



# Singapore Undergraduate Policy Competition 2024

Ouroboros: Circles of Sustainable Renewal in Asia

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**Domain Area:** **Economic Sustainability**

**Topic:** **Increasing Cost of Living**

**Guiding Questions:**

(a) From the point of view of Singapore, what domestic policies can be implemented to better equip citizens to cope with increasing cost of living?

**OR**

(b) How can Asian countries collaborate to mitigate inflation and the rapid increase in living costs?

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### General Information

As soon as Covid-19 began to ease in mid-2021, the world's focus turned to the issue of high inflation, a trend that shows no signs of slowing amidst the Russia-Ukraine War and China's economic slowdown.<sup>1</sup> In Singapore, core inflation (measured by the consumer price index excluding housing and public transport) was 4.2% in 2023 and is projected to be between 2.5–3.5% in 2024.<sup>2</sup>

Similar trends were observed in other Asian economies. Sri Lanka's national consumer price index shot to 6.5% in January 2024 year-on-year, from 4.2% per cent in December 2023. This increase was in part fuelled by food shortages.<sup>3</sup> Similarly, high food, oil and gas prices in the Philippines have driven up inflation and costs of living, far outpacing other Southeast Asian economies.

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<sup>1</sup> Walter Frick, "What Causes Inflation?," Harvard Business Review, February 27, 2023, <https://hbr.org/2022/12/what-causes-inflation>; Ovais Subhani, "Why S'pore's High Inflation May Drag Into 2023," *The Straits Times*, July 19, 2022, <https://www.straitstimes.com/business/economy/why-singapores-high-inflation-may-drag-into-2023>.

<sup>2</sup> CNA, "Singapore's Core Inflation Rises to 3.3% in December, Averaged 4.2% for 2023," CNA, January 23, 2024, <https://www.channelnewsasia.com/singapore/singapore-core-inflation-rose-33-december-42-2023-mas-mti-4067326>.

<sup>3</sup> CNA, "Higher Sales Tax Drives Sri Lanka Inflation to 6.5% in January," CNA, February 21, 2024, <https://www.channelnewsasia.com/business/higher-sales-tax-drives-sri-lanka-inflation-65-january-4138796>.





Inflation—the rise in prices across an economy—occurs when the quantity of supply cannot meet the quantity demanded. It is caused by supply-side or demand-side factors or both and is also fuelled by consumers' expectations. Persistent high inflation is problematic prices rising faster than income reduces households' purchasing power and hence lowers their standard of living.

The wave of inflation that began in 2021 was caused by both international and domestic factors. Internationally, supply chain disruptions and geopolitical shocks, such as the Russia-Ukraine War, drove up global costs of energy, food, and other important factors of production. Domestically, tight domestic labour markets further constrained supply.<sup>4</sup> Amidst these various factors, some companies also disguised price gouging as necessary price increases to keep up with inflationary pressures.<sup>5</sup> In light of the multiple and often transnational causes of inflation's persistence, versatile policies, both domestic and regional, are required to help locals cope with and combat the rising cost of living.

### Scope of Policy Proposal

You should consider the following points and address these in your policy proposal. If you intend to take on a specific perspective (e.g., a certain Ministry, organisation), do state it clearly in your proposal.

- (1) **Feasibility:** Your policy should be something that policymakers can implement, given their current resources and jurisdiction.
- (2) **Sustainability:** Your policy should aim to be sustainable in the long run. It should address the causes of inflation and rising cost of living, and should not be a one-off, short-term, or temporary measure to alleviate their effects.

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<sup>4</sup> See Kit Tang, "A Perfect Storm': Why Inflation Is Rising in Singapore and What Can Be Done," CNA, February 3, 2022, <https://www.channelnewsasia.com/singapore/why-singapore-inflation-rising-prices-higher-what-can-be-done-2463081>; Joseph E. Stiglitz, Ira Regmi, "The causes of and responses to today's inflation," *Industrial and Corporate Change* 32, no. 2 (April 2023): 336–385, <https://doi.org/10.1093/icc/dtad009>.

<sup>5</sup> German Lopez, "Inflation and Price Gouging," *The New York Times*, June 14, 2022, <https://www.nytimes.com/2022/06/14/briefing/inflation-supply-chain-greedflation.html>.





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- (3) Household- and consumer- oriented:** Your policies should focus on helping to alleviate the rapid rise in cost of living for ordinary citizens. Lowering costs for businesses should be relevant only inasmuch as it helps households and consumers.

### **Points of Interest**

- If your policy only addresses one or two of the three causes of inflation (demand-pull, cost-push, expectations) explain why you believe those should be prioritised. It is not necessary to address all three, as long as you justify your chosen priority.
- Explore policy trade-offs and justify them — solving one problem might worsen or neglect other problems. Justify why you think the trade-off is not as big of an issue or concern.
- If your policy aims to encourage collaboration between Asian economies, do consider differences in the nature of their economies and interests, and how your policy will mutually benefit participating nations and their populations.





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