

**Edited Transcript of Mr Lam Chuan Leong's Opening Address at the Market
Regulation Symposium (23 March 2007)**

Welcome, Ms Lim, Chairman of the Civil Service College, colleagues and our distinguished guests from the private sector.

I was recently at the International Risk Assessment and Horizon Scanning Symposium 2007 organized by the Rajaratnam School of International Studies. I would like to share with you one insight from one of the speakers, Gary Klein. He said, "We all know the danger of having a closed mind" - that means the danger of having a fixed opinion. Therefore it is good, or most people conclude that it is best, to keep an open mind. However, Klein's research found that keeping an open mind is worse than having a closed mind.

This is said in all seriousness. If you have a closed mind, you might have an opinion about something and do something which might turn out to be wrong; then you might learn or change (or some people don't change, unfortunately), but at least something is done. If you have an open mind, it means that you do nothing because you don't know what to do. Well, the situation is not as hopeless because he found, and this is the insight that I thought was very useful, that it is best to have a hypothesis and to test it. It is not a dichotomy. You don't have to choose between having a closed or open mind. It is good to have some idea and to test it. It is important to test an opinion.

This is one of those seminars that throw out such wonderful insights and hopefully each one of us will go away from this seminar with some insight or another. From my experience, I have attended three-day and four-day seminars and left with no insights. Maybe my mind was either closed or open at that moment in time. I hope this is not one of them. This seminar was conceived with the objective of generating very long-term benefits for Singapore, as well as the public sector.

My belief in regulation arose from the fact, which Max Boisot alluded to two days ago at a seminar at the Centre for Governance and Leadership, Civil Service College, that the free market cannot operate without a very highly regulated environment or regime. That is ironic because it is nice to believe that we can leave everything to the free market and wash our hands off it.

The example that's commonly given is China. China tried very hard to move to the free market from a socialist, communist system but there are constant reports of corruption, failures and downright fraud. The reason, which is not only my own but what Max Boisot referred to, was that China didn't have the regulatory or institutional structure to make the free market work. For the free market to work, you have to have a very strong regulatory, legal and jurisdictional authority.

This is not unique to China. We like to think that America, the great free market, has succeeded. But if you go back to the early days, the so-called "Robber Baron" era of the US before regulations came in, the free market didn't work. In fact, many of the regulatory concepts and practices arose from the abuses of the free market system in the early 1900s. The Antitrust Act, the Glass-Steagall Act, all these arose because the free market was completely abused by Americans, including people like Rockefeller who bought up all the railways in order to exercise absolute monopoly over the oil fields; so nobody could export oil or sell oil to anybody except Mr Rockefeller who was the founder of Standard Oil. And it is some of these practices, including Carnegie, the steel industry, that brought about the Antitrust Act and the very strong anti-competitive regime of the US, including the birth of the Security Exchange Commission. So, I hope that you go away not thinking that the free market is simply about abdication of government. In fact, in the years to come, you would expect and can expect to see more and more

regulation to make sure that the free market has the freedom to work properly. So, I think that is my first message for today.

What is my hope for this series of symposiums on Economic Governance? I have the benefit of working with the regulators for many years of my life, ranging from the first attempt to corporatise or liberalise everything in the 80s and back to the emphasis on regulation. I also have the pleasure of visiting many countries and understanding their systems in the process. It is quite interesting that the regulatory regime grows or emerges, in complexity theory lingo, to fit the environment. There is no single correct regulatory regime in the world and even economies that are extremely closed adopt different approaches to regulation and the differences can be very profound.

I reach the conclusion that Singapore ought to tell its story because we have a very successful story. But being Asians and Singaporeans in particular, we are very reluctant to share that story. I have attended seminars overseas and I wonder why there is no Singaporean there to say something really useful or substantive. We should remember the evolutionary path that we went through and develop this regulatory expertise which should not be lost. We have a good story to tell and we should tell it. In an age where language and words is intellectual property, we should make use of that intellectual property. I want to thank the four regulators for taking a lot of time to prepare and to share with us that philosophy, to articulate it, make it explicit and tell our story. Why should we keep on listening to others and what they are trying to do when we always do a good job? We do a good job but fail to tell the story.

Each of these four regulators and their sectors has unique characteristics that are very interesting. By bringing them together, our second purpose is to have, a very good event where you can listen to their differences in approaches. I would encourage you to ask questions and pose your comments too. Those who are not inside the regulatory bodies are actually victims of the regulators. This is your chance to speak out so that, going forward, the regulators can learn something from you. Because regulators differ from sector to sector, bringing them together in a comparative study of this nature can bring out the differences, throw valuable light on their practices and hopefully improve them.

But regulatory practice is also dynamic over time. The evolution of thought is quite considerable from year to year. It may not be obvious but certain philosophical thinking changes over time. So I hope that this series will not be the first and last. Each year or maybe at regular intervals, we will meet together and see whether we have shifted, advanced and learnt from the previous years. If we do this over a period of time, we can actually build up a very good theoretical basis that we can share with the rest of the world. We now have a brand name, we have an implicit product, but it's a prototype. We haven't polished it, we haven't presented it to the world.

Marketing services is just like marketing goods - it makes a lot of difference if you package it. In the mid-80s, I used to see in the palaces of a country that I used to visit - hundreds and thousands of items lying in the dust, strewn all over the floor. You look at it and you say, "What so great about these treasures?" Then years later, the New York exhibitions, museums and others just pick up a couple, polish them, put them in front of black velvet, and shine them with special lights, red, green and blue. You pay hundreds of dollars and say "Wow, this is so great". Then you look at it and you say, "I thought I saw that in the dust, in some corner and nobody looked at it." So I hope Singapore's regulatory experience doesn't fall into that category, where we have it strewn all over Goodwood Park Hotel or in the Civil Service College. It should be mounted, cleaned and exposed to the world to show how good we are. That is my hope and I hope that the regulators here today and those who will be here in future, and all of you will continue to support this. It's a very good event and encouraging to see so many of you here but I am always hopeful of more.

I didn't have an open or closed mind on how many I expect, but I hope that this series can be enlarged to include the private sector because you are all regulating the economy and each member will always say the best of each other in that tribe. So you need someone in the private sector who is a victim of the system, either under the Competition Commission's unfair rulings or deprived of a license by either MDA or IDA, to speak up and let the regulators listen to you. So my last hope is that this series will continue and be broadened to include the private sector, so that they have a chance to say their piece. That will be the greatest intellectual benefit we can achieve in future.

So with that very long introduction, I thank you, as well as the speakers, very much for coming here to support us. Thank you.