

SINGAPORE: AN ECONOMIC PUZZLE

Jesse Newton

Austrian Student Scholars Conference

Introduction:

There are many different and distinct interpretations of the world's phenomena that constitute the broader academic discipline of economics. The so-called "schools" of economics that mark the followers of such distinct interpretations are sometimes variations on a theme but are, at other times, diametrically opposed at every turn. One such school, which has been in both agreement and disagreement to varying degrees with other schools, is the Austrian school of economics. The subject matter of the Austrian school's study is man's purposeful behavior, and their tools of choice for conducting this study include economic laws which are deduced from *a priori* (understood to be true necessarily and apart from experience) axioms. It would be impossible for me to adequately paraphrase the depth and breadth of the Austrian school's literature, but I will attempt to distill a proposition that describes one of their greatest contributions, the contribution which the Austrians would *most* desire for the rest of humanity to understand. This proposition is as follows: The unhampered market economy, an economy in which well-established private property rights allow for the free exchange of economic goods according to individuals' preferences, leads to the most efficient allocation of society's resources and the greatest creation of social wealth; thus, any hampering of the market economy through restrictions on private property rights subsequently hampers the efficient allocation of resources and the creation of wealth.

The main reason for my attempt to distill this cornerstone conclusion of the Austrian school is that the truth of this proposition will be assumed throughout the rest of my analysis. In other words, the positive correlation between a society's degree of private property rights, also known as *economic freedom*, and that society's degree of economic growth is assumed to be the case. This paper is an attempt to elaborate on the Austrian position not on economic freedom's

relationship with wealth, but on economic freedom's relationship with political ownership. Political ownership describes the innerworkings of political structures. It is the degree to which the right to profit from political decisions is clearly defined and restricted to a select few individuals. Political ownership's inverse is political freedom, a term often associated with political rights and democracy. For example, in *Democracy: The God that Failed*, Hans-Hermann Hoppe describes monarchy as privately-owned government and democracy as publicly owned government.¹ Thus, monarchy can be thought of as the political arrangement with the highest degree of political ownership (and lowest degree of political freedom), and democracy as the political arrangement with the lowest degree of political ownership (and highest degree of political freedom).

Hoppe's analysis of democracy and monarchy is a perfect example of Austrian literature which relates to the subject of my analysis. This paper is an attempt to expand the Austrian literature on this subject by using Singapore's success in the late 20th and early 21st centuries as a case study. Through extending Hoppe's analysis and applying it to Singapore, I find that political ownership tends to positively influence economic freedom and economic growth.

Singapore's Economic Freedom and Prosperity:

Singapore is one of the most prosperous countries in the world. Since their inception, the country's GDP per capita has skyrocketed from \$427.88 in 1960 to \$57,714.30 in 2017.² This was the difference between third world status and the 9th highest GDP per capita in the world; Singapore currently has the 7th highest purchasing power parity GDP per capita.³ For reference,

¹ Hoppe, Hans-Hermann. *Democracy: The God That Failed*. (New Brunswick: Translation Publishers, 2003), 16-17

² World Bank. "GDP per Capita (current US\$)." worldbank.org 2018. Accessed December 6, 2018. <https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?end=2017&locations=MY-SG-Z4&start=1960>.

³ Central Intelligence Agency. "COUNTRY COMPARISON :: GDP - PER CAPITA (PPP)." Cia.gov. 2018. Accessed December 6, 2018. <https://www.cia.gov/library/publications/the-world-factbook/rankorder/2004rank.html>.

Singapore's GDP per capita in 1960 was 14.2% of the United States' at that time and is now 96% of the United States' current GDP per capita⁴. A testament to their economy's stability, the country's annual average for overall unemployment has not exceeded 3 percent in the last 10 years.⁵ A report by The Economist Intelligence Unit ranked Singapore No. 2 in the world for health-care outcomes, Bloomberg ranks their healthcare system No. 2 for Healthcare efficiency, and the country also boasts the third highest life expectancy in the world when accounting for both sexes.⁶ Singapore's students scored best out of 72 countries sampled in international examinations testing science, mathematics, and reading.⁷ Singapore's trajectory toward prosperity, according to the standard metrics of economic growth, and quality education and healthcare, hasn't wavered since its inception.

Given the Austrian framework, one would expect to see a high degree of economic freedom in Singapore in conjunction with their success. In fact, that is exactly what we see. According to the Heritage foundation, Singapore is the second most economically free nation in the world, with Hong Kong taking the top spot. In this index, Singapore scored an 88.8, which is well above the average score of 61.1⁸. The Heritage Foundation attributes the Singaporean

⁴ World Bank. "GDP per Capita (current US\$)." worldbank.org 2018. Accessed December 6, 2018. <https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?end=2017&locations=MY-SG-Z4&start=1960>.

⁵ Ministry of Manpower. "Summary Table: Unemployment." Stats.mom.gov.sg. 2018. Accessed December 6, 2018. <http://stats.mom.gov.sg/Pages/Unemployment-Summary-Table.aspx>.

⁶ The Straits Times. "Singapore Ranked World's No. 2 for Health-care Outcomes: EIU." Wwww.straittimes.com. November 27, 2014. Accessed December 6, 2018. <https://www.straittimes.com/singapore/health/singapore-ranked-worlds-no-2-for-health-care-outcomes-eiu>; Miller, Lee J., and Wei Lu. "These Are the Economies With the Most (and Least) Efficient Health Care." Bloomberg.com. September 19, 2018. Accessed December 6, 2018. <https://www.bloomberg.com/news/articles/2018-09-19/u-s-near-bottom-of-health-index-hong-kong-and-singapore-at-top>; World Health Organization *Global Health Observatory (GHO) Data*. Report no. Annex B. 2016. Accessed December 6, 2018. https://www.who.int/gho/publications/world_health_statistics/2016/Annex_B/en/.

⁷ The Organisation for Economic Co-operation and Development. *PISA 2015 Results in Focus*. Report. 2018. Accessed December 6, 2018. <http://www.oecd.org/pisa/>.

⁸ "Singapore," The Heritage Foundation, , accessed December 13, 2018, <https://www.heritage.org/index/country/singapore>;

economy's success to "...its remarkably open and corruption-free business environment, prudent monetary and fiscal policies, and a transparent legal framework..."⁹ Singapore's thriving entrepreneurial environment and productivity growth are attributed to the nation's well-secured property rights.¹⁰

Singapore's court system and property rights protection are crucial to its favorable economic freedom rating, and thus the country performs exceptionally well in the Index's *Rule of Law* and *Regulatory Efficiency* subcategories (see fig. 1). Worthington notes the effective nature of Singapore's court system, as the International Institute for Management Development ranked Singapore's legal system as *the best* in the world and the World Economic Forum rated their legal system fourth in the world.¹¹ Singapore is also consistently ranked as one of the top 2 countries in the World Bank's *Ease of Doing Business* index.¹²



Fig. 1. Singapore's performance within the Heritage Foundation's *Regulatory Efficiency* and *Rule of Law* subcategories. The dotted line indicates the world average and the numbers in parentheses mark the one-year score change. "Singapore," The Heritage Foundation, accessed December 13, 2018, <https://www.heritage.org/index/country/singapore>;

⁹ Ibid.

¹⁰ Ibid.

¹¹ Worthington, Ross "Between Hermes and Themis: An Empirical Study of the Contemporary Judiciary in Singapore." *Journal Of Law And Society* no. 4 (2001): 490. *JSTOR Journals*, EBSCOhost (accessed December 11, 2017), 493.

¹² World Bank. "Ease of Doing Business Index." Singapore | Data. Accessed December 13, 2018.

https://data.worldbank.org/indicator/IC.BUS.EASE.XQ?contextual=aggregate&locations=SG&year_high_desc=false

Singapore's scores in the *Government Size* and *Open Markets* categories are also exceptional (see fig. 2). The index notes, "The top individual income tax rate is 22 percent, and the top corporate tax rate is 17 percent. The overall tax burden equals 13.6 percent of total domestic income."¹³ In addition, the index notes that there are essentially no tariffs in Singapore. Their investment and financial freedom has rendered the city-state the 4th largest financial center in the world.¹⁴ In general, this data indicates that Singapore performs as the Austrian literature would predict. The country's high degree of economic freedom and well established private property rights have led to economic growth, which drives high standards of living.



Fig. 2. Singapore's performance within the Heritage Foundation's *Open Markets* and *Government Size* subcategories. The dotted line indicates the world average and the numbers in parentheses mark the one-year score change. "Singapore," The Heritage Foundation, accessed December 13, 2018, <https://www.heritage.org/index/country/singapore>;

Singapore's Political Freedom/Ownership:

If one were to hold the view that classical liberals seem to implicitly hold, that high political freedom (and a subsequent lack of political ownership) positively influences economic

¹³ "Singapore," The Heritage Foundation, accessed December 13, 2018, <https://www.heritage.org/index/country/singapore>;

¹⁴ The Global Financial Centres Index. Report no. 24. September 2018. Accessed December 12, 2018. https://www.longfinance.net/media/documents/GFCI_24_final_Report_7kGxEKS.pdf, 6

freedom and growth, given that Singapore is very economically free and prosperous, it would be reasonable to expect Singapore to be a champion of democracy and low political ownership. At first glance, if one only considers the stated nature of Singapore's political structure, namely that Singapore possesses a democratic political structure inherited from the British, the classical liberal hypothesis would seem to be validated. However, on closer inspection, their democracy is merely nominal, and their political freedom is severely hampered.

Freedom House, a U.S.-based nonprofit that conducts research on political freedom in the world, assigned Singapore a freedom rating of 52/100 in the 2018 edition of their *Freedom in the World* report.¹⁵ For reference, Finland scored a 100 and Syria scored a -1. Though this rating places Singapore in the bottom 50 percent of countries and territories in terms of political freedom, because of Freedom House's rating for Singapore's press freedom, I believe that this score is actually inflated. Nonetheless, Freedom House's annual report assesses the condition of *political rights* and *civil liberties* around the world, so it serves as a good gauge of political freedom, which is the inverse of political ownership.

For the *Political Rights* category of the report, Singapore scored a 19/40. Political rights are especially relevant to my analysis because these constitute the essence of democracy. It is crucial, though, to not assume that Singapore is largely democratic because of their system of voting. There are many other factors influencing political freedom that must also be considered.

It would be impossible to perform an even cursory examination of Singapore's political climate without noting the dominance of the People's Action Party throughout the country's history. Singapore has been controlled by the PAP since before its inception in 1965, as they

¹⁵ "Singapore," Freedom House, May 17, 2018, accessed December 13, 2018, <https://freedomhouse.org/report/freedom-world/2018/singapore>.

have never lost the majority of seats in the Parliament. Testifying to the absolute power of the PAP in Singapore, Abshire notes that “the PAP controlled 100 percent of the seats in the Parliament from 1966...until 1981, when one seat was lost to a Worker’s Party member in a special election.”¹⁶ As of the last general election (which was held in 2011), six of 89 parliament seats were lost to this opposition party. The PAP’s control over the parliament directly translates to the other “branches” of Singapore’s government, as the prime minister and cabinet are formed by the party that controls the legislature. As will be noted in greater detail later in my analysis, the judicial system is controlled by the president at the advice of the Prime Minister. The president, whose role is largely ceremonial, is elected by popular vote, but this vote is subject to criteria created by the PAP.¹⁷ These criteria became so restrictive that the 2017 presidential election was a walkover, as only one candidate qualified for the position.

This dominance of the political sphere by the People’s Action Party has both developed from and led to the PAP’s restrictions on political competition. Freedom House notes that factors influencing the PAP’s dominance include “...an electoral framework that favors the incumbents, restrictions on political films and television programs, the threat of defamation suits, the PAP’s vastly superior financial resources, and its influence over the mass media and the courts.”¹⁸ These factors greatly influenced Singapore’s score of 8/16 in the *Political Pluralism and Participation* subcategory.

In the *Electoral Process* subcategory, which is concerned with the fair and free election of government officials and the impartiality of election management bodies, Singapore scored a 4/12. Factors influencing this rating include the PAP’s ability to change eligibility rules for the

¹⁶ Abshire, Jean E. *The History of Singapore*. Santa Barbara, California: Greenwood, 2011, 5.

¹⁷ "Singapore," Freedom House, May 17, 2018, accessed December 13, 2018, <https://freedomhouse.org/report/freedom-world/2018/singapore>.

¹⁸ *Ibid.*

election of the president, the ruling party's history of altering electoral boundaries to ensure control, and the fact that "the country's Elections Department is a government body attached to the Prime Minister's Office."¹⁹ In the subcategory *Functioning of Government*, which is concerned with whether the freely elected officials determine policies, the officials' degree of corruption, and the government's transparency, Singapore scored a 7/12. Though freely elected officials determine policies, the PAP exercises control on their members through legislation that terminates the terms of officials "if they resign or are expelled from the party for which they stood in elections."²⁰ The factor influencing this subcategory in which Singapore performed the best was the corruption of officials. In fact, Singapore is the 6th least corrupt country in the world according to the Corruption Perceptions Index 2017, a feat which is often attributed to the fact that Singapore's politicians are among the highest paid in the world.²¹ For reference, the United States is ranked 16th in the index.

In the *Civil Liberties* category, which consists of subcategories entitled *Freedom of Expression and Belief*, *Associational and Organizational Rights*, *Rule of Law*, and *Personal Autonomy and Individual Rights*, Singapore scored a 33/60.²² Though *Civil Liberties* seems to have less of a connection to democracy than political rights, there are many ways by which the political rights of the individuals of Singapore are hampered by constraints on their civil liberties. For example, the subcategory *Freedom of Expression and Belief* doesn't seem to have a direct connection to political influence, but various factors within this category constitute the means by which the Singaporean government maintains and exercises its control. Though

¹⁹ Ibid.

²⁰ Ibid.

²¹ E.V., Transparency International. "Singapore." www.transparency.org. Accessed December 13, 2018. <https://www.transparency.org/country/SGP>.

²² "Singapore," Freedom House, May 17, 2018, accessed December 13, 2018, <https://freedomhouse.org/report/freedom-world/2018/singapore>.

Singapore scores a 10/16 in the subcategory, they receive a 2/4 on the question of whether there is free and independent media in Singapore. Freedom House notes, “All domestic newspapers, radio stations, and television channels are owned by companies linked to the government...Media outlets, bloggers, and public figures have been subjected to harsh civil and criminal penalties for speech deemed to be seditious, defamatory, or injurious to religious sensitivities.”²³ This rating is certainly not indicative of high political freedom, but the media’s condition in Singapore is probably even worse, as Reporters Without Borders ranks Singapore 151st (out of 180) in their World Press Freedom Index.²⁴

The Singaporean government also restricts associational and organizational rights, with the nation scoring a 4/12 in this subcategory. Police permits are required for assemblies that occur outdoors and most organizations of more than 10 people must register with the government, with the state enjoying full discretion to dissolve such groups. The government only allows registered parties and associations to engage in organized political activity.²⁵

Another way by which the Singaporean government exercises its power to restrict political freedom is through the lack of checks and balances placed on the judiciary. In the *Rule of Law* category of Freedom House’s report, they assign Singapore a 7/16. When questioning the independence of their judiciary, they give the country a 1/4. Worthington notes, “The judiciary in Singapore is not necessarily constitutionally independent of the legislature or the executive...All appointments to judicial positions are made by the president on the advice of the prime

²³ Ibid.

²⁴ Reporters Without Borders. "2018 World Press Freedom Index." Rsf.org. 2018. Accessed December 6, 2018. <https://rsf.org/en/ranking>.

²⁵ "Singapore," Freedom House, May 17, 2018, accessed December 13, 2018, <https://freedomhouse.org/report/freedom-world/2018/singapore>.

minister...”²⁶ Freedom House points to the government’s consistent success in court cases and the defamation cases and lawsuits against government officials as evidence for the courts’ bias toward government officials.²⁷

Lastly, in this survey of political ownership, I must note the country’s series of prime ministers throughout its history. Since the country’s inception, there have only been three prime ministers of Singapore: Lee Kuan Yew from 1959 to 1990, Goh Chok Tong from 1990 to 2004, and Lee’s son Lee Hsien Loong from 2004 to present day. This long, almost dynastic, rule over the country by few individuals illustrates how entrenched Singapore’s political elite is.

From this catalog of Singapore’s lack of political freedom, we see that political decisions are concentrated in the hands of the few and that the many are prevented from political influence, which indicates a high degree of political ownership. As Singapore seems to be a counterexample to the classical liberal’s implicit assumption that economic freedom and prosperity are positively influenced by political freedom (democracy), one must look elsewhere to explain Singapore.

The Relevance of Hoppe’s Analysis:

Economists have long recognized the benefits of “stationary banditry,” relative to marauding predators, and have equally recognized that democracies have shortcomings which are detrimental to stability.²⁸ An oft-overlooked contribution to this literature is Hoppe’s

²⁶ Worthington, Ross "Between Hermes and Themis: An Empirical Study of the Contemporary Judiciary in Singapore." *Journal Of Law And Society* no. 4 (2001): 490. *JSTOR Journals*, EBSCOhost (accessed December 11, 2017), 493.

²⁷ "Singapore," Freedom House, May 17, 2018, accessed December 13, 2018, <https://freedomhouse.org/report/freedom-world/2018/singapore>.

²⁸ Olson, Mancur. "Dictatorship, Democracy, and Development." *American Political Science Review* 87, no. 3 (September 1993): 567-76. doi:10.2307/2938736; Caplan, Bryan Douglas. *The Myth of the Rational Voter: Why Democracies Choose Bad Policies*. Princeton, NJ: Princeton University Press, 2008; Buchanan, James M., and Gordon Tullock. *The Calculus of Consent: Logical Foundations of Constitutional Democracy*. Ann Arbor: University of Michigan Press, 2011.

*Democracy: The God that Failed.*²⁹ Hoppe points out that only democracies run consistent budget deficits and national debts, or sustain massive welfare programs. Government that is autocratic or oligarchic, on the other hand, internalizes costs and benefits in the hands of the few. These are the stationary bandits, who develop a strong incentive to protect the economic liberty of their society.

To apply Hoppe's analysis, which only deals with a comparison of the relative benefits of monarchy over democracy, to Singapore, one must answer the question of whether Hoppe's analysis is relevant. After all, Singapore is not a monarchy. Hoppe's work, because it deals with the two forms of government that lie on opposite ends of the spectrum of political ownership, distills many principles that have implications for political ownership in general. As stated above, though Singapore's elite are not operating within the context of a monarchy, they possess a great deal of political ownership and a subsequently low degree of political freedom. Instead of acquiring this political ownership by way of a monarchical political structure, the political elite of Singapore have operated within a democratic arrangement to restrict the rights and freedoms of their citizens. These restrictions yield for the elite a degree of control which is more monarchic than democratic in its essence. In other words, the creative restrictions of the People's Action Party allow them to approximate monarchic rule to such a degree that Hoppe's analysis of the benefits of monarchy becomes relevant to explaining their success. Also, Singapore meets many of the necessary criteria for certain of Hoppe's insights that are related to, but do not stem entirely from, political ownership.

Many, but not all, of the benefits of monarchy that Hoppe outlines stem from the fact that the monarch is the residual claimant of the nation's prosperity, as the country is effectively the

²⁹ Hoppe, Hans-Hermann. *Democracy: The God That Failed*. New Brunswick: Translation Publishers, 2003.

monarch's estate. Though the exact nature of the Singaporean elite's residual clamancy is unknown, as each politician does not directly own a portion of the nation, there are various reasons to believe that they do in fact possess a form of residual clamancy.

First, Singapore has a degree of political ownership that is indicative of a monarchy, and they realize many of the benefits that Hoppe outlines. This statement alone neither proves that Hoppe's analysis outlines the causal relation between the political ownership within and success of Singapore, nor does it prove that Singapore meets the relevant criteria (residual clamancy) of the application of Hoppe's analysis. However, as one gathers more data on the similarities between monarchical rule and Singapore, and as one gathers data on the country realizing the benefits of monarchical rule, it becomes more reasonable to conclude that they satisfy the criteria of applying the analysis. Much of the analysis in this paper serves as a collection of such data. If it looks, smells, tastes, sounds, and feels like residual clamancy, it's probably residual clamancy.

Second, the Singaporean elite have many means at their disposal by which they *could* possess a form of residual clamancy, leaving open the possibility of such incentives. For instance, Singapore's government directly owns over 76% of the nation's land (much of which is leased out), the nation's government officials are among the highest paid in the world, and the state has direct holdings in Singaporean corporations and assets through Temasek Holdings, a corporation whose assets exceed 200 billion US dollars and whose only shareholder is the Singaporean state.³⁰ Though the nature of the compensation of the individuals who operate such endeavors is unclear, but may be found with more research, these endeavors leave open the

³⁰ Sock-Yong Phang. "Economic Development and the Distribution of Land Rents in Singapore." *American Journal of Economics & Sociology* 55, no. 4 (October 1996): 493 <https://search.ebscohost.com/login.aspx?direct=true&db=buh&AN=9612243495&site=eds-live&scope=site>; Romero, Anna Maria. "No Surprise, Singapore's PM Is Still the Highest Salary Among All World Leaders." *The Independent*. February 26, 2018. Accessed December 13, 2018. <http://theindependent.sg/no-surprise-singapores-pm-is-still-the-highest-salary-among-all-world-leaders/>; "Portfolio Performance." Temasek Corporate Website English. Accessed December 13, 2018. <https://www.temasek.com.sg/en/our-financials/portfolio-performance.html>.

possibility of residual clamancy. A testament to the likelihood of the politicians possessing a form of residual clamancy in Singapore, Michael Barr, in his book *The Ruling Elite of Singapore*, suggests that it is "...a lot easier to understand Singapore if you put aside notions of modernity and ordinary governance, let alone democracy, and begin from the premise that it is a Chinese family business, complete with a patriarch, an eldest son, *guanxi* networks and questions of cross-generational continuity."³¹

In summary, if one finds the following: that Singapore possesses many of the conditions within monarchy that drive monarchic benefits, that Singapore yields the subsequent monarchic benefits, and that the politicians possess the means by which they *could* possess residual clamancy; since residual clamancy is one of the additional conditions that yields such monarchic benefits, there is an increased likelihood that the Singaporean government possesses a form of residual clamancy on the nation's economic growth. So, our task is to now outline the various ways in which Singapore meets these monarchic conditions and benefits from them.

Hoppe's Analysis Applied – Class Consciousness:

The first facet of Hoppe's analysis that I will apply is his discussion of "class consciousness." This concept illuminates much regarding why government regulations on private property and economic activity are more likely under democracy than under monarchy. Hoppe says,

...private-government ownership (monarchism) stimulates the development of a clear 'class consciousness' on the part of the governed public and promotes opposition and resistance to any expansion of the government's power to tax. A clear-cut distinction between the few rulers and the many ruled exists, and there is little or no risk or chance

³¹ Barr, Michael D. *The Ruling Elite of Singapore: Networks of Power and Influence*. London: I.B. Tauris, 2014, 108

of a person's moving from one class to the other. *Confronted with an almost insurmountable barrier to "upward" mobility, solidarity among the ruled – their mutual identification as actual or potential victims of government violations of property rights – is strengthened, and the ruling class's risk of losing its legitimacy as a result of increased taxation is accordingly heightened.*³² [emphasis added]

However, Hoppe notes that this class conscious is blurred under the political arrangement of democracy. He notes that the distinction between the rulers and the ruled becomes "fuzzy" because the ruled now perceive themselves as capable of ruling. In democracy, "...anyone, in theory, can become a member of the ruling class – or even president."³³ Furthermore, the democratic populace both sees that rulers answer to the people and that they can become the beneficiaries of taxation, regulation, and government provisions. Hoppe says, "Accordingly, public resistance against government power is systematically weakened."³⁴ Because the population is more likely to back taxation, regulation, and redistributions of wealth under democracy, these infringements on economic freedom are much more prevalent within democracies.

Of course, Singapore does not foster a sense of class consciousness by way of divine right or the direct ownership of the country. Instead, Singapore's distinct class consciousness is derived from the creative ways by which the PAP maintain control by blocking political entry and competition. For instance, as was noted above, Singapore's ruling elite restrict associational and organizational rights, use the courts and the threat of defamation suits to deter criticism, and change election rules when required to maintain control. All of this serves to clarify the class

³² Hoppe, Hans-Hermann. *Democracy: The God That Failed*. New Brunswick: Translation Publishers, 2003, 21

³³ *Ibid.*, 25

³⁴ *Ibid.*, 25-26

consciousness of Singaporeans, as there are seemingly insurmountable barriers to becoming a member of the political elite. As the class consciousness of the citizens is clarified, the ruling class' risk of losing its legitimacy as a result of increased taxation is heightened, which partially explains the nation's high degree of economic freedom and low tax burden.

Hoppe's Analysis Applied – Courts:

Another facet of Hoppe's analysis concerns the judiciary of monarchical and democratic systems. Of a monarchical system, he says,

Further, it is in a personal ruler's interest to use his monopoly of law (courts) and order (police) for the enforcement of the pre-established private property law. With the sole exception of himself (for the nongovernment public and all of its internal dealings, that is), he will want to enforce the principle that all property and income should be acquired productively and/or contractually...The less private crime there is, the more private wealth there will be and the higher will be the value of the ruler's monopoly of taxation and expropriation.³⁵

Here, Hoppe outlines that the monarch has a more vested interest in fair and productive dealings between the citizens of his country than an elected representative, as the monarch is a residual claimant on the productivity of the citizens involved. Thus, as it is the best measure of fair dealings between individuals, the monarch will enforce pre-established common law. The elected representative, however, has a different set of incentives. Contrasting law in a democratic system with law in a monarchic system, Hoppe states,

Rather than upholding private law among the nongovernment public and exploiting its legal monopoly solely for the purpose of redistributing wealth and income from civil

³⁵ Ibid., 19

society onto itself, a government “ruled” by public law will also employ its power increasingly for the purpose of legislation, i.e., for the creation of new, “positive” civil law, with the intent of redistributing wealth and income *within* civil society. For as a government’s caretaker (not owner) it is of little or no concern that any such redistribution can only reduce future productivity.³⁶

Hoppe goes on to note that politicians will in fact be pressured, both because of popular elections and free entry into government, to enact such redistributive policies which they have no incentive against enacting. As such redistributive positive law hampers private property rights, it negatively affects a country’s economic freedom and growth.

Singapore’s system of law is controlled by the executive, which mimics the system of law within a monarchy. Though the exact nature of the residual clamancy in Singapore is difficult to specify, as was noted previously, their court system seems to replicate the benefits of a monarchic system, which serves as an indication that the political elite may possess a form of residual clamancy. Hoppe’s claim that the monarch would seek to enforce private property claims well is indicative of the Singaporean system, which was ranked *1st in the world* by The Heritage Foundation in 2017 in property rights enforcement (the 2018 report does not indicate rankings).³⁷ Also, as noted above, the International Institute for Management Development ranked Singapore’s legal system as *the best* in the world and the World Economic Forum rated their legal system fourth in the world.³⁸

³⁶ Ibid., 29

³⁷ Miller, Terry, and Anthony B. Kim. The 2017 Index of Economic Freedom. Report. Accessed December 12, 2018. https://www.heritage.org/index/pdf/2017/book/index_2017.pdf, 173

³⁸ Worthington, Ross "Between Hermes and Themis: An Empirical Study of the Contemporary Judiciary in Singapore." *Journal Of Law And Society* no. 4 (2001): 490. JSTOR Journals, EBSCOhost (accessed December 11, 2017), 493.

However, Hoppe notes that the only time during which the monarch would elect to curtail common law is in cases brought against the monarch. This caveat does very well to anticipate the Singaporean system's overwhelming success rate of politicians in court, while still being successful in arbitrating civil affairs. In the 2017 edition of the index, the Heritage Foundation notes, "Commercial courts function well, but the government's overwhelmingly successful track record in court cases raises questions about judicial independence."³⁹ One could conclude that, while the system may not be *impartial* (at least in cases brought against politicians), it is *predictable* regarding the enforcement of property rights, which is conducive to economic growth.

Hoppe's Analysis Applied – Time Preference:

Lastly, because monarchs have ownership over the country for the foreseeable future, Hoppe notes that monarchs will be more reserved than democratic politicians in their extraction of resources from the country. Hoppe says,

A democratic ruler can use the government apparatus to his personal advantage, but he does not own it...He owns the *current use* of government resources, but not their capital value. In distinct contrast to a king, a president will want to maximize not total government wealth (capital values and current income) but current income (regardless and at the expense of capital values).⁴⁰

Accordingly, democratically elected representatives with shorter terms will extract resources at a much faster and more destructive rate than their monarchic counterparts. This extraction is in opposition to economic freedom, as it hampers the economy through undermining private

³⁹ Miller, Terry, and Anthony B. Kim. The 2017 Index of Economic Freedom. Report. Accessed December 12, 2018. https://www.heritage.org/index/pdf/2017/book/index_2017.pdf, 173

⁴⁰ Hoppe, Hans-Hermann. Democracy: The God That Failed. New Brunswick: Translation Publishers, 2003, 24

property rights. We see from Singapore's exceptional degree of economic freedom and low tax burden that they experience less of this type of democratic extraction than most other nations, which serves as another indication that the politicians possess a form of residual clamancy on the nation's wealth.

Though the analysis discussed directly above only applies to Singapore in so far as its politicians are residual claimants on the capital value of the country, Hoppe discusses another facet of this analysis which more directly applies to Singapore. Hoppe goes on to say that, because the monarch possesses a longer planning horizon than elected representatives, the monarch's degree of time preference will be lower, which in turn leads to less economic exploitation.⁴¹ While the nature of the residual clamancy of Singaporean politicians can and ought to be disputed, the Singaporean political elite's degree of entrenchment, and their subsequently larger planning horizons, has been well documented.⁴² Not to mention, Singapore's prime ministers are dynastic in nature and exhibit much longer terms than most other country's leaders: Lee Kuan Yew ruled the country from 1959 to 1990, Goh Chock Tong took over from 1990 to 2004, and Lee's son has ruled since 2004. The long planning horizons of the Singaporean political elite satisfy Hoppe's criteria, which contributes to Singapore's high level of economic freedom and low tax burden.

So, in summary, the People's Action Party restricts political rights and civil liberties to gain control of the country, but, as evidenced by the country's economic freedom, this control is tamed. This mixture of reservation and control seems to emulate the system of monarchy outlined in Hoppe's work, but Hoppe's analysis rests on the leader's ownership of, or residual clamancy on, the country's wealth. Though I have not proven the existence of these incentives

⁴¹ Ibid., 46.

⁴² Barr, Michael D. *The Ruling Elite of Singapore: Networks of Power and Influence*. London: I.B. Tauris, 2014.

among the Singaporean politicians, as one gathers evidence of the People's Action Party acting *as if* they have residual clamancy, it becomes more reasonable to conclude that the government does possess such residual clamancy. I have attempted to gather such evidence by outlining the ways in which the People's Action Party resembles Hoppe's monarchical rulers and yields the subsequent benefits. If I am correct that Hoppe's analysis applies to Singapore, and that the country has benefited from their authoritative government and lack of political freedom, this seems to suggest that authoritative regimes, and the political ownership they produce, are preferable to democracies in terms of fostering economic freedom and prosperity. There seem to be many problems and counterexamples that arise in considering the truth of this conclusion. I will now seek to address these problems and counterexamples.

The J-Curve:

If authoritative regimes that have a high degree of political ownership should operate best, why are there so many authoritative regimes that do not operate well at all? For example, it could be said that North Korea has one of the highest degrees of political ownership of any nation in the world, but it does not yield many, if any, of the benefits found in Hoppe's analysis. To solve this objection and to account for counter examples to my analysis, I propose Ian Bremmer's J-Curve.

The J-Curve is a graphical depiction of Ian Bremmer's hypothesized empirical relationship between a country's "stability" and "openness."⁴³ Openness is essentially a metric of a country's freedom. Bremmer's conception of freedom can be subdivided into political freedom, which is the inverse of political ownership, and economic freedom. Political freedom includes democratic government, freedom of speech, of the press, of assembly and petition, etc. Economic

⁴³ Bremmer, Ian. *The J Curve: A New Way to Understand Why Nations Rise and Fall*. New York: Simon & Schuster, 2007.

freedom is the free exchange of goods and services, within a country and across its borders. It is important to note that, while democracy is not a sufficient condition for a truly open society, Bremmer seems to view political freedom as a requisite.⁴⁴ Most importantly, he mentions freedoms of speech and assembly, and considers whether “citizens have access to and influence in the process of government” to be an important issue. In a list of action items that would increase Turkey’s openness, Bremmer mentions “reforms that strengthen the independence of the nation’s political institutions, increase[ing] media freedoms... and protect[ion for] the rights of minority groups...”⁴⁵ Discussing the employment of political capital in the development of openness, he writes, “To have political capital is not enough. You have to spend it. *Otherwise an emerging democracy may never emerge.* [emphasis added]”⁴⁶ Bremmer makes clear that there are many democracies that are unstable, but, because of his inclusion of democracy in openness, he implicitly rejects the possibility of an open autocracy.⁴⁷

Bremmer summarizes stability as “the state’s capacity to withstand shocks and its ability to avoid producing them.”⁴⁸ Generally, stability and openness are conceived of as being positively correlated. Regarding stability, Bremmer uses elections as an example: in Taiwan in 2003 and Ukraine in 2004, contested election results were precipitously dangerous. “Demonstrations closed city streets, the threat of civil violence loomed, local economies suffered... Of course, [a similar contested election occurred] in the United States in 2000, without any significant implications for the country or its financial markets.”⁴⁹ The fruits of a strong economy brought about by an open society, along with the reliability of political

⁴⁴ Ibid., 10

⁴⁵ Ibid., 11

⁴⁶ Ibid., 19

⁴⁷ Ibid., 10

⁴⁸ Ibid., 8

⁴⁹ Ibid.

institutions, manifest themselves in the form of stability. Open societies are generally reliable, predictable, and safe, relative to their closed counterparts.

However, Bremmer's analysis is much more nuanced than merely outlining a positive relationship between openness and stability. His critical and counterintuitive insight is that "certain states – North Korea, Burma, Belarus, Zimbabwe – are stable precisely because they are closed."⁵⁰ That is, foreign influence, or even any increased ability of citizens to communicate internally, would be more destabilizing to the country than even the dominance of a dictator. Whatever security the country has is contingent upon the regime's capacity to maintain control, for which closedness is a necessary requisite. Thus, the relationship between stability and openness can be modelled in the shape of a J (see fig. 3). As a closed country becomes more open, it initially becomes less stable. However, it eventually becomes increasingly stable as it becomes more open.

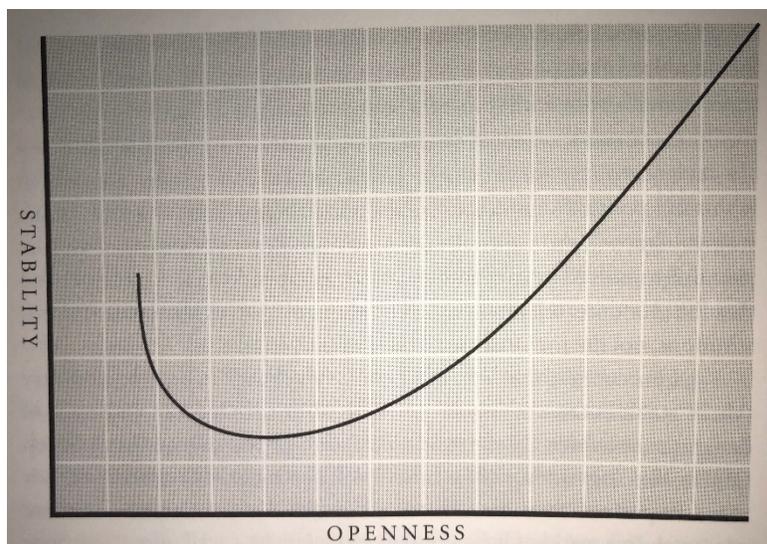


Fig. 3 Ian Bremmer's J-Curve. Bremmer, Ian. *The J Curve: A New Way to Understand Why Nations Rise and Fall*. New York: Simon & Schuster, 2007, 6.

⁵⁰ Ibid., 4

Placing Singapore on the J-Curve:

If Bremmer's analysis is right, a puzzle manifests itself: where does Singapore fit in? How does a society as closed as Singapore manifest stability otherwise only seen in Western democracies? Singapore, in terms of its openness, should sit at the bottom of the J-Curve.

Its democracy is merely nominal. Freedom of speech is tightly controlled. As discussed above, Singapore far more closely approximates an autocratic, hereditary monarchy than a free Western government. Yet, Singapore has a predictable legal infrastructure for the protection of private property, and few legal restrictions on what one is allowed to exchange (excluding anything classified as sedition). As the Heritage Foundation summarizes, "In 2015, the World Bank ranked Singapore first in enforcement of contracts...Commercial courts function well, but the government's overwhelmingly successful track record in court cases raises questions about judicial independence. Singapore is one of the world's least corrupt countries, although the power of deeply entrenched political elites continues to raise concerns."⁵¹ In terms of openness, Singapore has a blend of extremes: perfectly free trade, but media control; low taxes and regulation, but an entrenched incumbent legislature; an ideal legal infrastructure for business, but courts that are the loyal progeny of the legislature. This mixture should place it somewhere near the *bottom* of the curve, as its degree of openness is neither radically low nor radically high.

But, in terms of stability, Singapore should sit at the far right end of the Curve, as high as a country can get. Its government is robust, causes no shocks, and is fully capable of responding to disasters; consequently, its citizens enjoy a very high standard of living. The J-Curve predicts either that Singapore is far more open or far less stable than data or recent history indicate. What

⁵¹ Miller, Terry, and Anthony B. Kim. The 2017 Index of Economic Freedom. Report. Accessed December 12, 2018. https://www.heritage.org/index/pdf/2017/book/index_2017.pdf, 173

about the J-Curve can we justifiably adjust in order to account for Singapore? The answer comes from my speculations about the underlying cause of Singapore's prosperity, and how this contradicts Bremmer's decision to include both political and economic freedom in openness.

Rethinking the J-Curve:

If, as argued above, democracy is not of great concern to stability, then there is no need to include the democratic elements of openness in our analysis. Bremmer can include political freedom in our concept of openness without much objection, because the vast majority of "open societies" are also politically free. But when confronted with the antidemocratic conclusions of Hoppe's analysis and that of the public choice economists, and most importantly, the empirical case of Singapore, the J-Curve breaks. We might thus more appropriately label the *x*-axis "property rights" or "markets". If we do this, as Singapore is both the second most economically free nation in the world and one of the most stable, Singapore will be at the top right of the curve. The change proposed maintains the logic of Bremmer's analysis, as openness and markets will correlate with the increased flow of ideas between nations, which is a main driver of instability for closed autocratic nations.

This fix leads to two conclusions. First, Bremmer's J-Curve hypothesis explains why we see such brutal and deliberately unprosperous regimes as North Korea. Even though it is in the dictator's interest to foster a more prosperous country, doing so exposes the regime to a high degree of risk. It must pass through the low-stability area of the J-Curve before it can capture the gains from more economic freedom. At the same time, the J-Curve is misleading. Openness, as Bremmer conceives of it, is not causally related to stability. Instead, it is a single aspect of openness – markets – that drives stability. Whether a country is democratic is, at most, irrelevant to its stability, and most likely counters some of the positive contributions of markets. By

reformulating the J-Curve with this market emphasis, we can explain both why Singapore is extremely stable, and why other autocratic nations are not.

Conclusion:

As has been shown, there are strains within the Austrian literature, such as Hoppe's analysis of democracy and monarchy, that explain the coexistence of high degrees of political ownership and economic freedom in Singapore. My application of Hoppe's analysis to a political structure that is neither wholly democratic nor wholly monarchic opens the door for a general theory of political ownership, a theory which holds that political ownership positively influences economic freedom. There are issues with this general theory, such as the presence of counterexamples, which I have attempted to address and refute. In light of this analysis, areas for further study include the application of Hoppe's analysis to countries other than Singapore, an inquiry into the exact nature of the Singaporean politicians' degree of residual clamancy on the country's wealth, and a comprehensive history of how Singapore emerged on the right side of the J-Curve.

Bibliography:

- Abshire, Jean E. *The History of Singapore*. Santa Barbara, California: Greenwood, 2011
- Barr, Michael D. *The Ruling Elite of Singapore: Networks of Power and Influence*. London: I.B. Tauris, 2014.
- Bremmer, Ian. *The J Curve: A New Way to Understand Why Nations Rise and Fall*. New York: Simon & Schuster, 2007.
- Buchanan, James M., and Gordon Tullock. *The Calculus of Consent: Logical Foundations of Constitutional Democracy*. Ann Arbor: University of Michigan Press, 2011.
- Caplan, Bryan Douglas. *The Myth of the Rational Voter: Why Democracies Choose Bad Policies*. Princeton, NJ: Princeton University Press, 2008.
- Central Intelligence Agency. "COUNTRY COMPARISON :: GDP - PER CAPITA (PPP)." Cia.gov. 2018. Accessed December 6, 2018. <https://www.cia.gov/library/publications/the-world-factbook/rankorder/2004rank.html>.
- E.V., Transparency International. "Singapore." Www.transparency.org. Accessed December 13, 2018. <https://www.transparency.org/country/SGP>.
- The Global Financial Centres Index. Report no. 24. September 2018. Accessed December 12, 2018. https://www.longfinance.net/media/documents/GFCI_24_final_Report_7kGxEKS.pdf
- Hoppe, Hans-Hermann. *Democracy: The God That Failed*. (New Brunswick: Translation Publishers, 2003)
- Miller, Lee J., and Wei Lu. "These Are the Economies With the Most (and Least) Efficient Health Care." Bloomberg.com. September 19, 2018. Accessed December 6, 2018. <https://www.bloomberg.com/news/articles/2018-09-19/u-s-near-bottom-of-health-index-hong-kong-and-singapore-at-top>
- Miller, Terry, and Anthony B. Kim. *The 2017 Index of Economic Freedom*. Report. Accessed December 12, 2018. https://www.heritage.org/index/pdf/2017/book/index_2017.pdf
- Ministry of Manpower. "Summary Table: Unemployment." Stats.mom.gov.sg. 2018. Accessed December 6, 2018. <http://stats.mom.gov.sg/Pages/Unemployment-Summary-Table.aspx>.
- Olson, Mancur. "Dictatorship, Democracy, and Development." *American Political Science Review* 87, no. 3 (September 1993): 567-76. doi:10.2307/2938736
- The Organisation for Economic Co-operation and Development. *PISA 2015 Results in Focus*. Report. 2018. Accessed December 6, 2018. <http://www.oecd.org/pisa/>.
- "Portfolio Performance." Temasek Corporate Website English. Accessed December 13, 2018. <https://www.temasek.com.sg/en/our-financials/portfolio-performance.html>.
- Reporters Without Borders. "2018 World Press Freedom Index." Rsf.org. 2018. Accessed World Bank. "GDP per Capita (current US\$)." worldbank.org 2018. Accessed December 6,

2018. <https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?end=2017&locations=MY-SG-Z4&start=1960>.
- Romero, Anna Maria. "No Surprise, Singapore's PM Is Still the Highest Salary Among All World Leaders." *The Independent*. February 26, 2018. Accessed December 13, 2018. <http://theindependent.sg/no-surprise-singapores-pm-is-still-the-highest-salary-among-all-world-leaders/>
- "Singapore," Freedom House, May 17, 2018, accessed December 13, 2018, <https://freedomhouse.org/report/freedom-world/2018/singapore>
- "Singapore," The Heritage Foundation, , accessed December 13, 2018, <https://www.heritage.org/index/country/singapore>
- The Straits Times. "Singapore Ranked World's No. 2 for Health-care Outcomes: EIU." *Www.straittimes.com*. November 27, 2014. Accessed December 6, 2018. <https://www.straittimes.com/singapore/health/singapore-ranked-worlds-no-2-for-health-care-outcomes-eiu>
- Sock-Yong Phang. "Economic Development and the Distribution of Land Rents in Singapore." *American Journal of Economics & Sociology* 55, no. 4 (October 1996): 493 <https://search.ebscohost.com/login.aspx?direct=true&db=buh&AN=9612243495&site=eds-live&scope=site>
- World Bank. "Ease of Doing Business Index." Singapore | Data. Accessed December 13, 2018. https://data.worldbank.org/indicator/IC.BUS.EASE.XQ?contextual=aggregate&locations=SG&year_high_desc=false.
- World Health Organization *Global Health Observatory (GHO) Data*. Report no. Annex B. 2016. Accessed December 6, 2018. https://www.who.int/gho/publications/world_health_statistics/2016/Annex_B/en/.
- Worthington, Ross "Between Hermes and Themis: An Empirical Study of the Contemporary Judiciary in Singapore." *Journal Of Law And Society* no. 4 (2001): 490. *JSTOR Journals*, EBSCOhost (accessed December 11, 2017)