

The pioneering 'government wallah'

A civil servant who became a finance regulator, and then a corporate chief when he made SIA a great way to fly. J.Y. Pillay looks back at his own 'baptism of fire' in public service and explains why the current sub-prime mortgage crisis gives him a sense of déjà vu.

Comment [LHY1]: An IC alumnus, a Fellow of Imperial College, and ICAAS advisor

Pioneers Inside Stories

An EDB Society-Straits Times Event

What is its

The EDB Society-Straits Times Pioneers seminar gives Singaporeans the chance to hear from pioneering figures.

Mr. J.Y. Pillay will speak at a seminar on March 17 at The Arts House.

Who he is

Former permanent secretary. First chairman of the Singapore Airlines from 1972 to 1996. He has also headed Temasek Holdings, the Monetary Authority of Singapore and Government of Singapore Investment Corporation. Now chairman of the Singapore Exchange.

By Chua Mui Hoong
Senior Writer

MR J.Y. Pillay looks at the current turmoil in financial markets over American sub-prime mortgages and reckons there's something very familiar about the way things are working out.

To be precise, it reminds him of his own "baptism of fire" in late 1985.

That was when the Singapore stock market was rocked by the Pan-El crisis and the exchange was closed for three days.

Pan-Electric Industries, a holding company linked to Malaysia's political party, the Malaysian Chinese Association, collapsed under a mountain of debts and dubious forward contracts.

Mr Pillay was then a "greenhorn" managing director of the regulatory body, Monetary Authority of Singapore, and responsible for putting together a rescue package to prevent the brokerage industry from collapsing.

In any booming market, says Mr Pillay, expectations build up to a crescendo that becomes unsustainable, tempting investors to make unwise decisions.

In the current sub-prime market, as in the Pan-El crisis 23 years ago, “clearly there have been excesses, including by investors who were seduced into believing that they were on to a good thing”.

He offers this bit of home-spun wisdom: “If the returns are a little too attractive, you should feel a little hesitant instead of plunging in. Exercise prudence, especially when you don’t know what exactly you’re plunging into. ”

His own investment policy is simple: he leaves it to the professional fund managers.

At 74, Mr Pillay has been there, done that. He started life as a public works engineer in 1959, in the colonial service in Kuala Lumpur.

From KL, he heard that Singapore’s new government was recruiting and that it was a good place to work. Some friends from London days, where he was at university, were working in Singapore. One of them, Dr Goh Keng Swee, who would later become Singapore’s deputy prime minister, said: Come.

Comment [LHY2]: Imperial College of Science & Technology (the name at that time)

Mr Pillay got a job in the newly set-up Economic Development Board in 1961 and never looked back. He has served in the Finance, National Development and Defence ministries.

Ask him about the early pioneering days and he says that he was too low down the hierarchy to have much influence and can offer his views only as an “observer”, not a mover or shaker.

Indeed, this unassuming, rather modest man questions if Singaporeans will be interested to read about the doings of a “government wallah”, as he once described himself.

The retired permanent secretary is incisive and analytical, picking his word carefully – not for fear of offending anyone, but because he clearly values precision in thought and language.

PEOPLE & POLITICS

THE RIGHT MIX

“We created the conditions, the infrastructure, the appropriate laws and regulations and, of course, fiscal incentives. And the private sector, worldwide, has responded. So we have been quite good at that. Of course, what we may say afterwards is something else! We might have preened ourselves and said we anticipated it. No harm done, a little bit of

poetic licence is okay.”
MR PILLAY

He is not a natural raconteur, and so the interview is less anecdotal than might have been expected of someone who spent 34 years in the Singapore public service, including chequered years at the start-up of Singapore Airlines.

Of his SIA days, he says he is proudest of the legacy of strong management left behind. That the airline has weathered storms and soared through turbulence is clearly a source of pride for Mr Pillay, who was midwife at its birth after Singapore separated from Malaysia when the two countries decided to have their own airlines.

He was to helm SIA as chairman from 1972 to 1996.

Mr Pillay's forte is his power of analysis: his ability to cut to the core of an issue, pick it up, metaphorically speaking, and examine it from different angles.

For example, how does a Catholic like Mr Pillay square his religion with his Government's policies on something like abortion, which was debated in the 1970s and passed into law when Mr Pillay was already very senior in the hierarchy?

He responded by telling a story of the late Belgian king Baudouin, a devout Catholic who declines to sign a law from Parliament that legalized abortion. As this would have sparked a constitutional crisis, the king took the advice of the wily prime minister to abdicate for a day, when Parliament passed the law.

The king was prepared to give up his throne for his principle – but the compromise of a day's abdication was “a good, neat way out of the dilemma”, noted Mr Pillay.

As for himself, he says he has never been in the position where he was asked to do anything against his principles.

The abortion law was not under his purview, although when the topic arose with colleagues and friends, he would speak his mind. But he saw no need to mobilize others against a policy his own religion opposed, as he did not see that as the role of a civil servant.

But supposing – for the sake of argument – that there was some hypothetical issue over which a conflict arose between his duty and his conscience. In that case, he said, he had faith that this Government would not force him to act against his principles.

One example he cited was the way public sector doctors were allowed to decline performing abortions.

And so, in a few minutes, Mr Pillay sums up what moral philosophers take tomes to go through, and comes up with a practical way of living as a person of faith in a secular public service that he reckons satisfies both his bosses and his God.

As for Mr Goh Chok Tong's description of Mr Pillay as the "perm sec best able to stand up to his prime minister", Mr Pillay's brow furrows and he admits: "I don't know why he said that. It makes me sound like I am looking for trouble! The truth is I am a peaceable person."

On luck, neutrality and Pan-EI crisis

MR PILLAY shares his thoughts on the role luck plays in Singapore's early industrialization efforts, why civil servants cannot be politically neutral and the Pan-EI crisis.

Luck plays a part in success

>> When we look back at Singapore's early economic history and industrialisation efforts, to what extent were our successes due to foresight and planning, due to a response in circumstance or due to luck?

I think more of the second and third factors.

It's just as well because if you try to predetermine your winners, the higher the chance you lose it.

But I think where we do rather well is that after there's been some movement to enable us to figure out that this is the way of the future or we think this is going to be the way of the future, we can latch on to it, generally we have been successful and we've not had to spend too much of our own money in a fruitless search for the successful formula.

We created the conditions, the infrastructure, the appropriate laws and regulations and, of course, fiscal incentives. And the private sector, worldwide, has responded. So we have been quite good at that.

Of course what we may say afterwards is something else! We might have preened ourselves and said we anticipated it. No harm done, a little bit of poetic license is okay.

The politics of public service

>> You once said the civil servant is the handmaiden of the politician. Do you still hold that view of the mandarin-minister relationship?

Yes, of course.

Our rulers believe that they have the mandate to set the national agenda, and they do so.

In civil service, we are committed to the government in power and that government is led by a party which enjoys a mandate from the people.

So there's no question of the civil servant questioning the authority of the people who are elected to rule. They have set the agenda, so be it.

If they want to consult, they consult pretty extensively while the civil servant's role lies in the formulation of policy.

He is responsible for the formulation of policy under the direction of the political leadership. In this sense, the ministers decide policy. The civil servant converts the ideas and the intentions and the ambitions of the leadership into a workable and defensible programme that can be implemented.

>> How about the public? Does the civil service have any accountability to the public?

The accountability lies within the internal hierarchy, because each person has an accountability to his unit and to the person who exercises authority in that unit, and that's how the chain goes all the way up to the permanent secretary.

Beyond that, the ultimate accountability of the public service lies through the politicians, in the ballot box. Because if the public is not satisfied, well then out goes the old bunch and in comes a new one.

>> It seems you are saying the civil service aligns itself with the political leadership in carrying out policy. What does this do to the ideal of a neutral civil service? How do you remain impartial?

Very interesting point. I want to draw the distinction between being neutral and being impartial.

When we say we are impartial as civil servants, we mean that we treat everyone alike and there's no difference between one citizen and another.

Neutrality is a different concept. We cannot be neutral in terms of policy because, as I said earlier, we are the people who implement the agenda of the government, of the political leadership. We have the duty to do so because that is our oath of office, and the government has the mandate of the people.

So there's no question of being neutral in policy, in implementing the national agenda. We have to accept that the elected politicians have the authority to determine policy for us and to require us to implement it. There's no grey area there.

The civil service is not neutral because once the political party has been elected, its mandate, its manifesto, its agenda, have to be accepted by the civil service. We don't query that.

>> Why do you consider Pan-El your baptism of fire?

I was new to the Monetary Authority of Singapore. I was a greenhorn!

The year 1985 was a time of some excitement in the market, the index was rising, so people thought they could buy now and sell later at a higher price, of course, the usual expectation.

The trades were being conducted on a daisy-chain basis. Trades were being made without any margins, no need for collateral, but solely on the brokers' assessment of the investors' financial situations.

This means the brokers were exposed to the risks themselves.

It built up to a crescendo and became unsustainable.

The problem was not so much that the market itself was going to crash but that the brokerage industry would collapse because the brokers were all heavily exposed and there was not enough

transparency about the transactions.

This is something similar to what is being faced in the so-called sub-prime market, with the collateralization and the securitization of debt.

The similarity lies in the lack of transparency in the market now, as there was then; not enough disclosure, the difficulty of finding out who owes what and to whom and what is the quality of the instrument.

Clearly, there have been excesses, including by investors who were seduced into believing that they were on to a good thing – then and now.

If the returns are a little too attractive, you should feel a little hesitant instead of plunging in. Exercise prudence, especially when you don't know what exactly you're plunging into.

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