

## EXAMINING THE ROLE OF THE SINGAPORE GOVERNMENT IN INCREASING ECONOMIC GROWTH IN THE DIGITAL ECONOMIC ERA

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### ABSTRACT

Singapore's neo-classical economic model is a dynamic blend of state capitalism, urban planning, a thriving creative economy, well-crafted monetary policies, a robust welfare system, progressive education reforms, and effective fiscal strategies. Together, these components synergize to propel economic expansion, entice global talent, ensure political stability, and propel the digital revolution. This study delves into elucidating the pivotal role played by the Singaporean government in fostering digital economic evolution within the constructs of the neo-classical economic paradigm.

Utilizing a qualitative research approach with a focus on literature review, the findings underscore the centrality of the state in driving digital economic transformation within the neo-classical economic framework. Acting as a primary catalyst, the government enhances economic growth through strategic interventions in education, healthcare, human capital development, housing, and financial progress, steering state-owned enterprises and international commerce towards advancement.

Key words : Economy Growth, Digital Economy.

### 1. INTRODUCTION

Singapore, as one of the countries that has successfully built a dynamic economic system, has reached the highest position in the Global Economic Freedom Index (I-KED) after surpassing Hong Kong. Singapore's top position in the I-KED reflects its high economic freedom, while Hong Kong has fallen to second place due to limited civil liberties and political turmoil (Frase, 2023). This index illustrates the role of the state in supporting economic growth and societal well-being. Singapore adopts a neo-classical economic system that involves state capitalism, urban planning, a creative economy, monetary policy, welfare state, educational reforms, and fiscal policies to strengthen economic growth, attract global talent, and maintain political stability (Carter, 2006).

The digital economy is now a critical focus in the global economy. Singapore, as a leading financial and technological hub, is actively facing the challenges of this transformation. The role of the state is crucial in shaping the direction of digital economic changes, especially within the

context of Singapore's neo-classical economic policies (Shatkin, 2013). A detailed analysis of the state's intervention in stimulating digital economic growth in Singapore is the primary focus, as the government's decisions and policies will be the foundation for sustainable economic growth. A thorough study of the state's role in driving this digital economic transformation will provide a deeper understanding of Singapore's response to the dynamics of the digital economy while adhering to the core principles of the neo-classical economy (Shatkin, 2013).

Singapore's economic model can be understood through the lens of state capitalism, where the state acts as the main economic actor and uses the market for political gains. Singapore's economic policies encourage independent businesses, private property ownership, and taxes and tax incentives that support investment. Singapore is also a major financial hub with a strong presence in foreign exchange, foreign money trade, and asset management (Wilson, 2015).

From the above explanation, it is important to delve deeper into the role of the state and economic growth in the context of the neo-classical economic framework by using the case study of Singapore. The research question that arises is: How does the Singaporean government drive the digital economy within the framework of the neo-classical economic system? This study aims to examine how the Singaporean state has played a key role in promoting digital economic development in line with the firmly held principles of neo-classical economics, by identifying concrete policies and strategies that have been implemented by the Singaporean government.

## 2. THEORETICAL REVIEW

Singapore recognizes the importance of government in providing vital public services such as housing, healthcare, and education for the welfare of its citizens. The welfare approach in Singapore is characterized by a relatively small government and an efficient welfare system. Welfare policies are based on political and economic conditions, focusing on economic growth and export strategies (Lee & Qian, 2017). This approach has helped Singapore maintain a balance between economic growth and social welfare, making it one of the most successful countries in maintaining economic stability and societal well-being.

In the midst of globalization and the development of information technology, the digital economy has become a dominant force in the business sector and the global economy (Sadoway, 2013). Singapore, as a leading global financial and technological hub, has actively aligned itself

with these changes, positioning itself as a driver of the shift towards a digital economy. Singapore continues to strive to adopt innovations and take a leadership role in guiding the course of this change. In-depth research into the role of the state in influencing and driving the digital economy within the framework of Singapore's neo-classical economic system holds significant relevance. A detailed analysis of the government's concrete decisions, policies, and strategies will provide insights into Singapore's efforts to navigate the digital economic transition while maintaining consistency with the core principles of neo-classical economics that underpin its economic system. Through this research, we will uncover how the state has integrated information technology innovations into the existing economic structure and how the policies implemented have impacted the growth of the digital sector and the economy as a whole.

Thus, a thorough study of the digital economic transformation in Singapore will reveal a comprehensive view of the government's role, policy impact, and economic adaptation in facing the challenges and opportunities presented by globalization and the information technology revolution. This can serve as a critical foundation for understanding Singapore's position as a leader in the digital economy in Asia and the world.

### **3. RESEARCH METHOD**

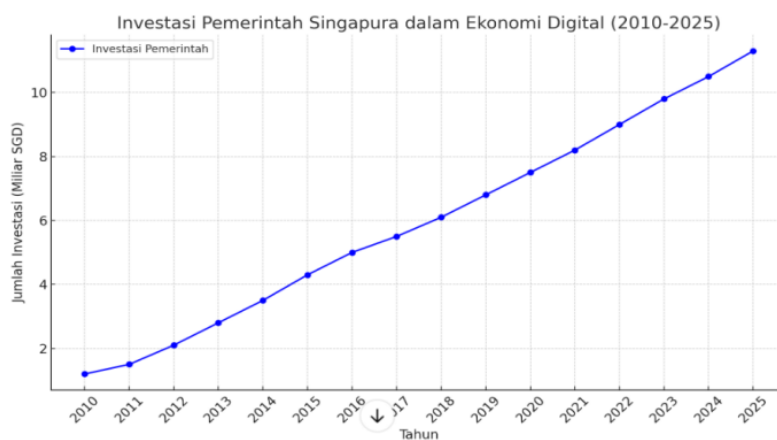
This study is a descriptive qualitative research that uses a literature review method. The collected data is then analyzed carefully to provide a comprehensive description, in-depth analysis, and interpretation of the information found. Through the literature review method, the researcher will gain insights and a deeper understanding of the role of the Singaporean government in driving the digital economy within the context of the neo-classical economic system. Information gathered from various sources will be systematically processed to address the research questions.

### **4. RESULTS AND DISCUSSION**

#### **a. Economy Growth**

Singapore is recognized as one of the leading global financial and technological hubs with a strong and diverse economy. Currently, Singapore is facing both challenges and opportunities in the wake of the COVID-19 pandemic, which has impacted the global

economy. As a country heavily reliant on international trade, Singapore experienced an economic downturn in 2020 due to a drop in global demand and supply chain disruptions. The Singaporean government responded to the pandemic's impact with various economic stimulus measures and fiscal policies to support businesses and workers. These measures include direct financial aid, tax incentives, and support to preserve jobs. Singapore is also working to accelerate digital transformation across various sectors of the economy to enhance the country's competitiveness and economic resilience. Despite the economic pressure brought by the pandemic, Singapore has demonstrated high adaptability and resilience in facing change. The technology, financial, and biomedical sectors remain strong pillars of Singapore's economy. The country continues to invest in research and innovation, fostering collaboration between the public and private sectors to strengthen its digital economy foundation. Below is a graph regarding the Singaporean government's investment in the digital economy from 2010 to 2025.



Source data :

1. Ministry of Manpower (MOM) – Labour Market Reports.
2. SkillsFuture Singapore – Workforce Development and Digital Skills Reports.

Economic growth in Singapore has been a subject of in-depth and diversified research. Several factors have been studied, such as fiscal policies, goods transportation, healthcare expenditures, productivity, and resource usage. Research highlighting the various factors influencing Singapore's economic growth is crucial to understanding the country's economic dynamics. Studies have provided valuable insights into the relationship between fiscal

policies, goods transportation, and healthcare expenditures, with economic growth in Singapore. The findings that fiscal policy and healthcare expenditures have a positive impact on economic growth reinforce the importance of government intervention in supporting key sectors (Pang & Lim, 2015).

Lim also states, "These studies also show that factors such as goods transportation play a significant role in driving Singapore's economic growth. The link between economic prosperity and energy consumption with goods transportation highlights the importance of efficient transport infrastructure in supporting the country's economic growth" (Pang & Lim, 2015).

Singapore's economic growth is influenced by a complex array of factors, including fiscal policies, goods transportation, healthcare expenditures, productivity, and resource management. To sustain economic growth, the role of the Singaporean government is crucial. The government must continue to pay attention to these factors and take appropriate measures to encourage balanced and sustainable economic growth. Wise fiscal policies will help maintain the country's budget balance, control inflation, and provide the necessary economic stimulus for growth. Efficient goods transportation will support the smooth flow of distribution and trade, accelerating the growth of the logistics and export sectors. Adequate healthcare spending will improve human resource quality, provide social protection, and encourage innovation in the healthcare sector.

High productivity will ensure efficiency and competitiveness in the economy, while the wise use of resources will support growth without compromising the environment and sustainability. The government needs to implement holistic and coordinated policies to ensure sustainable, inclusive, and impactful economic growth for all layers of society. In responding to both global and local economic dynamics, the government's active role in managing these key factors will be key to Singapore's success in maintaining stable and sustainable economic growth in the future. Strategic steps and progressive policies will help create a conducive environment for dynamic and competitive economic development.

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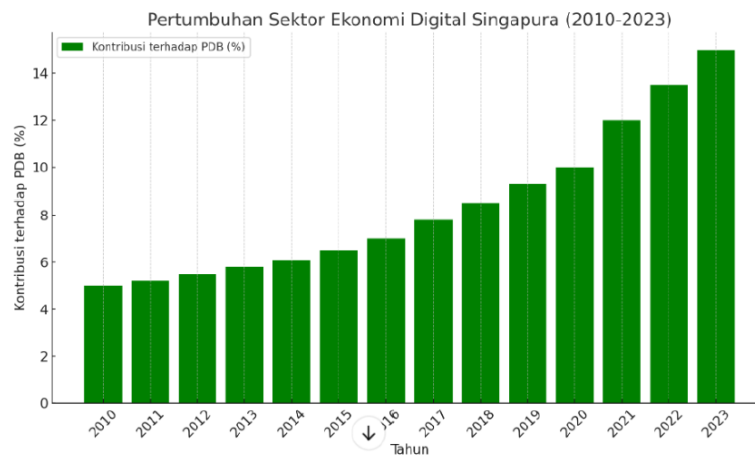
## b. Digital Economy

The Singapore government's participation in advancing innovation in the digital economy is evident through the development of digital governance models. This step encourages collaboration and interaction between the government, businesses, and civil society (Lei, 2019). It is a crucial step to ensure holistic and sustainable adoption of digital technology. Furthermore, the Singaporean government actively promotes the widespread use of digital technology. This effort has significantly contributed to shaping financial and information capital in order to create a more inclusive and modern digital economy (Butorina & Starodumova, 2021). The emphasis on mass digital technology adoption has positively impacted the foundation of a strong digital economy.

The government's involvement in driving digital economic innovation, from governance to the promotion of digital technology, is a vital strategy in facing the era of globalization and the Fourth Industrial Revolution. Through collaboration between various stakeholders, Singapore can strengthen its position as a leader in the digital economy and create opportunities for sustainable economic growth.

The proactive role of the government in building an inclusive and progressive digital economic ecosystem is the key to success in facing the challenges and opportunities of today's digital era. Collaboration between the government, the business sector, and civil society will be the driving force for achieving a competitive and sustainable digital economy. Singapore's state-owned enterprises have played a very important role in the country's economic development. Since transforming into global companies, these institutions have become the spearhead of economic growth (Huat, 2015). Although the government's industrial policies contribute positively to economic development, its highly centralized approach has drawn criticism. Some argue that this approach hinders local entrepreneurial talent and overlooks small and medium-sized enterprises (Cheang, 2022).

Here is a graph of Singapore's digital economy sector growth from 2010 to 2023.



Source data :

1. Ministry of Manpower (MOM) – Labour Market Reports.
2. SkillsFuture Singapore – Workforce Development and Digital Skills Reports.

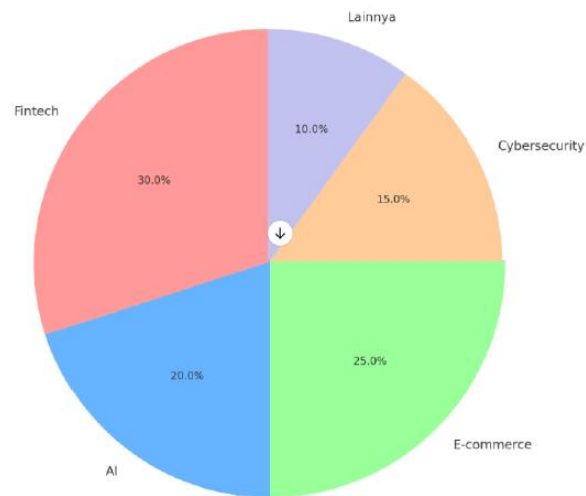
However, it is undeniable that the Singaporean state has played a crucial role in globalizing the economy to drive economic development and strengthen its influence on society (Ramesh, 1995). This shows how important state-owned enterprises are in formulating economic policies that support the country's economic growth. Despite criticism, state-owned enterprises remain a key pillar in Singapore's economic development. With input from various parties, including local entrepreneurs and small-medium enterprises, the government's industrial policies are expected to become more inclusive and support overall economic development.

Thus, the role of Singapore's state-owned enterprises in economic development cannot be ignored. Through appropriate transformation and policies, these institutions remain a primary driver of the country's economic growth and play a crucial role in globalizing the economy for the benefit of society as a whole. Here is the distribution of the digital sector

workforce in Singapore in 2023.



Distribusi Tenaga Kerja dalam Sektor Digital Singapura (2023)



Source data :

1. Ministry of Manpower (MOM) – Labour Market Reports.
2. SkillsFuture Singapore – Workforce Development and Digital Skills Reports.

The Singaporean government plays a crucial role in accelerating economic growth in the digital economy era. For example, progressive government policies have stimulated the growth of the technology and innovation sectors. Smart and strategic government interventions have strengthened the country's digital infrastructure and start-up ecosystem (Lee, 2020). One concrete step taken by the Singaporean government was the launch of the Tech.Pass program in 2019, which facilitated global technology experts and start-up entrepreneurs to work and invest in Singapore. This program became a catalyst for the country's digital economic growth and increased its attractiveness within the global technology community. Additionally, the Singaporean government has focused on education and training to prepare the workforce for the digital economy era. Through programs such as competency-based training and re-skilling initiatives, Singapore strives to enhance the skills of its people to adapt to the continuously changing job market demands.

With various proactive steps and strong government support, Singapore has successfully positioned itself as a progressive country in facing the digital economy era. Through policies that support innovation, education, and investment in the technology sector, Singapore



continues to move forward as one of the main drivers of digital economic growth in Southeast Asia.

Singapore's economic policies are based on the principles of a neo-classical economic system, emphasizing free markets, competition, and individual responsibility. These policies are influenced by neoliberalism, which advocates for market reforms and limited government intervention. In this paradigm, the state plays a central role as the main actor that combines free markets with measured intervention (Chiong & Dimmock, 2020).

By combining free-market principles with state intervention, Singapore has achieved significant economic growth. The presence of the state as an intelligent and active regulator in overseeing the market, while also providing flexibility for businesses to compete, has strengthened the foundation of Singapore's economy. Not only does it reflect a balance between free markets and state intervention, but Singapore's economic policies also showcase success in creating a business-friendly environment that fosters innovation and supports sustainable economic growth.

The role of the Singaporean government in driving economic growth, based on the neo-classical economic system, can be seen through policies implemented across various development sectors. For example, through education policies, the state aims to improve the quality of human resources to support a knowledge-based economy. In the management of state-owned enterprises, the government plays a role in optimizing the efficiency and productivity of the public sector. Additionally, policies implemented in the welfare sector and in foreign trade and investment contribute to creating a conducive business environment and support Singapore's overall economic growth. With this holistic approach, the Singaporean state can strengthen its economic foundations and continue to grow in today's era of globalization.

#### c. Education in Singapore's Economic Strategy

Singapore has placed education at the core of its economic development strategy. The country's efficient education system has significantly contributed to its economic success (Gopinathan, 1999). Singapore's education approach reflects neoliberal logic, with diverse school options, rigorous academic competition, and an emphasis on meritocracy as the basis

for social advancement. The education system is oriented toward individual achievement and capability, rather than wealth or social status, providing equal opportunities for everyone to succeed and hold leadership positions across various fields. By focusing on high-quality education and meritocracy, Singapore has successfully created an environment that supports economic growth and equal opportunities for all its people.

Singapore adopts an education approach that aims to create a competitive and efficient system, preparing individuals to face global economic challenges (Gopinathan, 1999). Beyond formal education, vocational training also plays a significant role in Singapore's economic development. The government recognizes the importance of developing skilled labor to attract industries that require specialized skills and to maintain balance in the dynamic global economy (Chong, 2014). With a focus on comprehensive education that aligns with labor market demands, Singapore has created an educational environment that stimulates economic growth and empowers the workforce to adapt to ongoing changes in the global economy. In Singapore, the state's role in economic growth is also reflected in the management of government-linked companies (GLCs) or state-owned enterprises (SOEs). The concept of "Singapore Inc." describes the country's economy led by the state through entities such as Temasek Holdings Limited, the Government of Singapore Corporation (GIC), and GLCs (Kenway & Koh, 2013). These entities play a vital role in promoting Singapore's economic development and advancing state capitalism. By actively engaging the state in managing strategic companies, Singapore has efficiently utilized its economic resources, stimulated investment, and created jobs. The presence of GLCs and SOEs as key players in the economy also provides stability and visibility that are essential for the country's economic growth.

Singapore employs GLCs and sovereign wealth funds as pillars to protect the domestic economy from financial crises, intervene in restructuring, and enhance elite cohesion and political stability (Huat, 2015). These companies operate not only in traditional manufacturing sectors but have also expanded into finance, technology, biotechnology, and pharmaceuticals. In line with this technological penetration and development, the Singaporean government is also working to attract foreign expertise and encourage knowledge transfer through domestic-foreign partnerships, in line with its knowledge-based economic strategy (Schulze & Kleibert, 2021). These efforts help strengthen Singapore's position in the global market,

increase economic competitiveness, and create a conducive environment for innovation and sustainable growth across various strategic economic sectors.

In the welfare sectors such as housing and healthcare, Singapore implements policies aimed at improving the quality of life of its citizens while also supporting the country's economic growth. The government is committed to ensuring that basic needs are met in line with the development of the private sector. Government-linked companies operate efficiently and contribute significantly to these sectors and the overall economy (Huat, 2015). Through this holistic approach, Singapore has successfully created an environment that supports the well-being of society and sustainable economic growth. Progressive policies in welfare, including affordable housing and a high-quality healthcare system, help Singapore maintain social stability and create a strong foundation for ongoing economic prosperity and well-being for all its citizens.

Singapore plays a key role in international trade and investment, positioning itself as a major player in the global economic system. One of the key factors is its active involvement in regional and global free trade agreements (Chen & Shao, 2017). With limited natural resources and land, Singapore relies on international trade and regional integration to support its economic growth. The World Trade Organization's (WTO) 2004 trade policy review praised Singapore's efforts to liberalize the service sector and benefit from globalization (Thangavelu & Toh, 2005). Singapore's integration into global trade networks opens doors for more investment opportunities, enhances its economic competitiveness, and expands access to international markets. Through progressive trade policies and strong integration into the global economy, Singapore has successfully positioned itself as a major trade and investment hub on an international scale, contributing significantly to economic growth, job creation, and widespread societal prosperity.

### **3. CONCLUSION AND RECOMMENDATIONS**

The role of the government in a neo-classical economic system is significant and acts as the main driver of economic growth. Singapore, as a prime example of a neo-classical economy, demonstrates the effectiveness of state intervention in promoting economic development. This is evident from various policies in the education sector, state-owned enterprise management,

welfare, trade, and foreign investment. Through state intervention in advancing education, healthcare, human resource development, housing, and the financial sector, along with the management of state-owned enterprises and international trade, Singapore has achieved extraordinary economic growth and transformed into a high-income developed country.

The Singaporean government's role in driving digital economic transformation within the neo-classical economic system is extensive. These efforts involve promoting digital innovation, regulating digital technologies, and directing the economy toward advanced information and service sectors. Although state intervention is essential in guiding the country's economic development, Singapore has also faced criticism for the extensive involvement of the government. Nevertheless, with well-planned investment strategies, Singapore has achieved remarkable economic success and serves as an example for other countries on how to effectively utilize state intervention to achieve sustainable economic growth within the context of a neo-classical economic system.

From the conclusions above, several recommendations can be made to stakeholders to take advantage of Singapore's experience in enhancing economic growth in the digital economy era.

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