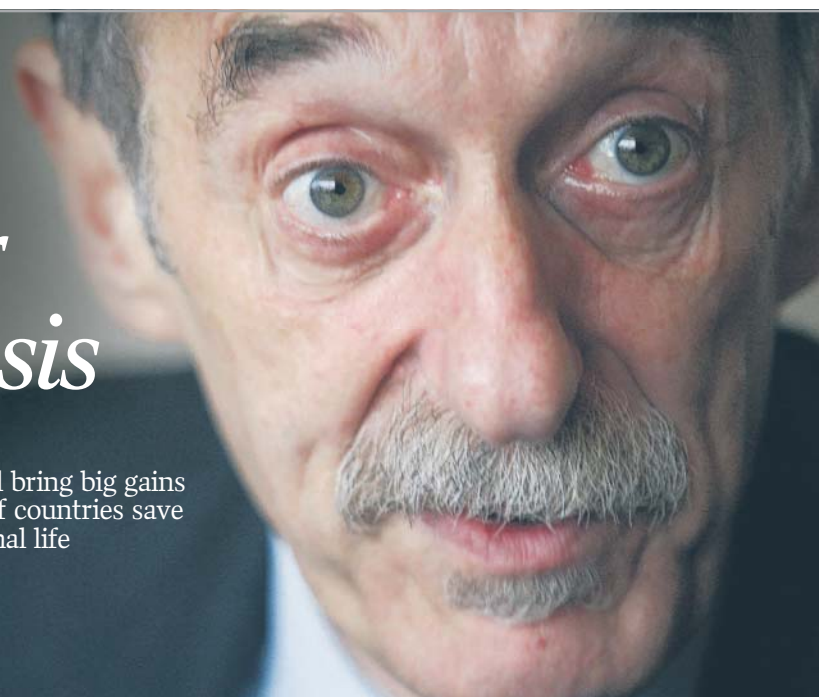


# Finding the silver in the crisis

The financial crisis will bring big gains for ageing societies – if countries save and intervene in national life



ST PHOTO: DESMOND LIM



By LEE SIEW HUA  
SENIOR POLITICAL  
CORRESPONDENT

MR GEORGE Magnus easily discerns the "perverse pluses" of the financial upheaval of the world, having scanned economic horizons for 30 years.

The economist thinks the crisis is good for the ageing world. He is pleased the crisis will compel the West to move away from its culture of debt, and start to save more instead.

"For ageing societies, that's a good thing because too many people have too few savings and too little preparation for retirement," he tells Insight.

Mr Magnus, 59, is the UBS Investment Bank's senior economic adviser.

The Londoner is the author of a new book titled *The Age Of Aging*. It analyses the impact of silver societies on the global economy and planet, and discovers how to lighten burdens created by the ageing wave.

It is a theme he explores further with *Insight*, discussing solutions such as the role of immigrants in uplifting greying lands like Singapore.

He believes Singapore's urban economy will pave the way for the smooth rehiring of older workers.

But in the meantime, the sea-change

ter age 62. It takes effect in 2012. "In Singapore – a model of what can be called 'managed democracy' – it is probably going to work," he writes.

Picking up this point in the interview, he adds: "Leaving it to the market may not be correct because you won't get the right changes."

## Ideological tussle

THE crisis is heightening the debate on the balance between state intervention and free markets. Diverse forums – from the World Bank to China to the international media – are quickly weighing in.

The ideological tussle is captured in a question on a World Bank blog: "Does the financial crisis signal the end of free markets and a return to state intervention?"

No, Mr Shantayanan Devarajan, chief economist of the bank's Africa region, maintains in the blog.

He writes that the problem of the US financial system is not that there was no state intervention, but that it was flawed. "The solution is to improve government regulation of the system," he states.

However, in Singapore, Senior Minister Goh Chok Tong believes strong political leadership is now even "more indispensable".

Look at how Western governments "turned the free market on its head", Mr Goh, who chairs the Monetary Authority of Singapore, said last weekend. He was referring to how many of them had been forced to recapitalise their banks and

guarantee bank deposits.

Mr Magnus is clear on where he stands: The leaders of Anglo-Saxon countries will have to play a more eminent role in the capitalist system, as in Asia.

But the transition will not be simple. After all, the United States had, for the last 20 or 30 years, idealised a very different capitalism defined by "laissez

## A DIFFICULT TRANSITION

"People have to face up to the idea that this system was deeply flawed. When you confront this kind of shock, it's quite a difficult transition to make. But I think it is occurring."

Mr Magnus, on leaders of Anglo-Saxon countries playing a more eminent role in the capitalist system, as in Asia

faire, anything goes, deregulation", he says, adding:

"People have to face up to the idea that this system was deeply flawed. When you confront this kind of shock, it's quite a difficult transition to make. But I think it is occurring."

Still, if voters calculate that a less unfettered capitalism is in their interest, a political consensus will form.

"People's perceptions about the balance between the market and the government are changing," he observes.

## Obamanomics

ONE indicator is the American political mood, which he believes is leaning left.

Most polls suggest an Obama presidency is arising in the feverish final days of the race. Mr Magnus pins the Democrat's style down to "managed capitalism".

Indeed, Senator Barack Obama said in a recent *New York Times Magazine* interview that the free market has "limits".

"The market is the best mechanism ever invented for efficiently allocating resources to maximise production," Mr Obama begins. "And I also think that there is a connection between the freedom of the marketplace and freedom more generally."

But, he continues: "There are certain things the market doesn't automatically do."

Mr Obama is "the man" for this hour, Mr Magnus declares.

And so he connects the dots intriguingly between the crisis, the ageing world, Singapore, state intervention and the next US leader.

His publications and interests, too, offer a sense of the sprawling ambit of his research and life.

His UBS research papers have covered sovereign wealth funds, the deployment of petrodollars as well as the commercial renaissance of the Silk Road linking China and the Middle East

and Africa.

From a lofty floor of the Ritz-Carlton Millenia Hotel, where this interview takes place, he glimpses a city of youthful dynamism that is also – less visibly – an ageing society.

One in 12 Singaporeans is now aged 65 or older.

By 2030, this ratio will be one in five. In light of this sober trend, the Republic welcomes all levels of foreigners to drive the economy and build the glowing skyline enjoyed by visitors like Mr Magnus.

## Political price of having foreigners

TURNING to the controversial role of immigrants, Mr Magnus says foreigners enrich a culture and will partly push back the consequences of an ageing populace, such as manpower and skills shortfalls.

But he also cautions that immigration alone is not the solution as there is a political price to pay.

"The scale of immigration that would be required to keep the labour force constant over the next 20 years would be politically just unacceptable," he says.

In most countries, immigration will have to go up between two and 10 times to compensate for the decline in the workforce.

## IN THE NICK OF TIME

Governments acted just in time to underpin the structure of the global banking system and therefore I don't think we're going to have a really ugly recession."

Mr Magnus

## GOVT'S HAND AT THE HELM

"It will be difficult to manage ageing societies – and make sure we all continue to have prosperous lives – without the more active intervention of government in organising social and economic affairs."

Mr Magnus

that is being unfurled in nations by the global financial crisis will benefit silver societies, says Mr Magnus.

Besides the shift to thrift, he reckons states will now intervene more in economic and social affairs.

Noting that nations such as Nigeria in sub-Saharan Africa to Japan in the First World are growing old quickly, he says:

"It will be difficult to manage ageing societies – and make sure we all continue to have prosperous lives – without the more active intervention of government in organising social and economic affairs."

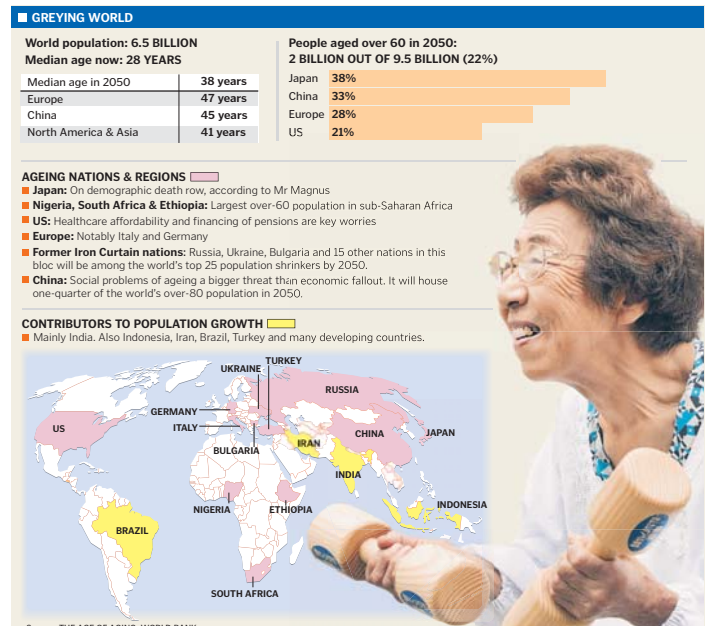
The crisis is a "catalyst" to bring governments back into the mainstream of economic management.

As he sees it, the government's hand can deal robustly with the complex economic changes wrought by rapid ageing.

The public authorities can open the door to immigrants to fill the shrinking labour pool, for instance.

It can change the structure of employment to draw seniors back to work. This is one Singapore lesson for the world that he describes in his book.

In it, he mentions Singapore's proposed law for bosses to rehire workers af-



Higher productivity is one more answer. But he is blunt about this too: "Productivity is a kind of holy grail. It doesn't come easily."

It is anchored in investments in education, infrastructure and capital equipment. "So you basically give workers more tools to become more productive."

Going beyond Singapore, what about China, another rapidly ageing society? Japan, the US, European countries and other advanced economies began the period of rapid ageing with very high per capita incomes.

But China may "grow old before it gets rich" – an issue that has spooked demographers and was highlighted by American researcher Philip Longman, who authored *The Empty Cradle*.

While much of the world is entranced by China's rise, Mr Longman fears that fewer newborns in the world's most populous land can skew its internal development, global influence and even appetite for war.

Mr Magnus knows the extent of the Chinese problem, which may overflow to Asia and elsewhere simply because China is one main hub of the global economy and a rising power on all fronts.

China now has 144 million people

CONTINUED ON PAGE A35