

'Stagnant incomes can affect public's tolerance levels'

Link between standard of living and attitude towards immigrants: Harvard prof

By **AARON LOW**
ASSISTANT MONEY EDITOR

RAISING the standard of living is not just an economic imperative but a moral one too, a leading political economist from Harvard said yesterday.

Harvard University economics professor Benjamin Friedman said that economic stagnation could lead to adverse effects on a society's ability to create opportunities, level of tolerance and even its capacity for generosity and fairness.

Drawing from more than a century's worth of data from the United States, Prof Friedman showed that there was a correlation between the growth of median incomes and the population's level of tolerance towards immigrants as well as general civility.

For instance, when income levels were stagnant in the late 19th century, there was a wave of violence against immigrants in the US. But when incomes rose, immigrants were more welcome in the country.

In more recent history, he noted that median incomes in the US have all but stagnated in the past 20 years or so. In 1993, median incomes were about US\$56,600. This rose to US\$66,300 in 2000 but has since fallen to US\$61,000 in 2011.

As a result, there was a corresponding rise in political gridlock, the erosion of civility, a rise in anti-immigration sentiment as well as a fracturing of

racial and religious tolerance in the US in the past few years.

"These trends occur repeatedly over time. The alignment between economic growth and social political movements is unmistakable," he said at a talk in the National University of Singapore (NUS).

"Economic growth is something to be supported... and morally desired."

One big reason for these trends is that if people feel that they are not doing as well as they previously did, and are not progressing compared with others, then there is less chance of them being generous and fair, said Prof Friedman, who was appointed by the Monetary Authority of Singapore as its Term Professor in Economics and Finance last week.

The implications for economic planning are wide. For instance, if economic growth is seen as morally good, then policymakers should be framing economic policies that support both growth and wider social goals.

One such policy that exemplifies this was the raising of standards of early childhood education in the US, he said.

By preparing the children of less fortunate families for entry into primary school, and thus allowing



New US citizens taking their Oath of Citizenship during a naturalisation ceremony last month. When incomes were stagnant in the late 19th century, there was a wave of violence against immigrants, Prof Friedman said. PHOTO: AGENCE FRANCE-PRESSE

them to benefit more from the education system, the policy can both reduce inequality as well as promote long-term growth prospects for the country.

Prof Friedman also weighed in on the current economic malaise afflicting the advanced Western economies. He said that these economies need to start focusing on the quality of their workforce through training and education, raising private savings and improving the efficiency of their financial systems.

Students attending the talk yesterday peppered him with questions after his presentation, challenging the assumptions of his model.

One NUS economics undergraduate, Miss Ngoc Han, noted that the experience in Singapore has been somewhat different.

She pointed out that when the Population White Paper presented the 6.9 million population projec-

tion earlier this year as a means to raise the standards of living, in part by being open to foreigners, there was a public backlash, contrary to the higher tolerance level as predicted by Prof Friedman's model.

The professor admitted that he did not have much knowledge of Singapore's immigration policies, but argued that any policy to boost immigration would probably be better received if people in general felt that their standards of living were not being compromised.

"If because of low birth rate, there is a national policy to raise the level of immigration, then that process would probably go a lot more smoothly in the circumstances of rising living standards than one which had people worried about their standards of living falling," he said.

✉ aaronl@sph.com.sg