG Kong investors took to the streets, seeking redress for the failed Mini-Bonds series structured by Lehman Brothers, about 1,000 Singapore investors gathered at Hong Lim Park over the weekend.

Their plight triggered memories of my previous job, and it dawned on me that I could have been responsible for their indignation, either directly or indirectly. You see, I used to work for a bank, selling similar structured products, unit trusts and insurance to the bank's customers. Among them were retirees, housewives and professionals — some with high risk appetites, others not at all. And it was my job to convince them of the benefits of the products the bank was promoting.

The remuneration package was structured such that sales performance received a significant weightage when my performance came up for review. Also, there was a quota of financial products to be sold, so that I did not incur a huge penalty in commissions. For example, if there was enough revenue locked in unit trusts, but not enough insurance or housing loans revenue, I would lose a sizeable sum.

There was always the pressure to meet any shortfalls in the designated monthly quota, so that both career and salary did not suffer.

There was also external pressure from management. I was bounded daily by my superiors on the shortfalls and sometimes, in order to fulfill the cluster's overall target, I was told to concentrate on certain products that were not moving. Often, these were dangled with attractive incentives to ensure that I would be more willing to sell them over others.

But with the carrot also came the stick: There was a ranking list flashed at meetings, with the names of staff who did not meet their sales targets. It was a public shaming routine, and to meet the targets, my weekends were usually spent at roadshows.

Operating in such a high-pressure environment meant that some sales staff resorted to employing strong sales techniques to get the customer to sign on the dotted line.

One senior manager even said that customers were only interested in benefits, so it was advisable to come up with a pitch that maximised these benefits and minimised the costs.

At times, scripts were handed to frontline workers. We were forced to memorise them for a flawless presentation.

Perhaps to avoid accusations of "mis-selling" in future, the time is ripe for financial institutions to review their procedures for assessing sales staff. They should tweak the promotion criteria, which relies heavily on sales results. Benchmarks like service attitude and turnaround time — such as attending to customers' mundane re-