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A CULTURAL EXCHANGE: SINGAPORE AND THE UNITED STATES CAN LEARN FROM EACH OTHER IN RESTRUCTURING SOCIAL SECURITY PLANS

Ken J. Moyle

Abstract: Singapore and the United States approach the concept of retirement income replacement from different directions. The United States relies on the OASDI component of the Social Security Act, a tax-based intergenerational transfer program, while Singapore operates under the Central Provident Fund Act, which requires workers and their employers to contribute to a compulsory savings scheme. Elements of each program conflict with the cultural values of the society it serves, and each society could benefit from adopting certain components and underlying concepts of the other's national retirement plan.

I. INTRODUCTION

Despite the global trend toward social security as an indicator of a civilized society,¹ many developed countries—particularly in Asia and Latin America—have taken pause to review (or preview, as the case may be) how their societies should approach the issue of retirement income.² Singapore, one of the “economic miracles”³ of the twentieth century, is showing signs that its Central Provident Fund is falling short of its objectives despite adjustments in contribution rates.⁴ In the United States, tremendous pressure is building to restructure or even discard the current Social Security system.⁵

¹ See Ruth Ben-Israel, *Social Security in the year 2000: Potentialities and Problems*, 16 COMP. LAB. L. J. 139, 140-41 (1995).

² See Ajoy Sen, *Singapore Concerned About its Ageing Population*, REITER ASIA-PACIFIC BUS. REP., Jan. 19, 1993, available on LEXIS, News Library, World File; Charles P. Wallace, *Aging Asia Feels the Squeeze; More People are Living Longer, Fueling Hot Debate in a Region Where Many Countries Have No Safety Nets for Senior Citizens. Societies That Honor the Elderly Face Anger, Anguish Over Future Burdens*, L.A. TIMES, Aug. 19, 1994, at A1; Michael Alan Paskin, *Privatization Of Old-Age Pensions In Latin America: Lessons For Social Security Reform In The United States*, 62 FORDHAM L. REV. 2199 (1994); Ben-Israel, *supra* note 1.

³ See INTERNATIONAL BANK FOR RECONSTRUCTION AND REDEVELOPMENT, THE EAST ASIAN MIRACLE: ECONOMIC GROWTH AND PUBLIC POLICY 218-19 (1993).

⁴ “The Government [of Singapore] has realised the inadequacy of CPF savings to provide for retired citizens.” CHEE SOON JUAN, DARE TO CHANGE: AN ALTERNATIVE VISION FOR SINGAPORE 78 (1994).

⁵ See Retirement Income Security: Can the Baby Boomer Generation Afford to Retire?: Hearing Before the Subcommittee on Social Security of the House Committee on Ways and Means, 103d Cong. 1st

A comparison of American Social Security and the Singapore Central Provident Fund in the context of their respective cultural values reveals an interesting dichotomy. While "Asian values" emphasize multigenerational responsibility, Singapore has not implemented social programs that preserve this ideal. And while Western values seem to embrace rugged individualism, the United States has fostered a welfare state that arguably defeats it. Both societies rhetorically defend their retirement schemes as preserving their cultural values, yet each country would seem logically to benefit from major elements of the retirement system of the other.

Singapore's Central Provident Fund offers an excellent wealth-building mechanism, but has come under increasing pressure to liberalize benefits for lower-income elderly. Rather than adopting a U.S.-style entitlement scheme, however, Singapore should maintain its current system and carefully introduce the concepts of progressivity and inclusion inherent in the Social Security program. The United States, on the other hand, has a great deal to learn from Singapore. Social Security offers low returns, has long-term funding problems, and has behavioral consequences that run counter to deeply-rooted Western values. The CPF model offers solutions to each of these maladies.

Part II of the Comment introduces the concept of social security and briefly describes the problems faced by such systems as the population ages. Part III explores the retirement income components of two systems: Social Security in the United States and the Central Provident Fund in Singapore. After summarizing how each system works, this Comment analyzes the effectiveness of each system in furthering its stated purpose and in upholding the cultural values of the society it serves. Part IV offers observations as to how each society would be served well by adopting significant portions of the other's retirement program.

II. BACKGROUND

Institutionalized social security has been a central feature of social development in the twentieth century, and in some form or another exists

Sess. 41 (1993) (statement of B. Douglas Bernheim, Professor of Economics and Business Policy, Princeton University); Nancy Weaver, *Social Security May Be in Trouble—In 2031, Chief Says*, SACRAMENTO BEE, July 28, 1995, at B1; David Hage, *Privatizing Social Security*, U.S. NEWS & WORLD REPORT, Apr. 3, 1995, at 47; MICHAEL J. BOSKIN, TOO MANY PROMISES: THE UNCERTAIN FUTURE OF SOCIAL SECURITY 100-104 (1986).

today in most countries.⁶ In fact, the right to social security has become a human right under international law.⁷ Included in the broad international definition of social security is "the right to security in . . . old age."⁸

The retirement income components of social security systems take on many forms,⁹ and each has its supporters and detractors. Most analysts agree, however, that current social security¹⁰ schemes will require substantial retooling over the next two decades as they begin to face the actuarial problems caused by population aging.¹¹ Worldwide, the proportion of elderly persons in the population has increased. This phenomenon is expected to accelerate, particularly in those countries where medical technology, the rising standards of living, and improvements in social and medical services have increased life expectancy.¹² From a budgeting and planning standpoint, changes in the absolute numbers of the elderly over the next thirty-five years are of even greater importance. In the United States and Japan, the numbers are projected to double, in China to triple, and in South Korea, Singapore, and Malaysia, to quadruple.¹³

⁶ Ben-Israel, *supra* note 1.

⁷ *Id.* at 145; "The background behind this development was the United Nations' adoption of the Universal Declaration of Human Rights in 1948, which demonstrated a willingness to transform basic moral rights into affirmative legal ones." *Id.* There has been disagreement, however, as to whether social security can be properly classified as a genuine human right. See CARL WELLMAN, WELFARE RIGHTS 33-34 (1982).

⁸ Ben-Israel, *supra* note 1, at 145.

⁹ The concept of social security currently is expressed through various models and mechanisms, including social insurance programs, as well as universal systems of social protection. Funding is accomplished by taxes as well as by contributions, and applied through various models of delivery that cover both public and private facilities. Toward the end of the 20th century, nations have extended the concept of social security to cover a variety of contingencies, including sickness, unemployment, old age, employment injuries, maternity, family allowances, invalidity, and death of a breadwinner. Social security thus provides benefits for many of those situations that prevent an insured person from earning his or her living, or expose him or her to those emergencies that cause extraordinary strain on limited incomes. *Id.* at 141.

¹⁰ From this point forward, use of the term "social security" in this Comment refers exclusively to old-age pensions paid by the government to retirees, and does not include other elements of a comprehensive national social insurance program such as health care and disability. The terms "social security" and "pension" are used interchangeably. Furthermore, when capitalized, "Social Security" refers exclusively to the social security system in the United States, as created by the Social Security Act of 1935 and subsequent amendments. See 42 U.S.C. § 301 (1988).

¹¹ See Linda G. Martin, *Population Aging Policies in East Asia and the United States*, SCIENCE, Feb. 1, 1991, available in 1991 WL 4849985; Sen, *supra* note 2.

¹² Ben-Israel, *supra* note 1, at 157.

¹³ Martin, *supra* note 11.

The United States experienced the now-infamous "Baby Boom"¹⁴ following World War II.¹⁵ With seventy-six million members, the Baby Boom generation is more than fifty percent larger than the previous generation.¹⁶ Compounding the impact of this demographic phenomenon is the trend toward longer life expectancies: a larger portion of the population will reach old age, and that portion will live longer than was the case in 1935, when Social Security was created.¹⁷ [See Table 1] The percentage of people over sixty-five in the United States was about 12.5% in 1993 and is projected to rise to twenty to twenty-five percent by 2050.¹⁸ The number of Social Security beneficiaries will at least double by the year 2040.¹⁹ In 1960 there were 5.1 taxpaying workers to support each Social Security beneficiary. Today there are 3.3. By 2040 there will be no more than two, and perhaps as few as 1.6.²⁰

¹⁴ The "Boom" was brought about by a steep increase in fertility rates which peaked at 3.7 lifetime births per woman in 1957. The fertility rate in 1991 was 2.1 and is projected to fall to between 1.6 and 1.9 after 2020. NEIL HOWE & RICHARD JACKSON, ENTITLEMENTS AND AGING IN AMERICA, A NATIONAL TAXPAYERS UNION FOUNDATION CHARTBOOK 5-4 (1994).

¹⁵ For the purposes of this Comment, the Baby Boom comprises those Americans born between 1946 and 1964, although demographers have variously identified the end of the Baby Boom as occurring anytime between 1962 and 1966.

¹⁶ Peter G. Peterson, *Will America grow up before it grows old?*, ATLANTIC, May 1, 1996, at 55.

¹⁷ C. Eugene Steuerle & Jon M. Bakija, *Social Security: The Inevitable Reform of an Imbalanced System*, 62 TAX NOTES 1597, 1598.

¹⁸ S. Jay Olshansky et al., *The Aging of the Human Species*, SCI. AM., Apr. 1993, at 46, 47.

¹⁹ Peterson, *supra* note 16.

²⁰ *Id.*

Table 1

Historical and Projected Improvements in Life Expectancy (United States) ²¹				
Year cohort turns 65	Percentage of population surviving from age 21 to age 65		Average remaining life expectancy for those surviving to age 65	
	Male	Female	Male	Female
1940	53.9	60.6	12.7	14.7
1950	56.2	65.5	13.1	16.2
1960	60.1	71.3	13.2	17.4
1970	63.7	76.9	13.8	18.6
1980	67.8	80.9	14.6	19.1
1990	72.3	83.6	15.3	19.6
2000	76.0	85.5	15.8	20.1
2010	78.4	87.1	16.3	20.5
2020	79.3	88.1	16.8	21.0
2030	80.4	88.8	17.2	21.5
2040	81.8	89.5	17.6	22.0
2050	82.7	90.0	18.0	22.4

Similar age waves are approaching other industrial countries like Singapore more quickly than the United States, and official projections point to more significant effects upon their economies and public budgets.²² In 1990, the United States had a greater proportion of its population aged sixty-five and over, but by 2025 the U.S. may be overtaken by Singapore.²³ The demographic problems in Singapore have been caused by the same two converging trends that have affected the rest of Asia as well as the United States: the birthrate has been steadily declining due to rising incomes and education, and life expectancy is increasing because of better medical care.²⁴ In 1957, the number of people over sixty in Singapore was less than four percent of the population. By 1990, it had more than doubled to 9.1%, and it is projected to rise to twenty-six percent by 2030.²⁵

²¹ Steuerle & Bakija, *supra* note 17; Mortality data underlying the 1992 Social Security Board of Trustees reports, from U.S. Social Security Administration, Office of the Actuary (1992a and unpublished tables). *Id.*

²² Martin, *supra* note 11.

²³ *Id.*

²⁴ Wallace, *supra* note 2.

²⁵ Olshansky, *supra* note 18, at 47.

In the face of daunting demographic trends, most organized societies will need to review their retirement income replacement mechanisms.²⁶ In the process, the United States and Singapore may find that further adjustments are necessary to adequately provide for the elderly while preserving their respective cultural values.

III. THE SYSTEMS

The United States and Singapore have approached retirement income planning from opposite directions. The U.S. now expends half of its federal budget each year on direct-pay "entitlement" programs, and the Social Security safety net is the largest single government program.²⁷ Singapore, on the other hand, offers very limited direct government support to only the most impoverished of senior citizens;²⁸ Singaporeans rely on their participation in the government's Central Provident Fund,²⁹ a mandatory savings scheme, as well as their own private savings to support themselves in old age.³⁰

A. *United States*

1. *Background: Public Pension Programs in the United States*

The first form of a national public pension scheme in the United States was the military pension.³¹ Initially, tariff revenues were the primary source to fund these pensions.³² Congress enacted several pieces of legislation during the latter half of the nineteenth century to provide

²⁶ "National reporters were asked to provide an outlook for the future, and the general theme of their broadcast conveyed the brief and alarming message that the future outlook of social security is anything but bright." Ben-Israel, *supra* note 1, at 175.

²⁷ Linda Chavez, Column, GANNETT NEWS SERVICE, March 8, 1995, available in 1995 WL 2925365.

²⁸ Singapore's Public Assistance scheme provides limited financial help for elderly, disabled, chronically ill, or destitute. Individuals receive S\$150 per month. CHEE SOON JUAN, *supra* note 4, at 73.

²⁹ Central Provident Fund Act, Cap. 36 (1985) (Sing.). Eliza Teoh & Leong Ching Ching, *CPF Alone Not Enough For The Poor To Retire On: "Most Of S'pore's Poorest Have At Least \$100,000 In Assets"*, STRAITS TIMES (Sing.), Sept. 4, 1996, available in 1996 WL 11723468.

³⁰ *CPF Not Meant as Only Income Source*, STRAITS TIMES (Sing.), Sept. 25, 1996, available in 1996 WL 2925365.

³¹ Paskin, *supra* note 2, at 2200.

³² *Id.*

financial security for disabled Civil War veterans.³³ In 1912, Congress passed legislation specifying that simply being age sixty-two counted as a disability, resulting in the significant expansion in the number of pensions.³⁴ The Civil War pensions grew to the point where thirty percent of all men over age sixty-five in the United States received some benefit.³⁵

While the Civil War pension legislation covered a substantial number of elderly American men, the majority of the working population still received no government-sponsored pension benefits.³⁶ Throughout the first two decades of the twentieth century, many socialist-influenced reformers unsuccessfully introduced bills in Congress for the establishment of a national pension scheme.³⁷ Both at the federal and state level, however, there was little support for the idea of a government-run pension system.³⁸ One reason why national pension legislation failed during this period is that the forces of organized labor opposed a national pension scheme as a threat to the power and autonomy of the unions.³⁹ Although there were some union or corporate-sponsored pensions for retired employees, no national legislation existed.⁴⁰

During the Depression some states enacted old-age pension legislation for retirees, but the Supreme Court declared the first national pension legislation, the 1934 Railroad Retirement Act, unconstitutional.⁴¹ As private savings became inadequate to support retirement plans, however, President Franklin D. Roosevelt leveraged the growing support for a federal system and pushed forward the Social Security Act of 1935,⁴² which established a compulsory, contributory, earnings-related national pension system. It was to become the first substantial, direct participation of the federal government in care for the disabled and elderly.⁴³

³³ *Id.* at 2200; these pensions initially covered only service-related disabilities (under the Civil War Pension Act of 1862 and the Aears Act of 1879), but they were expanded gradually to cover all veterans of the Civil War. *Id.* at n.11.

³⁴ Paskin, *supra* note 2, at 2200.

³⁵ *Id.*

³⁶ In 1900 only one in twenty-five Americans was over sixty-five. The vast majority of these people were completely self-supporting or supported by their families. Peterson, *supra* note 16.

³⁷ Paskin, *supra* note 2, at 2201.

³⁸ *Id.*

³⁹ *Id.*

⁴⁰ *Id.*

⁴¹ *Id.*

⁴² 42 U.S.C. § 301.

⁴³ Lee E. Teitelbaum, *Intergenerational Responsibility and Family Obligation: On Sharing*, 1992 UTAH L. REV. 765, 766.

2. *Social Security Act*

a. *Stated purpose*

The Social Security Act of 1935⁴⁴ established old-age income benefits and a federal-state system of unemployment insurance to protect the elderly from indigence late in life—to prevent, in President Roosevelt’s words, a “poverty-ridden old age.”⁴⁵ It was determined at the outset, however, that Social Security benefits would constitute one of several sources of income protection and that retirees would require additional means to maintain an adequate standard of living in retirement.⁴⁶ Social planners viewed retirement income as a three legged stool consisting of Social Security as one leg, private pensions as another and savings and investments, including insurance, as a third. Social Security was to provide the “anchor leg,” the source of income guaranteed by government to everyone who works and pays Social Security taxes.⁴⁷ With the advent of the Supplemental Security Income program (SSI)—designed to insure that the most destitute of the elderly, blind, and disabled maintain a minimum standard of living—the Social Security system became part of a four-tier system for retirement income.

With numerous alterations to the Social Security program over the years,⁴⁸ case law has come to hold that the purpose of the Social Security Act is to provide disability benefits to insured persons when their physical impairments are of such severity as to prevent gainful employment, as well as to provide retirement benefits to those who have reached specified age of retirement, namely sixty five, and cease employment.⁴⁹ In meeting the latter purpose, there has been a continuing tension between two goals: individual equity, which accords benefits commensurate with the contributions made

⁴⁴ 42 U.S.C. § 301.

⁴⁵ Peterson, *supra* note 16, at 17-18.

⁴⁶ JAMES H. SCHULZ ET AL., *ECONOMICS OF POPULATION AGING: THE GRAYING OF AUSTRALIA, JAPAN, AND THE UNITED STATES* 51 (1991).

⁴⁷ Tommy Morgan, *Retirement Planning More Important Than Ever*, LEWISTON MORNING TRIB., November 27, 1994, at 2D.

⁴⁸ See discussion *infra* Part 3.a.

⁴⁹ *Seislowski v. Secretary of Health, Educ. & Welfare*, 477 F. Supp. 682 (E.D.N.Y. 1979). The first of these is addressed by the HI (Medicare) and SSI (Supplemental Security Income) components of the Social Security program; the second is captured by OASDI. These components are discussed *infra* Part 2.b.

to the system, and social adequacy, which assures to all contributors and their families a tolerable standard of living.⁵⁰

b. *Mechanics*

Social Security currently comprises the original old-age, survivors, and disability insurance benefits, as well as Medicare and Supplemental Security Income insurance.⁵¹ The Social Security payroll tax is a flat-rate tax (now 15.3%, split evenly between employer and employee) paid on all employment earnings up to a specified limit.⁵² The tax revenues are divided into three "trust funds": Old-Age and Survivors Benefits (OASI), which receives 11.2%; Disability Insurance (DI), 1.2%; and Medicare "Part A" Hospital Insurance (HI), 2.9%.⁵³ All three trust funds are vested in United States Treasury bonds.⁵⁴ The combination of OASI and DI (OASDI) is the component most often associated with "Social Security" and is the subject of this Comment.⁵⁵

(1) *Who gets benefits*

Implicit in the holding of the United States District Court in *Seislowski* that one of the purposes of Social Security was "to provide retirement benefits to those who have reached specified age of retirement ... and ceased employment"⁵⁶ is the assumption that only people who have held paying jobs and have contributed to the system during their pre-

⁵⁰ See J. PECHMAN ET AL., *SOCIAL SECURITY: PERSPECTIVES FOR REFORM 33-34* (1968); SOCIAL SECURITY BOARD, H.R. Doc. No.110, at 5 (1939).

⁵¹ 42 U.S.C.S. § 401 (Law. Co-op. 1988 & Supp. 1996).

⁵² C. Eugene Steuerle & Jon M. Bakija, *Basic Features of the Social Security System*, TAX NOTES, March 14, 1994, at 1457.

⁵³ *Id.*

⁵⁴ National Academy of Social Insurance, *Advisory Council on Social Security Plans*, SOC. INS. UPDATE (Dec. 1996).

⁵⁵ Medicare has its own government trust fund account and is also in financial trouble for many of the same reasons cited above. While solutions for restructuring Medicare are often proposed in conjunction with Social Security reform proposals, comparative analysis of medical care for the elderly is beyond the scope of the Comment.

⁵⁶ *Seislowski*, *supra* note 49, at 684; see also *Social Security Board v. Nierotko*, 327 U.S. 358, 66 S. Ct. 637 (1946) (holding that the purpose of the Act is to provide funds through contributions by employer and employee for the decent support of elderly workers who have stopped working); see also *Califano v. Jobst*, 434 U.S. 47, 98 S. Ct. 95 (1977) (Social Security designed to provide wage earner and dependents with protection against hardship resulting from loss of earnings; it is not simply a welfare program generally benefiting the needy).

retirement life are entitled to benefits. This is partially true. Workers who contribute to the system for less than forty quarters or who earn extremely low wages during their working lives⁵⁷ are not eligible to receive OASDI benefits. Spouses and survivors of insured retirees, however, are entitled to receive Social Security. The spouse of any insured worker is eligible to receive a benefit amount equal to fifty percent of the insured's Primary Insurance Amount⁵⁸ once the spouse has turned sixty-five.⁵⁹ Similarly, the surviving spouse of an insured worker is entitled to 100% of the worker's PIA.⁶⁰

In 1995, OASDI paid out an average benefit of \$7,700 to approximately 43 million recipients for a total of \$330 billion, representing just over one-fifth of the federal budget.⁶¹

(2) *Who pays for benefits*

Participation in the Social Security scheme is mandatory and workers may not opt out.⁶² Since contributions are specified in law and collected by a taxing authority, they are indistinguishable from taxes.⁶³ The program is strictly a "pay-as-you-go" system:⁶⁴ the payroll taxes amount to direct transfer payments from workers to retirees, and there is no savings or investment involved, since individuals do not retain or have access to their own "accounts."⁶⁵ The method of assessment is considered regressive⁶⁶ since wages above \$62,700 are not taxed, but the method of distribution is steeply progressive: OASDI taxes are paid primarily by persons in the

⁵⁷ "To qualify for OASDI, workers turning 65 in 1995 must have earned at least 40 'quarters of coverage' in employment covered by Social Security. In 1993, a worker received one quarter of coverage for each \$590 in covered earnings, up to a maximum of four quarters per year; this base amount is indexed to keep pace with wages. A worker who meets these requirements is 'fully insured.'" Steuerle & Bakija, *supra* note 52, at 1461.

⁵⁸ See *infra* note 72 and accompanying text, discussing how PIA is calculated.

⁵⁹ Steuerle & Bakija, *supra* note 52, at 1461.

⁶⁰ *Id.* Spouses and survivors must be 65 years old themselves to be eligible for full benefits. Reduced benefits are available for spouses and survivors who retire before age 65. *Id.*

⁶¹ Olivia Mitchell & Joseph Quinn, *The Hard Facts About Social Security (The Social Security Debate)*, CHALLENGE, Nov. 21, 1996, available in 1996 WL 9035757.

⁶² SCHULZ ET AL., *supra* note 46, at 50. Ninety-six percent of workers in wage employment are covered by the plan; about 141 million people will have contributed in 1996. Mitchell et al., *supra* note 61.

⁶³ Lawrence H. Thompson, *The Advantages and Disadvantages of Different Social Welfare Strategies*, 57 SOC. SEC. BULLETIN 3, 11 n.3 (Fall 1994).

⁶⁴ PETER G. PETERSON, WILL AMERICA GROW UP BEFORE IT GROWS OLD? 181-83 (1996).

⁶⁵ *Id.*

⁶⁶ Michael J. Graetz, *The Troubled Marriage Of Retirement Security And Tax Policies*, 135 U. PA. L. REV. 851 (1987), at note 73.

upper income brackets, and OASDI benefits are received primarily by lower-income pensioners.⁶⁷ Taxpayers with very low incomes are subject to the social security tax, but this burden has effectively been eliminated by the introduction of the Earned Income Credit.⁶⁸

While the government may not have managed or administered social security funds in a way that is consistent with these expectations, those who have contributed to this plan often believe they are owed a measurable benefit under its auspices in proportion to their contributions.⁶⁹ Social security is routinely described and justified as an insurance program and its benefits as "entitlements." However, the Supreme Court has held that Social Security taxes and benefits are changeable at the sole discretion of the government, and that no contractual or property rights accrue to an individual by virtue of his contributions to the program.⁷⁰

(3) *How benefits are calculated*

Social Security pays an average monthly cash benefit of \$670.⁷¹ Individual amounts vary widely but are loosely based on income during the retiree's working life. The basic OASI benefit amount is calculated by taking a worker's average monthly earnings that were subject to Social Security taxes (Averaged Indexed Monthly Earnings, or AIME)⁷² and

⁶⁷ See David Pattison, *The Distribution of OASDI Taxes and Benefits by Income Decile*, 58 SOC. SEC. BULLETIN 21 (Summer 1995); "Over two-thirds of all Social Security benefits and over 70 percent of Medicare benefits are received by households whose total incomes (including cash benefits) are less than \$30,000." John R. Gist, *Entitlement Spending: Myths And Realities*, 61 TAX NOTES 1515, 1517 (Dec. 20, 1993).

⁶⁸ Martin J. McHahon, Jr., *Individual Tax Reform for Fairness and Simplicity: Let Economic Growth Fend for Itself*, 50 WASH. & LEE L. REV. 459, 473 (1993); See S. REP. No. 94-36, at 11 (1975).

⁶⁹ Teitelbaum, *supra* note 43, at 780-81 n.56.

⁷⁰ *Flemming v. Nestor*, 363 U.S. 603, 606, 610-11, 80 S. Ct. 1367, 1370, 1372-1373 (1960) (the right to receive benefits under the Social Security Act is not "an accrued property right," but Congress may not take away benefits arbitrarily); See 42 U.S.C.S. §§ 414, 415 (Law. Co-op. 1988 & Supp. 1996) for the correlation between years worked, amount earned, and the Primary Insurance Amount (PIA), discussed *infra* note 73. But social security entitlement is considered "property" within the meaning of the Fifth Amendment. See *Mathews v. Eldridge*, 424 U.S. 319, 322 (1976); *Goldberg v. Kelly*, 397 U.S. 254, 262 n.8 (1970).

⁷¹ Weaver, *supra* note 5, at B1.

⁷² Steuerle & Bakija, *supra* note 52, at 1459. Since 1977, a retiree's average monthly earnings since 1951 have been automatically indexed to compensate for inflation and real wage growth. The indexing factor to which earnings are applied equals the ratio of the average national wage in the year the worker turns 60 to the average wage in the year indexed. See also *supra* table accompanying note 52, at 1460.

applying a progressive benefit formula.⁷³ The benefit is further adjusted by the annual application of a cost of living increase (COLA),⁷⁴ as well as adjustments for early or delayed retirement, spousal or survivor benefits, and taxation of benefits.⁷⁵ In the case of some participants who paid Social Security taxes over many years on very low wages, a “special minimum PIA” keeps benefits from dropping below a prescribed amount.⁷⁶

The ratio of retirement benefits to final wages (replacement rate) is higher for low-wage earners because they are expected to have accumulated less in the way of private pensions and individual savings.⁷⁷ Replacement rates are intentionally set lower for workers at the higher end of the earnings scale who are more likely to be covered by employer pensions and who are better able to save on their own.

3. *Effectiveness of Social Security*

a. *Expansion of the program*

Almost since its inception, Social Security has been expanding. The Social Security Act of 1935 did not initially require the distribution of benefits until 1942.⁷⁸ This policy would have allowed the growth of a large trust fund of reserves, such that each worker essentially could fund his own retirement. By the late 1930s, however, large business interests opposed the build-up of reserves because it kept money out of the economy. Based on these concerns, Congress passed in 1939 the first amendments to the Social Security Act of 1935, adding survivors’ and dependents’ benefits⁷⁹ and advancing to 1940 the date on which the first pensions would be

⁷³ *Id.* at 1458. The monthly benefit for a retiree, the Primary Insurance Amount (PIA), is determined by applying three progressive rates to AIME, depending on the amount of AIME the retiree has obtained. Calculated in a manner similar to a progressive tax schedule in reverse, the PIA equals 90 percent of AIME below \$387, plus 32 percent of AIME between \$387 and \$2,333, plus 15 percent of any additional AIME. *Id.*, at 1459.

⁷⁴ *Id.* at 1459.

⁷⁵ *Id.* at 1461-62.

⁷⁶ *Id.* at 1461; the guarantee is rather small and is based on complicated rules for its computation. Fewer than one percent of OASDI beneficiaries rely on this method for the determination of their benefits. *Id.* See Social Security Administration, Office of the Actuary (1992, tables 2.A8 and 5.A8) (cited *id.*, at 1461 n.15).

⁷⁷ REPORT OF THE 1994-1996 ADVISORY COUNCIL ON SOCIAL SECURITY, VOL. 1: FINDINGS AND RECOMMENDATIONS (visited Mar. 29, 1997) <<http://www.sga.gov/policy/adccouncil/findings.htm>>.

⁷⁸ Social Security Act, ch. 531, 49 Stat. 623 (1935) (codified as amended at 42 U.S.C. §§ 301-1397 (1988)).

⁷⁹ SCHULZ ET AL., *supra* note 46, at 50.

distributed.⁸⁰ Over the years, the benefits and extension of coverage under Social Security gradually have been liberalized.⁸¹ In 1962 programs for older Americans—mainly Social Security—represented sixteen percent of federal outlays; by 1994 it had increased to thirty-eight percent.⁸² In the few decades between 1959 and 1986, the United States increased social security spending by 231 percent,⁸³ bringing the proportion of social security expenditure over national income from 7.0% to 16.2%.⁸⁴ The net effect of the liberalization of Social Security benefits was to make the system almost universal in terms of coverage,⁸⁵ but to throw the system out of fiscal balance.⁸⁶ At current benefit levels, Social Security will run a long-range deficit of 2.17% of taxable payroll over the next seventy-five years.⁸⁷ Although the OASDI trust fund will technically run a surplus until 2012,⁸⁸ by 2030 it will be entirely depleted and the income will cover only seventy-five percent of projected benefit costs.⁸⁹

b. Serving stated purpose

OASI has certainly helped to reduce impoverishment among the elderly. As a group, the elderly in America have enjoyed an increase in

⁸⁰ See Social Security Act Amendments of 1939, ch. 666, 53 Stat. 1360, 1361.

⁸¹ Eligibility for benefits was moved forward substantially by amendments passed in 1950. Paskin, *supra* note 2, at 2202 n.30. In 1956 social security was expanded to include disability insurance to protect severely disabled workers, and in 1965 Medicare was added. SCHULZ ET AL., *supra* note 46, at 50. Later, during the Nixon years, pension size was increased, benefits were indexed for inflation, and the Supplemental Security Insurance safety net was created. Paskin, *supra* note 2, at 2202 n.30.

⁸² Robert J. Samuelson, *Social Security: The Facts*, WASH. POST, Apr. 19, 1995, at A23. The 1994 total (including Medicare) was \$549 billion. "three times the \$177 billion spent on the poor (everything from food stamps to welfare) and twice defense spending, \$282 billion." *Id.*

⁸³ AKIKO HASHIMOTO, *THE GIFT OF GENERATIONS—JAPANESE AND AMERICAN PERSPECTIVES ON AGING AND THE SOCIAL CONTRACT* 36 (1996).

⁸⁴ *Id.* at 36, n.8.

⁸⁵ In 1982, 92 percent of all Americans over age sixty-five received some Social Security benefit. Paskin, *supra* note 2, at 2202.

⁸⁶ *Id.* A National Commission on Social Security Reform was assembled in 1982-83 to determine how best to finance the system from 1983 to 1989. "because the Social Security Trust Fund resources faced imminent exhaustion." REPORT OF THE 1994-1996 ADVISORY COUNCIL, *supra* note 77.

⁸⁷ REPORT OF THE 1994-1996 ADVISORY COUNCIL, *supra* note.77

⁸⁸ This is the year that the trust funds are expected to pay out more in benefits than they collect in payroll taxes. Interest on the government bonds in which the trust fund surplus is currently invested will maintain a positive trust fund balance until 2020. *Id.*

⁸⁹ *Id.*

economic status over the past sixty years,⁹⁰ as measured by the rise in median incomes relative to those of the rest of the population, and by the steep decrease in elderly poverty rates.⁹¹ Experts agree that federal programs are largely responsible for this shift, and Social Security properly receives the bulk of the credit.⁹² In 1965, twenty-nine percent of elderly Americans were poor.⁹³ The advent of Medicare and Social Security has reduced that figure to twelve percent today—lower than that of the general population.⁹⁴

How has OASDI resolved the tension between individual equity and social adequacy?⁹⁵ Rather than abandoning either goal, Congress initially tried to meet both, by assuring that the protection afforded each contributor was at least that which his contributions could purchase on the private market.⁹⁶ This balancing effort continues today,⁹⁷ but will eventually cease to be possible in light of demographic trends.⁹⁸ For example, a single male worker earning average wages who retired in 1980 paid \$51,000 in OASI taxes over his lifetime and received \$90,200 in benefits, for a positive net lifetime transfer of \$39,300.⁹⁹ A similarly situated worker retiring in 2030 will pay \$195,800 in OASI taxes under current law, and receive only \$139,600 in benefits, for a net *negative* transfer of (\$56,200).¹⁰⁰ The disparities are significantly worse for single women and two-earner couples,

⁹⁰ *Executive Summary: The Advisory Council Technical Panel Reports—Trends and Issues in Retirement Savings Assumptions and Methods Panel*, 58 SOC. SEC. BULL. 98, 100 (Winter 1995) [Hereinafter *Executive Summary*].

⁹¹ *Id.*

⁹² *Id.*

⁹³ Cindy Richards, *The Face of Poverty*, CHI. SUN-TIMES, Dec. 13, 1996, (Editorial) at 45.

⁹⁴ "While poverty among the elderly exceeded twice the national rate as late as 1969, it has been below the national rate since 1982." Mitchell & Quinn, *supra* note 61.

⁹⁵ See *supra* Part III.A.2.a.

⁹⁶ See H.R.REP.NO.76-728, at 13-14 (1939); H.R.REP.NO.81-1300, at 2 (1949).

⁹⁷ The program addresses the goal of individual equity by ensuring that benefits are at least somewhat related to lifetime earnings. The program addresses the goal of social adequacy by ensuring that minimally adequate benefits are provided to all beneficiaries. Jonathan Barry Forman, *Promoting Fairness In The Social Security Retirement Program: Partial Integration And A Credit For Dual-Earner Couples*, 45 TAX LAW. 915, 934 (1992).

⁹⁸ The dollar "windfall" (the amount of benefits the retiree received over and above his contributions, making Social Security competitive with private insurance) has been declining since 1980, and average-earning workers in the 1940 birth cohort will receive less than a two percent real rate of return, the rate considered a "minimal estimate" of long-term rates of return in the private sector. HOWE & JACKSON, *supra* note 14, Charts 4-28 and 4-29.

⁹⁹ C. EUGENE STEUERLE & JON M. BAKIJA, *RETOOLING SOCIAL SECURITY FOR THE TWENTY-FIRST CENTURY* tbl. 5.3 (1994). All amounts are discounted to present value at age 65 using a 2% real interest rate. *Id.*

¹⁰⁰ *Id.*

particularly those in higher wage brackets.¹⁰¹ The inequities are thus two-fold: first, many *individuals* are not getting their money's worth from their "investment" in Social Security; second, each *generation* of Americans is dependent on the willingness and ability of successive generations to provide the revenue to support them in their retirement.¹⁰² If the successive generation is significantly smaller than the one entering retirement (as will be the case when the Baby Boom generation retires), the generational equity problem becomes politically volatile. In the coming decades the Baby Boom generation will lobby its fair share of benefits in the face of depleted trust funds, while the generation of workers behind them—who lack confidence in the system and will be attempting to save for their own retirements—will fight the enormous payroll tax increases required to pay for those benefits.

Nor is the low level of individual equity necessarily counterbalanced by high social adequacy. To maintain their lifestyle in retirement, Americans need about eighty percent of their pre-retirement earnings.¹⁰³ Social Security only replaces about forty-two percent of the income of workers with average lifetime earnings,¹⁰⁴ yet statistics show that Social Security is the only source of income for fourteen percent of elderly beneficiaries and constitutes ninety percent or more of the income for another twenty-six percent.¹⁰⁵ At the same time, the range of benefits and breadth of distribution (regardless of income) are putting the system actuarially out of balance¹⁰⁶. This combination of fiscal instability and social inadequacy has led to political pressure to "means test" Social Security benefits, i.e. scale back or eliminate benefits for those who have higher incomes from other sources.¹⁰⁷ To the extent that this solution is

¹⁰¹ A high-wage, single female would receive a net transfer of \$94,400 if she retired in 1980, but would pay \$187,300 more in taxes than she received in benefits if she retired in 2030. A two-earner couple retiring in 1980 would enjoy a \$147,500 net gain, while their counterparts in 2030 will experience a \$173,500 loss. *Id.*

¹⁰² This is referred to as the "overlapping generations" problem: "savings affects the welfare of future generations, but those generations play no role in determining today's savings. Thus, the national savings level may be too low to protect the interest of future generations." Deborah M. Weiss, *Paternalistic Pension Policy: Psychological Evidence And Economic Theory*, 58 U. CHI. L. REV. 1275, 1291 (Fall, 1991).

¹⁰³ Morgan, *supra* note 47, at 2D.

¹⁰⁴ *Id.*

¹⁰⁵ *Id.*

¹⁰⁶ See *supra* notes 86-89 and accompanying text.

¹⁰⁷ PETERSON, *supra* note 64, at 48. "If Social Security goes bankrupt subsidizing middle-class and affluent Americans, many of whom can live well enough without their benefits, what will happen to those who really do need Social Security?" *Id.*

implemented, the individual equity side of the social equation will drop even further, resulting in a stronger push by the more affluent members of society to discard the system altogether.

c. Upholding Western values

A comparative analysis of comprehensive social security programs must include consideration of the differing cultural climates in which they exist. Social security programs arguably originate out of some shared societal values toward the elderly and should thus be expected to show some consistency with the cultural values of the nations they serve.

It is difficult to discern with great accuracy what best describes Western culture and values. The dichotomy often entertained by leaders of the West and Far East is that the West is characterized by individualism and a rights-oriented approach,¹⁰⁸ while the East is identified with communitarian values and a group-centered ethic.¹⁰⁹ Individualism in the American sense is best represented by the profound importance of independence and autonomy in the United States. Similarly, the emphasis on the rights of the individual is exemplified by the Constitutional concept of limited government.

(1) Independence and autonomy

Independence and autonomy collectively represent the freedom to be self-reliant and the ability to act in the absence of undue influence or control of others.¹¹⁰ In the case of a retiree, this notion is often expressed in terms of *independent living*, under which an individual resides and carries on his

¹⁰⁸ THOMAS HOBBS, *LEVIATHAN* 104-05 (Crawford B. MacPherson ed., Penguin Classics 1968)(London, Head ed., 1651) (in the state of nature humans are free and equal); JOHN LOCKE, *TWO TREATISES OF GOVERNMENT* § 22 (Peter Laslett ed., student ed., 1988) (3d ed. 1698) (men are free, equal, and independent beings who can not be subjected to the power of the state without their consent). See also JEAN-JACQUES ROUSSEAU, *THE SOCIAL CONTRACT*, IV (1762) in *SOCIAL CONTRACT: ESSAYS BY LOCKE, HUME AND ROUSSEAU*, at 167 (Ernest Baker ed., 1979) (stating that laws resulted from people surrendering individual freedoms for mutual protection).

¹⁰⁹ See, e.g., Fareed Zakaria, *Culture is Destiny: A Conversation With Lee Kuan Yew*, *FOREIGN AFFAIRS*, Mar.-Apr. 1994 at 109, 113. "The fundamental difference between Western concepts of society and government and East Asian concepts . . . is that Eastern societies believe that the individual exists in the context of his family." *Id.*

¹¹⁰ *THE AMERICAN HERITAGE DICTIONARY OF THE ENGLISH LANGUAGE* 143, 654 (3d ed. 1992).

daily existence separately from family or other outside support groups.¹¹¹ It has been argued that the direct cash-benefit structure of Social Security and the coverage it has come to provide are based squarely on the notions of independence and autonomy of the individual pensioner.¹¹² The Older Americans Act of 1965, for example, pronounces the equal rights of the individual to self-sufficiency, for a continuation of independent life into old age.¹¹³ These ideals of independence and autonomy are fixtures in the U.S. culture, and are antithetical to the obligation of, say, one's own family, to support an aging parent financially, as would be the case in an Asian society.¹¹⁴

But independence is clearly understood to include financial self-support, i.e. not relying on others for care or funds.¹¹⁵ Yet to the extent that they exceed the amount contributed by the pensioner during his working life, Social Security pensions are welfare.¹¹⁶ How do Americans' deep-seeded notions of independence and autonomy square with the unbridled acceptance of entitlement spending on their behalf? Interestingly, the portrayal of the program as social insurance has successfully distinguished it from public assistance.¹¹⁷ "Because of the analogy, Social Security appears as a return on an investment, not a government handout."¹¹⁸ This notion could of course be systemic, rather than cultural. Years of rationalization seem to have incorporated into the West's "rugged individual" ideology a conflicting fact pattern, i.e., the willingness to

¹¹¹ See, e.g., Paul Recer, *Elderly More Fit Than Ever*. ARIZ. REPUBLIC, Mar. 19, 1997, available in 1997 WL 8350154. See also HASHIMOTO, *supra* note 83.

¹¹² "This concern is demonstrated by the stark contrast between two similar programs that emerged in the 1960s: one in the U.S. and one in Japan The Japanese declaration concerns itself with the notion of guarantee, whereas the American counterpart is geared to the entitlement to an independent life. In Japan, the subject is responsibility; in the United States, the subject is rights." HASHIMOTO, *supra* note 83, at 38.

¹¹³ *Id.* at 38.

¹¹⁴ Art Lee, *Note and Comment: Singapore's Maintenance of Parents Act: A Lesson to be Learned From the United States*, 17 LOY. L.A. INT'L & COMP. L.J. 671, 685 (1995).

¹¹⁵ AMERICAN HERITAGE DICTIONARY, *supra* note 110 at 654.

¹¹⁶ "[A]ccording to the Congressional Budget Office, a person who retired in 1984 recovered all his Social Security contributions, with interest, after only three years. All payments he's received after that are, quite simply, a form of welfare." David E. Morse, *To Rescue Social Security*, PLAIN DEALER, Dec. 14, 1994, at 11B.

¹¹⁷ Matthew Diller, *Entitlement And Exclusion: The Role Of Disability In The Social Welfare System*, 44 UCLA L. REV. 361, 380 (December 1996).

¹¹⁸ *Id.* A survey of parents and their adult children found that most members of both groups stated that Social Security should provide needed income for the retired elderly. However, only ten percent of the elderly in the survey reported above believed that adult children should provide the needed support. Teitelbaum, *supra* note 43, at 780-81.

believe that the taxes paid into the program justify a retirement subsidy far in excess of the investment made, even if individual or family means make it unnecessary.

If the West recognizes the individual as the central unit of society, it would seem to follow that private wealth-building would be the main unit of a retirement program. A social security program that reflects Western values should therefore be highly compatible with private retirement planning and personal savings practices. Yet Social Security in the United States has proven to be just the opposite. In addition to planting into the American mindset an entitlement mentality, the introduction of a national retirement pension system has decimated the national savings rate, which in the 1990s is the lowest of any decade since the 1930s.¹¹⁹ While Americans expect to retire earlier and live longer, only half of heads-of-household in their late fifties have accumulated more than \$10,000 in net assets, "a fact that underscores their dependence on unsustainable public benefits."¹²⁰ It may be that Social Security has been too magnanimous and well-intentioned, either overshadowing the individual's responsibility for his share of the retirement income plan,¹²¹ or relieving him of so much of his income in the form of payroll taxes to generously fund current retirees that he must forego saving for his own retirement. In either case, this behavioral response to Social Security benefit availability, combined with the low rate of pension coverage may be the program's undoing.

(2) *Limited government*

The Preamble to the United States Constitution lists the formation of a perfect union, establishment of justice, insurance of domestic tranquillity, provision for the common defense, and promotion of the general welfare as the mission of the government.¹²² The list is conspicuously short. More tellingly, the government is founded upon the democratic ideal that the People themselves comprise both the government and the governed.

¹¹⁹ The Concord Coalition, *Issues We Dare the Candidates to Talk About*, FACING FACTS ALERT 24: THE TRUTH ABOUT ENTITLEMENTS AND THE BUDGET (Oct. 17, 1996).

¹²⁰ *Id.*

¹²¹ Without the program the poverty rate for the elderly would increase from about 13 percent to more than 50 percent. Weaver, *supra* note 5, at B1.

¹²² See U.S. CONST. preamble

Limitations were placed on government in order to prevent tyranny and preserve individual freedom.¹²³

With 1996 outlays of \$348 billion,¹²⁴ Social Security accounts for roughly twenty percent of all federal spending,¹²⁵ making it the single largest government program. As recently as a generation ago, the main job of the federal government was national defense,¹²⁶ but it “has turned into a giant check-writing machine,” says The Concord Coalition,¹²⁷ “churning out hundreds of billions of dollars in entitlement benefits a year to people regardless of their income.”¹²⁸ As indicated earlier, mandatory payroll taxes are the source of revenue for the Social Security trust funds, and individuals have no control over the investment of those “contributions” to their collective retirement account. Yet today’s workers, who pay a greater portion of their incomes into the program than any other in history, have little confidence that this system will be there for them when they retire.¹²⁹

How is an actuarially unsound, government-run transfer-payment system consistent with values of limited government? The historical factors which influenced the enactment of the Social Security Act offer a partial explanation. As the U.S. economy approached near-collapse during the Great Depression,¹³⁰ corporate and union pension plans began to suffer from insufficient funding.¹³¹ This breakdown, combined with the instability of private sources of savings for retirement, brought popular and political

¹²³ See U.S. CONST. amend. I-X.

¹²⁴ CONGRESSIONAL BUDGET OFFICE, *THE ECONOMIC AND BUDGET OUTLOOK: FISCAL YEARS 1997-2006* 46 (1996).

¹²⁵ Chavez, *supra* note 27.

¹²⁶ R.A. Zaldivar, Column, KNIGHT-RIDDER NEWSPAPERS, Nov. 14, 1996.

¹²⁷ The Concord Coalition is a nonpartisan organization devoted to eliminating the federal deficit. It was founded in 1992 by former Senators Paul Tsongas and Warren Rudman. Wayne Woodlief, *Tsongas To Back Old Foe Today*, BOSTON HERALD, July 8, 1992, (News), at 1.

¹²⁸ Paul E. Tsongas and Warren B. Rudman, *Foreword to NEIL HOWE AND BILL STRAUSS, GET REAL ABOUT D’S AND E’S* (Concord Coalition, 1994).

¹²⁹ Only nine percent of people between the ages of 18 and 34 believe Social Security will have the money to pay their retirement benefits. Associated Press, *More Youths Believe In Ufos Than Social Security—Poll*, SEATTLE TIMES, Sept. 26, 1994, (News), at A5. Just over one-fourth say Social Security will still exist when they retire, compared with 46 percent who think that there are unidentified flying objects, or UFOs. *Id.*

¹³⁰ Real Gross Domestic Product fell by over thirty percent between 1929 and 1933, and the unemployment rate averaged twenty-two percent from 1932 to 1935. PETERSON, *supra* note 64, at 94.

¹³¹ As early as 1925, the leaders of large corporations questioned the viability of corporate pension schemes, and began to support federal legislation. With most union pension plans facing bankruptcy in the early 1930s, the American Federation of Labor shifted its support in favor of public pensions. Paskin, *supra* note 2, at 2201.

pressure to create a system of federal old-age pensions.¹³² To the extent that the economic system based on individual wealth-building and free-market capitalism had failed, the government was called upon to provide a safety net. However, as indicated earlier, the safety net was intended to be augmented by private savings and pensions. Yet private savings never rebounded from pre-Depression levels,¹³³ nor have pensions provided the breadth of support envisioned by the architects of Social Security.¹³⁴ The increases in Social Security benefits over the years—the most significant of which were the addition of Medicare in 1965 and the indexing of benefits for inflation in 1974¹³⁵—seemed invariably to coincide with times of economic trouble. A disturbing pattern emerged: failure of the economy to provide adequate return for its retired citizens' retirement resulted in augmentation of the economy-independent portion of the "three-legged stool." However, because there was no offsetting adjustment during good economic times, the government's role in individual retirement planning gradually increased, displacing retirement savings and pensions as the main source of retirement income for retirees while driving costs beyond expectations.¹³⁶ Since the changes were incremental, perhaps the public perception at any given time in history has been that the government's current role is the correct one, and that adjustments downward would be unfair to retirees who depend on Social Security to stay out of poverty. Of course, this dependence may very well be the result of the above trend. Thus, just as the introduction of Social Security decreased individual responsibility and reduced private saving rates, it also eroded the American public's confidence in the concept of limited government.

B. *Singapore*

1. *Background*

In 1818, Singapore was established by Sir Thomas Stamford Raffles as a halfway station for British shipping with India and the rest of Asia.

¹³² *Id.*

¹³³ PETERSON, *supra* note 64, at 75-76.

¹³⁴ *Id.*

¹³⁵ *See supra* note 81.

¹³⁶ The OASI payroll tax was projected to be six percent for 1995 and beyond when Social Security was founded in 1935. The rate is now 11.3 percent and will require further adjustments upward to fund future Social Security liabilities. PETERSON, *supra* note 64, at 183.

The island nation continued as a British colony until 1959, when it was granted independence. Singapore became an independent, democratic nation in 1965.¹³⁷ From 1959 through 1990, Singapore's prime minister was Lee Kwan Yew, who has been credited with "single-handedly transforming Singapore into a dynamic international economic force by maintaining an iron-fisted approach to industrialization."¹³⁸ Although Lee has been succeeded by Goh Chok Tong, he is still considered to be the central figure in the ruling People's Action Party (PAP). Singapore's political culture has been described as "centralized, authoritarian, and statist"¹³⁹ while at the same time "pragmatic, rationalized, and legalistic."¹⁴⁰

The resident population, comprising Singapore citizens and permanent residents, was estimated at 2,930,200 as of June 1994. This was an increase of two percent over the population in 1993. Population density rose from 3940 residents per square kilometer in 1984 to 4535 residents/sq. km in 1994.¹⁴¹ Chinese residents numbered 2,269,600 (77.5%), Malays 415,900 (14.2%), Indians 209,400 (7.1%) and persons of other ethnic groups 35,300 (1.2%).¹⁴²

Today, Singapore "has virtually no poverty, no homelessness, and no begging, and little crime."¹⁴³ Unemployment is negligible at two percent. By comparison, in Australia, Canada, Britain and the United States, it ranges from five to eight percent.¹⁴⁴ Persistently strong growth since independence has helped the city-state build a high-income economy with a Gross Domestic Product ("GDP") of almost US\$84 billion in 1995.¹⁴⁵

¹³⁷ David J. Thorpe, *Some Practical Points About Starting a Business in Singapore*, 27 CREIGHTON L. REV. 1039, 1041.

¹³⁸ *Id.* at 1043.

¹³⁹ FEDERAL RESEARCH DIVISION OF THE LIBRARY OF CONGRESS, SINGAPORE: A COUNTRY STUDY 197 (Barbara Leitch LePoer ed. 1991).

¹⁴⁰ *Id.* at 197.

¹⁴¹ MINISTRY OF INFORMATION AND THE ARTS, SING. NAT'L GOV'T, SINGAPORE FACTS AND PICTURES 1995 2 (1995).

¹⁴² *Id.*

¹⁴³ Thorpe, *supra* note 137, at 1048; Stan Sesser, *A Reporter at Large: A Nation of Contradictions*, THE NEW YORKER, Jan. 13, 1992, at 37.

¹⁴⁴ Claudette Peralta, *They Left For The Good Life. But Now, They're Home Again—More Singapore Migrants Returning: "Goh Sisters Return From Australia In Search Of Jobs" And "I Wanted To Experience Working In Birthplace,"* STRAITS TIMES (Sing.), Sept. 7, 1996, available in 1996 WL 11723418.

¹⁴⁵ BARCLAY'S BANK, COUNTRY REPORT: SINGAPORE (May 1996), available in 1996 WL 9633130. S\$1.4469 = US\$1.00. CNN FINANCIAL NEWS, *Currencies Market* (last modified Mar. 28, 1997) <<http://www2.cnnfn.com/markets/currencies.html>>.

Singapore has nothing like America's Social Security or Medicare. Instead, it compels workers, with help of employers, to save money for retirement and health care. The Central Provident Fund (CPF) provides security for workers on retirement or when they are no longer able to work.¹⁴⁶

2. *The Central Provident Fund Act*

a. *Stated purpose*

The Central Provident Fund Act¹⁴⁷ ("CPF") established a statutory board to implement a compulsory scheme to provide workers with benefits at the retirement age of fifty-five or when they were permanently unfit to work.¹⁴⁸ The government of Singapore recognized the need to insure the retirements of the current working generation, but also saw an opportunity to stimulate the national savings rate, which would lead to increased investment and economic growth.¹⁴⁹

b. *Mechanics*

(1) *Who gets benefits*

All employees and employers in Singapore participate in the CPF scheme.¹⁵⁰ Current contribution rates are forty percent of salary, split equally between employer and employee. Each CPF contributor (member) has three accounts with the fund—the Ordinary, Medisave and Special Accounts—and CPF contributions are split between these accounts as dictated by the government.¹⁵¹ The bulk of the contributions—twenty-eight to thirty percent—goes to the Ordinary account (See Table 2) About six to eight percent of a member's income goes to Medisave, depending on age at time of contribution, and four percent goes to special account, until age

¹⁴⁶ See *infra* note 147.

¹⁴⁷ Ord. 34 of 1953, as amended (1970 Ed. Cap. 121, 1985 Ed. Cap. 36).

¹⁴⁸ S. Jane Rose, *Investment Companies 1987: Expansion and Innovation The New Wave Of International Funds*, 582 PLI/CORP 123, 301.

¹⁴⁹ Stesser, *supra* note 143, at 52; See Thorpe, *supra* note 137, at 1044; See Paskin, *supra* note 2, at 2221.

¹⁵⁰ Central Provident Fund Act §§ 2, 7 (Cap. 36) (1991 Ed.).

¹⁵¹ See First Schedule, Cap.36.

fifty-five.¹⁵² Once a member has set aside a “minimum sum”¹⁵³ established by the government, a retirement account is established at age sixty from which he or she can withdraw retirement funds.¹⁵⁴ Unlike American Social Security, under which the younger generation pays while the older generation withdraws, the CPF provides members with tax-free¹⁵⁵ interest-bearing¹⁵⁶ savings accounts which can be accessed for various purposes.¹⁵⁷ Ordinary Account savings can be used for housing,¹⁵⁸ approved investments,¹⁵⁹ CPF insurance, education, and transfers to “top-up”¹⁶⁰ parents’ Retirement Accounts; Medisave savings help members and their families meet hospitalization expenses, and pay premiums for approved medical insurance; savings in the Special Account are reserved for old age and contingency purposes.

¹⁵² MINISTRY OF INFORMATION AND THE ARTS, *supra* note 141, at 37.

¹⁵³ The Minimum Sum scheme was established in 1987 as a base amount for withdrawal at retirement. FEDERAL RESEARCH DIVISION, LIBRARY OF CONGRESS, *supra* note 139, at 134. As of July, 1996, the minimum sum to be set aside by a 55-year-old was S\$45,000, of which at least S\$4,000 had to be in cash. The remainder could be in the form of property pledged with the Central Provident Fund board. *Raise In CPF Minimum Sum Income From Monday*, STRAITS TIMES (Sing.), Mar. 30, 1996, available in 1996 WL 14666175.

¹⁵⁴ MINISTRY OF INFORMATION AND THE ARTS, *supra* note 141, at 37. Members who are 55 can withdraw their CPF after setting aside a minimum sum, which will provide them with a monthly retirement income from the age of 60. The income amount depends on where members leave their money. They can buy an annuity from an approved insurance company, deposit it with a bank, or leave it with the CPF. *Raise In CPF Minimum Sum Income From Monday*, *supra* note 153.

¹⁵⁵ M. Ramesh, *Social Security in Singapore—Redrawing the Public-Private Boundary*, ASIAN SURV. 1093, 1095 (1992).

¹⁵⁶ CPF members receive a market-related interest rate on their CPF savings. The interest rate for January to December 1994 was 2.5%. MINISTRY OF INFORMATION AND THE ARTS, *supra* note 141, at 37.

¹⁵⁷ FEDERAL RESEARCH DIVISION, LIBRARY OF CONGRESS, *supra* note 139, at 134.

¹⁵⁸ CPF money withdrawn for private and public housing schemes dipped 1.4% to S\$1.29 billion in the second quarter of 1996, from a high of S\$1.31 billion in the first quarter. Colin Tan, *Dip In Use Of CPF Funds For Home Purchases*, STRAITS TIMES (Sing.), Aug. 2, 1996, available in 1996 WL 6328662. Since 1968, CPF members have been allowed to withdraw their CPF savings for government flats. This was further extended in 1981 to private residential properties. By helping members to save for their housing needs, the CPF Board has played a major role in transforming Singapore into a nation of homeowners. Chan Chong Meng, *Home buying: Unwise to change the role played by Central Provident Fund*, STRAITS TIMES (Sing.), June 25, 1996, available in 1996 WL 14659132.

¹⁵⁹ CPF members withdrew a net S\$337.5 million of their retirement money in the second quarter of 1996 for investment under the basic and enhanced investment schemes, 10 times the first quarter’s S\$33.8 million. *CPF Members Withdrew \$337m For Investment In Second Quarter*, STRAITS TIMES (Sing.), Aug. 2, 1996, available in 1996 WL 6328658.

¹⁶⁰ The Topping-up Extension scheme was introduced in 1987 to enable CPF members to show filial piety by contributing to their parents’ accounts. FEDERAL RESEARCH DIVISION, LIBRARY OF CONGRESS, *supra* note 139, at 134.

Table 2

CPF Contribution Rates From July 1994 to July 1995 ¹⁶¹						
Age of Employee	Contribution Rates		Credited Into			Total
	Employer Pays	Employee Pays	Ordinary Account	Special Account	Medisave Account	
Up to 35	20%	20%	30%	4%	6%	40%
35 to 44	20%	20%	29%	4%	7%	40%
45 to 54	20%	20%	28%	4%	8%	40%
55 to 59	7.5%	12.5%	12%	--	8%	20%
60 to 64	7.5%	7.5%	7%	--	8%	15%
65 +	5%	5%	2%	--	8%	10%

The Medisave portion of the CPF is Singapore's version of Medicare Part A (HI), except that all CPF members—not just the elderly—are eligible.¹⁶² Six to eight percent of the employee's salary is allocated to Medisave from contributions to the CPF account.¹⁶³ Members who reached the age of fifty-five in 1992 had to set aside \$10,000 in their Medisave Accounts to meet hospitalization needs in retirement.¹⁶⁴

Beyond this, Singapore has not established a Western-style "safety net." Welfare for the elderly is available to the truly destitute, but provides a minimal \$100 a month per recipient.¹⁶⁵

(2) *Who pays for benefits*

The Central Provident Fund is funded by mandatory payroll contributions, equally split between employee and employer.¹⁶⁶ Since the CPF is not a transfer-payment scheme like Social Security, cash accounts

¹⁶¹ MINISTRY OF INFORMATION AND THE ARTS, *supra* note 141, at 37.

¹⁶² In Singapore, where most elderly do not have health insurance, part of each person's provident fund account has been set aside since 1984 to pay for hospitalization. Martin, *supra* note 11.

¹⁶³ MINISTRY OF INFORMATION AND THE ARTS, *supra* note 141, at 47; until age 35, members contribute six percent of salary toward Medisave, and contribute seven percent until age 45, after which the rate remains at eight percent. While Medisave contributions increase slightly as the member ages, contributions to the Ordinary Account fall off steeply, from 29 percent at age 45 to just two percent after age 65. *Id.* at 37. See *supra* Table 2

¹⁶⁴ MINISTRY OF INFORMATION AND THE ARTS, SING. NAT'L GOV'T, SINGAPORE FACTS AND PICTURES 1993 69 (1993).

¹⁶⁵ Wallace, *supra* note 2, at A9.

¹⁶⁶ This is subject to change. See First Schedule, Central Provident Fund Act, (Cap. 36) (1991 Ed.).

are maintained by the individual members. Some family members—often elderly parents—receive a “top-up” of their accounts from their adult children, at the encouragement of the government.¹⁶⁷ But for the most part, individuals are responsible for the maintenance of their own CPF accounts. The rate of contribution is subject to change by the government,¹⁶⁸ but currently stands at forty percent for those under fifty-five¹⁶⁹ who earn more than \$363 per month.¹⁷⁰ Members or their employers may contribute more than the required amount if they choose.¹⁷¹

(3) *How benefits are calculated*

Subject to the authority of the CPF Board,¹⁷² members may withdraw their savings and interest upon reaching age fifty-five.¹⁷³ Contributions earn interest at a statutory minimum 2.5%,¹⁷⁴ but the interest CPF members earn on their ordinary and Medisave accounts is normally a simple average of the twelve-month fixed deposit and savings rates of the four major banks—DBS Bank, OCBC Bank, United Overseas Bank and Overseas Union Bank.¹⁷⁵ For the first six months of 1997 CPF member savings will continue to earn 3.48% interest.¹⁷⁶

Like the method of contribution, the cash distribution for a member retiree is not unlike proceeds from a bank account. Members may leave their savings in the Central Provident Fund after retirement, earning a slightly higher return.¹⁷⁷ But they are encouraged by the government to purchase annuities from private insurance companies.¹⁷⁸ At age fifty-five,

¹⁶⁷ See *supra* text accompanying note 160.

¹⁶⁸ “By manipulating the percentage, the government can inject funds into the economy in periods of recession and cause more to be withheld during boom times, when inflation threatens.” Stesser, *supra* note 143, at 52.

¹⁶⁹ MINISTRY OF INFORMATION AND THE ARTS, *supra* note 141, at 37.

¹⁷⁰ See First Schedule, Cap. 36.

¹⁷¹ Cap. 36 § 7(4).

¹⁷² See Cap. 36 § 15(2).

¹⁷³ Cap. 36 § 15(2). Physically or mentally incapacitated individuals or Singapore non-citizens who are leaving Malaya permanently may withdraw funds regardless of age. § 15(2)(b-d).

¹⁷⁴ Cap. 36 § 6(4).

¹⁷⁵ *CPF Keeps Savings Rate Unchanged at 3.48% / Central Provident Fund Board, CPF Board*, STRAITS TIMES (Sing.), Nov. 22, 1996, available in 1996 WL 11728993.

¹⁷⁶ *Id.*

¹⁷⁷ The interest rate for special and retirement accounts will be 4.73 percent in the first half of 1997, 1.25 percent higher than that for the ordinary account. These accounts yield higher rates of interest because they are held for a longer term. *Id.*

¹⁷⁸ See Chua Mui Hoong, *SDP's Attacks On CPF Scheme "Irresponsible": "No PAP Rallies Over Xmas" And "Boon Yang Rebuts SDP's CPF Charges" / Singapore Democratic Party, SDP*, STRAITS

members can invest their CPF minimum sum in an annuity to receive a regular income from age sixty until death.¹⁷⁹

With CPF funds, members can make investments before they retire, and may withdrawal profits from investments in cash. Under a newly-streamlined Central Provident Fund Investment Scheme (CPFIS),¹⁸⁰ members can purchase endowment insurance policies; trustee and non-trustee stocks listed on the Stock Exchange of Singapore; approved loan stocks of trustee companies; approved unit trusts; gold government bonds; bank deposits and fund management accounts.¹⁸¹ The single or regular premium endowment plan is a common savings and investment tool which is purchased for a fixed term (e.g. twenty years) provided that the member is not older than sixty when the policy matures. The sum assured and bonuses are paid to the CPF account if the policy matures before the holder turns fifty-five, which is the withdrawal age for CPF. If it matures after age fifty-five, the proceeds are paid directly to the owner. Central Provident Fund proceeds can be used to buy an anticipated endowment plan that pays out a predetermined amount at regular periods (e.g., every three years). These payments are credited directly to individual CPFIS accounts.¹⁸²

Investment-linked plans (single or regular premium) are primarily investment policies, similar to 401(k) retirement plans in the United States, which also provide financial protection in the event of premature death or total and permanent disability.¹⁸³ Like any investment, the plans involve financial risk, and policyholders bear the loss if the plan performs poorly. Investment-linked plans allow members the flexibility to top up with additional investments and to choose among different types of plans.¹⁸⁴ These investments are convertible into cash by selling units back to the fund.

TIMES (Sing.), Dec. 19, 1996, available in 1996 WL 14667290. To open a CPF Enhanced Investment Scheme (EIS) account, members must have at least S\$50,000 cash in their CPF ordinary and special accounts. Up to 80 per cent of the excess may be used to pay for the premiums of insurance policies, but it must come from the ordinary account. *Financial Schemes Using CPF Money*, STRAITS TIMES (Sing.), Nov. 1, 1996, available in 1996 WL 11727593.

¹⁷⁹ *Financial Schemes Using CPF Money*, supra note 178. All approved companies will guarantee a minimum amount if death occurs within a period of time after the annuity payment commences. *Id.*

¹⁸⁰ The government has decided to merge two CPF investment schemes, the Basic Investment scheme (BIS) and the Enhanced Investment Scheme (EIS), from January 1 1997. *Singapore: CPF Investment Rules Loosened*, LIFE INS. INT'L, Mar. 1, 1996, at 8.

¹⁸¹ *Id.*

¹⁸² *Financial Schemes Using CPF Money*, supra note 178.

¹⁸³ *Id.*

¹⁸⁴ For example, a member may want to switch from an equity fund to a fixed income fund. *Id.*

3. Effectiveness of CPF

a. Expansion of the program

Singapore established its Central Provident Fund well after Social Security was underway in the United States. While the CPF was launched in 1955 as a simple way to give low-income workers security in their old age, it has now progressed into a sophisticated, life-long financial plan.¹⁸⁵ According to the government, "it is a comprehensive social security savings scheme that takes care of members' retirement, healthcare, home ownership, family protection and asset enhancement needs."¹⁸⁶ In 1963, the Central Provident Fund Act called for a 2.5% interest rate,¹⁸⁷ but by 1986 the government was paying a variable, market-based rate on CPF savings.¹⁸⁸ Since 1968, CPF members have also been allowed to withdraw their CPF savings for government housing.¹⁸⁹ This was further extended in 1981 to private residential properties.¹⁹⁰

Medisave, the compulsory medical-care savings scheme, was appended to the CPF in the mid-1980s¹⁹¹ so that each member would be prepared to pay hospital bills.¹⁹² Shortly thereafter government officials started taking measures to control health-care costs, including the introduction of a limited public medical insurance system (Medishield)¹⁹³ and the extension of the Medisave net to the self-employed.¹⁹⁴

Shortly after taking office in 1991, Prime Minister Goh Chok Tong proposed two major additions to the Central Provident Fund program: Medifund, to assist the poor and middle-class with health care expenses,

¹⁸⁵ *Safety Net For Low Income Earners*, S. CHINA MORNING POST, July 19, 1996, at 30.

¹⁸⁶ MINISTRY OF INFORMATION AND THE ARTS, *supra* note 141, at 36.

¹⁸⁷ Central Provident Fund Act § 5(3), SING. STAT. (Cap. 121) (1970).

¹⁸⁸ FEDERAL RESEARCH DIVISION, LIBRARY OF CONGRESS, *supra* note 139, at 134. In June of 1988 the rate was 3.19 percent per annum. *Id.*

¹⁸⁹ Chan Chong Meng, *supra* note 158.

¹⁹⁰ *Id.*

¹⁹¹ FEDERAL RESEARCH DIVISION, LIBRARY OF CONGRESS, *supra* note 139, at 134.

¹⁹² The minimum sum is set to cover four hospital "episodes" as well as approved medical treatment, such as hepatitis inoculations. Medisave is not accessible for check-ups and other routine doctor visits.

¹⁹³ Ravi Veloo, *Is There Awareness, But Little Understanding, Of Govt Messages?*, STRAITS TIMES (Sing.), Nov. 16, 1996, available in 1996 WL 11728499.

¹⁹⁴ *How Singapore Consumers Fare In A More Developed Economy*, MKT. ASIA PAC., Apr. 1, 1994, available in 1994 WL 2656757.

and Edusave, to assist them with education.¹⁹⁵ In 1993 the Education Ministry implemented Goh's Edusave scheme to help students, particularly those from lower income families.¹⁹⁶ The money for the Edusave scheme comes from the Edusave Endowment Fund, which has grown from \$1 billion in 1993 to \$4 billion in 1996.¹⁹⁷ Distribution of Edusave funds comes in the form of outright grants to schools, scholarships to top students in independent schools, money credited directly into students' accounts, and merit bursaries to poor but bright students.¹⁹⁸ This scheme has now been extended to help average students who did well, through the Good Progress Awards.¹⁹⁹ Goh's other program, Medifund, was later added to assist the poor in paying hospital bills.²⁰⁰

But the fund's primary objective has to provide for old age, and controls are in place to safeguard the money for that purpose.²⁰¹

b. Serving stated purpose

(1) Retirement income for current working generation

The Central Provident Fund has provided carefully-programmed retirement income replacement for millions of Singaporeans. Because the Fund is effectively managed, the government is able to provide all of its citizens with a valuable investment for their future security.²⁰² On the individual equity/social adequacy scale, the CPF leans heavily toward giving each individual his money's worth: those with higher incomes will receive pensions commensurate with their higher contributions.²⁰³

¹⁹⁵ Stephen Duthie, *Singapore's Goh Seeks to Make His Own Mark*, ASIAN WALL ST. J., Aug. 22, 1991, available in 1991 WL-WSJA 2033848.

¹⁹⁶ *A Modest Man Who Has Done Much*, STRAITS TIMES (Sing.), December 27, 1996, at 1.

¹⁹⁷ *Make Edusave Scheme An Election Issue, MP Urges*, STRAITS TIMES (Sing.), December 17, 1995, available in 1996 WL 10242411.

¹⁹⁸ *Id.*

¹⁹⁹ *A Modest Man Who Has Done Much*, *supra* note 196. In 1996, 75,000 students, from primary grades through college, received Edusave bursaries and scholarships. *Chok Tong Lists Schemes Which Will Be Managed By Cdc's: "PAP Is Back In Power"*, STRAITS TIMES (Sing.), December 24, 1996.

²⁰⁰ Veloo, *supra* note 193.

²⁰¹ *Safety Net for Low Income Earners*, *supra* note 185.

²⁰² Thorpe, *supra* note 137, at 1044.

²⁰³ CHEE SOON JUAN, *supra* note 4, at 78.

While those who have secured qualified employment, have invested wisely, and have followed the government's appeals to be frugal²⁰⁴ receive their just deserts at retirement, others do not achieve these heights. First, about twenty percent of the labor force, most of whom are in temporary, low-wage employment, are excluded from CPF membership entirely.²⁰⁵ Second, slightly less than twenty-five percent of those covered by the CPF have a balance of less than \$10,000 (inclusive of withdrawals for housing purchases), which is inadequate to supply the required income for twenty years of retirement.²⁰⁶ In 1987, the average size of CPF withdrawal upon retirement was \$22,460, considerably below the \$30,000 regarded by the government at the time as the minimum sum required for financing a single person's retirement.²⁰⁷ In 1996 the National Trades Union Congress (NTUC) concluded that poorer Singaporeans who retire will find it difficult to sustain their pre-retirement lifestyle if they rely solely on their Central Provident Fund savings.²⁰⁸ Many will either have to continue to work beyond sixty years, or get extra help from their families or sources such as the Government and voluntary welfare bodies.²⁰⁹

Like Social Security, CPF funds were never meant to be the sole source of retirement income. However, because contributions are so significant, those with the lowest incomes feel the burden of a forty percent loss of immediate income to a greater extent than those with higher incomes, and are thus less likely to accumulate private savings.²¹⁰

²⁰⁴ "[Prime Minister Goh Chok Tong, in his 'Save more, spend wisely' message] was reminding Singaporeans of the virtues of thrift and how the virtuous cycle of high savings-high investment can lead to greater prosperity. 'The end result of a society that over-consumes is impoverishment when its population ages,' he warned." *Save—Before It Is Too Late*, STRAITS TIMES (Sing.), October 13, 1996, available in 1996 WL 11726216. See also, *Singapore PM Urges Overspending Citizens To Save More For Rainy Day*, AGENCE FRANCE-PRESSE, Oct. 6, 1996, available in 1996 WL 12152224; Chua Lee Hoong, *Save More, Spend Wisely, PM Goh Cautions Singaporeans: Case Should Scrutinise Govt Fee Increases*, STRAITS TIMES (Sing.), Oct. 6, 1996, available in 1996 WL 11725737.

²⁰⁵ Ramesh, *supra* note 155, at 1095. According to one estimate, 19 percent of men and 34 percent of women reaching the age of 60 in Singapore in the year 2000 will have no CPF account. *Id.*

²⁰⁶ Ramesh, *supra* note 155, at 1095. The average life expectancy is 75 years (1993), the retirement age is 55 years. BARCLAYS BANK COUNTRY REP., *supra* note 145, at 1.

²⁰⁷ Ramesh, *supra* note 155, at 1095.

²⁰⁸ Teoh & Leong Ching Ching, *supra* note 29, at 23.

²⁰⁹ *Id.*

²¹⁰ CHEE SOON JUAN, *supra* note 4, at 78.

(2) *Stimulate the national savings rate*

Singapore has a very high savings rate per capita relative to other countries, and the Central Provident Fund is a major reason.²¹¹ The main strength of the provident fund mechanism is that it does not involve expenditure from the government treasury and, even more importantly, mobilizes savings at low cost, which can be used for development purposes.²¹² The Central Provident Fund has furnished much of the investment capital that has fueled Singapore's legendary economic growth and much of the savings that have enabled nine out of ten households to become homeowners.²¹³ The strategy of confining a minimal role to the state for social security and expanding that of the private agencies certainly has its virtues. The low public spending on social programs in Singapore has allowed for lower tax rates, which have been conducive to attracting foreign investment and promoting economic growth. Moreover, the accumulation of a budgetary surplus that the strategy has made possible will provide a financial cushion if some future government decides to reverse the present strategy and expand the statutory programs.²¹⁴

There are signs, however that the savings rate is on the wane. In 1988 households saved thirty-five percent of their gross income (twenty-four percent was in CPF contributions, eleven percent was voluntary). In 1993, however, the rate had gone down to thirty percent, with twenty-five percent in CPF and only five percent in voluntary savings.²¹⁵ The government, of course, retains the right to change the contribution rate for CPF members and employers to artificially enhance the rate of savings.

c. *Upholding Singapore's values*

(1) *Asian values*

For years, students of economics and international affairs have debated the existence of "Asian values"—hard work, strong, supportive families and a willingness to sacrifice the interests of the individual for the

²¹¹ Rose, *supra* note 148, at 500.

²¹² Ramesh, *supra* note 155, at 1095.

²¹³ Peterson, *supra* note 16, at 68.

²¹⁴ Ramesh, *supra* note 155, at 1103.

²¹⁵ Chua Lee Hoong, *supra* note 204.

good of the group.²¹⁶ The First Asian Congress on Labor Law and Social Security in 1981 showed signs of a search for a collective Asian identity as well as a general “declaration of independence from Western dominance, which was often seen as the vestiges of colonialism.”²¹⁷ A survey of the issues raised by Chinese-speaking members of Singapore’s Parliament in the 1995-96 session showed that they emphasized 1) the family and society, as opposed to the individual; 2) the aged as opposed to the young; 3) discipline in school children; and 4) the curbing of individual interests for the sake of the wider good.²¹⁸

While discussions of Asian identity are complicated by the existence of distinct Asian nations, the Chinese population in Singapore is significant enough to conclude that “Asian values” in Singapore are heavily influenced by Chinese values.²¹⁹ In conjunction with modern Chinese communist doctrine—which emphasizes the goal of furthering the interests of the State and the Party above that of the individual²²⁰—the ancient Chinese philosophy of Confucianism stresses love for humanity, ancestor worship, reverence for parents, and harmony in thought and conduct.²²¹ Confucianism also emphasizes the importance of maintaining social order and of exhibiting unquestioned obedience to the family, whether the natural family, the corporate family, or the nation itself.²²² Together these beliefs explain the Chinese adherence to theories of collectivism and the common good, philosophies which pervade the official Singapore party line. A 1970 study by the Department of Sociology at the University of Singapore uncovered five Asian values fundamental and relevant to modernization in

²¹⁶ Richard Lloyd Parry, *Moments That Made The Year : China Lurks Behind the Asian Tigers*, INDEPENDENT (London), December 26, 1996, at 15.

²¹⁷ Benjamin Aaron, *Report: First Asian Congress On Labor Law And Social Security*, 4 COMP. LAB. L. 57 (Winter 1981), at 63.

²¹⁸ Chua Lee Hoong, *Where Will Future Political Leaders Of The Chinese Community Come From?*, STRAITS TIMES (Sing.), October 26, 1996, available in 1996 WL 11727128.

²¹⁹ Lee, *supra* note 114, at 693.

²²⁰ Kelly M. Brown, *Comment: Execution For Profit? A Constitutional Analysis Of China's Practice Of Harvesting Executed Prisoners' Organs*, 6 SETON HALL CONST. L.J. 1029, 1033 (1996).

²²¹ *Id.* at 1034. See generally *Confucianism: New Fashion for Old Wisdom*, ECONOMIST, Jan. 21, 1995, at 38 (citing Lee Kuan Yew, Senior Minister of Singapore, on Confucianism as a positive element in Chinese development and the rise of the Four Tigers); *Beijing Hosts Seminar on Confucianism, Market Economy*, XINHUA [New China News Agency], Aug. 3, 1995, available in LEXIS, News Library, Xinhua File; *Li Ruihuan: Confucianism Could Serve Practical Activities*, XINHUA [New China News Agency], Oct. 5, 1994, available in LEXIS, News Library, Xinhua File.

²²² Wesley A. Cann, Jr., *Internationalizing Our Views Toward Recoupment And Market Power: Attacking The Antidumping/Antitrust Dichotomy Through WTO-Consistent Global Welfare Theory*, 17 U. PA. J. INT'L ECON. L. 69, 158 (1996).

the then-“modernizing society of Singapore.”²²³ The values affecting the daily lives of the citizenry²²⁴ were “Group Spirit,” as evidenced by paternalistic employer-employee relationships;²²⁵ “mutual assistance, community solidarity and group-oriented behaviour patterns,” including organized welfare delivery systems;²²⁶ and a family life based on the Chinese tradition of extended family, filial piety, and respect for elders.²²⁷

In 1991, after “modernization” had arguably already taken place, the Government set out to identify a formal code of conduct for Singaporeans. Broadly based on Confucianism, Singapore’s “Shared Values”²²⁸ included:

- (1) nation before community and society above self,
- (2) family as the basic unit of society,
- (3) regard and community support for the individual,
- (4) consensus instead of contention,
- (5) racial and religious harmony.

Interestingly, both sets of adopted values discussed above were presented not as a reflection of what Singaporeans believe, but rather as the beliefs and behavior patterns they would need to develop or retain in order to be more successful.²²⁹ Through directives, policies and educational campaigns, the government has sought to develop a common Singaporean identity. According to one commentator, this identity was “a self-consciously tough-minded meritocratic individualism, in which individual Singaporeans cultivated their talents and successfully competed in the international economy,” while retaining a strong sense of their “Asian roots.”²³⁰ The efforts to foster a Singaporean identity involved defending

²²³ See Peter S. J. Chen, ASIAN VALUES IN A MODERNIZING SOCIETY: A SOCIOLOGICAL PERSPECTIVE, Sociology Working Paper No. 51, Department of Sociology, University of Singapore (1976). The five values were categorized as: 1) Group Spirit and Paternalistic Employer-employee Relationship; 2) Mutual Assistance and Community Life; 3) Parent-child Relationship and Family Life; 4) Friendship Patterns; and 5) Normative Ideology and Value Concept. *Id.* at 7-13.

²²⁴ Chen, *supra* note 223, at 14.

²²⁵ *Id.* at 7-8.

²²⁶ Chen, *supra* note 223, at 9-10; “For most European migrant communities, it was the flag and the church which held them together; for most Chinese and Japanese migrant communities, it was the paternalistic ideology and the clan and mutual welfare organizations.” *Id.*

²²⁷ *Id.* at 10-11.

²²⁸ CHEE SOON JUAN, *supra* note 4, at 11.

²²⁹ The 1970 University of Singapore study identified the Asian values that were in danger of being diluted or replaced as society modernized. See Chen, *supra* note 223. The Shared Values vision statement was presented by the PAP as a code of conduct rather than an assessment of current public opinion. “The PAP Government imposes its views on the people and kills whatever natural, spontaneous, unpredictable, and creative impulses Singaporeans may have in them.” CHEE SOON JUAN, *supra* note 4, at 11.

²³⁰ Thorpe, *supra* note 137, at 1046; FEDERAL RESEARCH DIVISION, *supra* note 139, at 89.

positive traditional Asian values against the perceived threat from Western culture. Both the schools and society at large emphasized mastering Asian languages, such as Mandarin Chinese, and promoting Confucianism. Such programs, which attempted to modify the personal and intimate behavior of citizens but did not clearly reflect the demands of economic development, aroused a good deal of opposition, especially from younger and better educated citizens.²³¹ To many, the term, "Asian values," has become a political buzzword used by leaders to quell popular pressure to liberalize some Asian governments, including Singapore.²³²

A broad survey of Singapore's values, then, would include communitarian or group-oriented principles; respect for authority, discipline, and order; and filial piety.

(2) *Respect for authority, discipline, and order*

Confucianism emphasizes the importance of maintaining social order and of exhibiting unquestioned obedience.²³³ Throughout Southeast Asia, the tension between economic concerns and human rights has already led to controversy over the priority of economic development over democratic values.²³⁴ Singapore has been no exception to this choice of priorities: in a 1992 speech in Manila, Lee Kuan Yew warned that economic development required "more discipline and less democracy."²³⁵ In addition to its active role in capital formation and business development, the government of Singapore regulates many aspects of the private lives of Singaporeans.²³⁶

²³¹ FEDERAL RESEARCH DIVISION, LIBRARY OF CONGRESS, *supra* note 139, at 204.

²³² The PAP is expected to use the 1997 election campaign to develop a theme which it has brought repeatedly to the fore since 1994, namely the superiority of 'Asian values' over 'lax and indulgent Western mores'. This line is based on the widespread and deeply-held belief among some Singaporeans, especially of the older generation, that Eastern norms of behaviour—notably those derived from Confucianism with its respect for authority—make for a more harmonious and efficient society than the *laissez faire* attitudes of the West." *Singapore: December 1996 Outlook*, HILFE COUNTRY REP. 1 (Dec. 1, 1996), available in 1996 WL 11753471; See John Sendell Suits, *The Tigers Must Decentralize to Innovate Asia: The Economic Powerhouses Can't Foster Creativity Without Democracy*, L.A. TIMES, Nov. 21, 1996, (Metro) at B9; See also Hal Piper, *Good New Days; Affluence: Despite Prophecies Of Gloom And Doom. The World's Problems Are Those Of Wealth, Not Poverty*, BALT. SUN, Nov. 10, 1996, (Perspective) at 1F.

²³³ See *supra* text accompanying note 222.

²³⁴ Bruce Pruitt-Hamm, *Comment: Humanitarian Intervention in Southeast Asia in the Post-Cold War World: Dilemmas in the Definition and Design of International Law*, 3 PAC. RIM L. & POL'Y J. 183, 194 (1994).

²³⁵ Peter Waldman, *Success Story: The Philippines Shows Democracy Isn't a Bar To Fast Growth in Asia—Former Subic Bay Naval Base Is Luring Multinationals; 45,000 People Are at Work—Curbing the Power of Rich*, WALL ST. J. EUR., Oct. 7, 1996, at 1.

²³⁶ Thorpe, *supra* note 137, at 1044-45; Stesser, *supra* note 143, at 56-57.

Laws prohibit gum-chewing, spitting, and leaving toilets unflushed; regulations are heavy on cars, homes, and even hair length.²³⁷ The Central Provident Fund rewards discipline by providing an accounting of personal retirement savings for each member. If he is not on track, the disciplined saver will "top-up" his account in order to have saved the minimum sum at retirement. The positive results are further enhanced by obedience to the warnings of the government to maintain personal savings and investment in addition to CPF funds.²³⁸ As the national newspaper, THE STRAITS TIMES, urged in its report on Prime Minister Goh Chok Tong's "Save more, spend wisely" speech: "Ultimately, of course, it is for every Singaporean to decide whether he wants to live it up now or live prudently with a healthy bank balance for tomorrow. But he ignores Mr. Goh's advice at his peril."²³⁹ The Central Provident Fund scheme seems to be consistent with the Asian value of discipline and respect for authority.

(3) *Communitarianism*

To the extent that Singapore as a nation has benefited from the high savings rate of its citizens, the Central Provident Fund has reflected the group spirit of Singapore. If "Group Spirit" is to be gauged in terms of social adequacy, however, the CPF falls short. The CPF scheme has provided individual Singaporeans with a sense of "confidence, security, control and independence" in making retirement planning decisions.²⁴⁰ However, these distinctly non-communitarian aspects are not offset by any substantial safety net for the poor.²⁴¹ In other words, the CPF does not cover the people in the greatest need of social protection.²⁴²

²³⁷ "Laws cover details that might be termed eugenic." Thorpe, *supra* note 137, at 1045; Stesser, *supra* note 143, at 64. To increase the birth rate among college-educated couples, the government provided tax rebates for each child they had; an accompanying proposal would have offered S\$5,000 to uneducated families in exchange for sterilization. Thorpe, *supra* note 137, at 1046.

²³⁸ See e.g. Chua Lee Hoong, *supra* note 204.

²³⁹ *Save—Before It Is Too Late*, *supra* note 204.

²⁴⁰ Asad Latif, *Day I Crossed Swords With A Cabby Over The Central Provident Fund*, STRAITS TIMES (Sing.), Apr. 6, 1996 (citing the Asian Journal of Political Science special issue on Singapore, which contained an article on the impact of the CPF by five scholars, Michael Sherraden, Sudha Nair, S. Vasoo, Ngiam Tee Liang and Margaret S. Sherraden).

²⁴¹ "In a sense, [CPF members'] social policy decisions are 'in their hands' and they generally like it that way. However, those who have very small CPF balances are concerned that this will not be enough." *Id.*

²⁴² Ramesh, *supra* note 155, at 1095.

(4) *Filial piety*

Essentially, the government of Singapore believes that the family, with its emphasis on filial piety, obedience and discipline, is the core of an Asian value system, responsible for political and social stability as well as encouraging traits that lead to economic success.²⁴³ The ideal family, according to the government, is the three-tier family, consisting of grandparents, parents and children.²⁴⁴ As the central unit of society, the family is the ultimate source of support for elderly citizens. The government sees filial responsibility as the solution to poverty in old age.²⁴⁵ The CPF enhances this vision by allowing children to top-up their parents' CPF savings accounts, and by leaving it to the family to determine how best to provide for a retiree who does not have adequate savings. However, the effectiveness of family as a social security mechanism in modern Singapore is highly questionable to some observers.²⁴⁶ Many of the traditional functions of the Singaporean family are changing as industrialization takes hold.²⁴⁷ Further, there are individuals who cannot rely on family for support, either because they do not have any living relatives, or because the relatives themselves are poor.²⁴⁸ So leaving the social security function to families "simply means that some people will have to go without."²⁴⁹ Further, some argue that, in the wake of demographic trends, "it is seriously

²⁴³ Lee, *supra* note 114, at 687. The government ironically fears that industrialization and urbanization will lead to the gradual erosion of traditional notions of filial piety in Singapore as it has in the United States. It is feared that this erosion will occur in two ways: (1) many of the values accompanying industrialization are Western and thus contrary to Asian values; and (2) urbanization will replace the traditional extended family with the nuclear family. *Id.*

²⁴⁴ Kevin Tan Yew Lee, *The Family, Social Policy and the Law in Singapore*, 6 SING. L. REV. 2, 3 (1985).

²⁴⁵ "There is no substitute for the care and concern of family members. Efforts will have to be kept up to maintain strong family ties, in the face of rapid changes in society here," the Cost Review Committee noted. Koh Buck Song et al., *7,000 Need Help to Break Out of Poverty Cycle: "HDB Flats are Affordable to Most S'poreans"*, STRAITS TIMES (Sing.), Nov. 4, 1996; see also Ramesh, *supra* note 155, at 1101; REPORT OF THE COMMITTEE ON THE PROBLEMS OF THE AGED 16, (Singapore: Ministry of Health, 1984); Walter Fernandez, *Help Parents, Young Gain From ST Shares Too / Singapore Telecom*, STRAITS TIMES (Sing.), Sept. 2, 1996.

²⁴⁶ Ramesh, *supra* note 155, at 1105.

²⁴⁷ Tan Yew Lee, *supra* note 244, at 5. "For the individual, the family no longer serves many of the economic, protective, educational, recreational or religious functions that were at one time built into family life. These have gradually been taken over by outside agencies like schools, formal associations, recreational and religious organizations." *Id.*

²⁴⁸ Ramesh, *supra* note 155, at 1105.

²⁴⁹ *Id.*

doubtful if families are capable of shouldering the enormous responsibilities they are being asked to bear.”²⁵⁰

Attention to values such as filial piety and communitarianism in an aging society would seem logically to translate into an ethic of intergenerational responsibility. Yet there is no safety net for Singaporean elderly who, for whatever reason, have not set themselves up with a tidy nest egg. From a macro perspective, this seems to run counter to the selfless, group spirit espoused by Asian values, particularly in a society like Singapore where government appears to be so proactive. “Embedded in the teachings of Confucius is respect and care for our elderly,” writes Singapore reformist Dr. Chee Soon Juan. “However, judging from present policies and actions, it is clear that the Government has no intention on practising the sage’s preachings.”²⁵¹

(5) *The role of the state*

The conclusion that the state’s involvement in social security is low is not shared by the government itself. On the contrary, it claims that Singaporeans are too dependent on the state, and dependence must be reduced by expanding the role of family, community, and employers in social security.²⁵² The government has expressed concern that by helping the less able through subsidies, Singaporeans will fall into a unhealthy welfare-dependent mentality.²⁵³ Like many budding industrial nations, Singapore looked at the abysmal savings rates and ballooning budget deficits in Western “welfare states” and sought alternatives.

Thus the answer to the apparent paradox between Asian values of intergenerational group-think and the lack of a social security for the elderly in Singapore may be found in the Singaporean view of the state’s role. The Singapore government has shown that it understands that there are behavioral responses to state action. There is a natural tension between values of helping others and values of family and community—not the state—rendering the help. The government fears that without careful planning and resistance to the compulsion to help those in need, it will fall into welfarism, fostering a generation of citizens who increasingly rely on

²⁵⁰ *Id.*

²⁵¹ CHEE SOON JUAN, *supra* note 4, at 78.

²⁵² Ramesh, *supra* note 155, at 1101.

²⁵³ CHEE SOON JUAN, *supra* note 4, at 80.

the government rather than their own wealth-creating efforts. So while the Government acknowledges care for the elderly and care for each other as central Asian values, it may seek to encourage certain behaviors that further these values, but it may not choose to enact specific government programs to carry out the goal in an organized, systemic fashion because it fears the establishment of a welfare state. The Government is then in the odd position of dictating the smallest personal decisions but not providing broad-based programs that would be to Westerners the core function of government.

But the CPF arguably does make sense, because compulsory self-saving preserves the trait of individual discipline while it quells the expectation of public assistance, which would result in unwanted behavior and, eventually, a shift in societal values.²⁵⁴ When viewed as a whole, this “ideological strategy thwarts expectations for state subsidies as a right of citizenship and enforces an ethic of self-reliance.”²⁵⁵ And, given that almost the entire working population are members of the CPF, it is not surprising that the general public has not yet developed a state welfare mindset. The observations of Western welfare apologists about inequity are perhaps proof that Singapore is on the right track: the formulation of the idea that society owes an individual a comfortable, equitable existence—regardless of contribution to his own retirement, regardless of the responsibility he has exercised in family planning—is itself fostered by immersion in a welfare state.

Communitarian values are upheld if one understands that the CPF’s purpose was not to provide retirement incomes for everybody; it was to provide capital to build a prosperous society for all. The measure of success of the CPF in maintaining communitarian values, then, is not how much cash the government can give away to those who aren’t participating; instead the measure is how many productive citizens can participate in building a strong economy for the good of society.

In terms of Asian family values, many policy makers in developing nations routinely refer to programs in the United States as evidence that ill-advised government policies contribute to family estrangement.²⁵⁶ Prime Minister Lee Kuan Yew had emphasized that it would be “unsound of a

²⁵⁴ Lee, *supra* note 114, at 690-91.

²⁵⁵ Liew Kim Siong, *State Welfarism and Affluent Singaporeans*, STRAITS TIMES (Sing.), June 26, 1992, available in LEXIS, Nexis Library, World File.

²⁵⁶ Martin B. Tracy, *Government Versus the Family: the False Dichotomy*, 17 GENERATIONS 47, 48 (1993).

government to take over family responsibilities as it would destroy the basic unit of the family—the building bricks of society.”²⁵⁷ Rather than seeking to develop a retirement income replacement model that furthered or enhanced family values—or any of the aforementioned Asian values—the government may have been more concerned that the system simply *not interfere* with them.

IV. OBSERVATIONS

A. *What the United States Can Learn From Singapore's CPF*

Social Security has evolved from a relatively simple retirement fund for the elderly into a massive intergenerational transfer scheme. As the program has become broader in scope and more prominent in the lives of workers and retirees, the United States has witnessed a dramatic drop in the national savings rate, a slackening of personal responsibility for retirement planning, and an increasing reliance on government to provide for the needs of the elderly. These trends run counter to Western values and indicate an ideological need to change the Social Security system. Further, from a purely fiscal perspective, “pay-as-you-go social security systems are buckling under the strain” of the coming global demographic shift.²⁵⁸ The program as it is now administered is unsustainable and the United States is currently entertaining potential solutions to the fiscal problems that will confront the Social Security system in the coming decades. In January the Social Security Advisory Council itself voiced concerns over the system's estimated shortfall in long-term funding, as well as the inequity in the ratio of contributions to benefits for future workers and the accompanying loss of public confidence in the long-term viability of Social Security.²⁵⁹ Based on these concerns, the Council agreed unanimously that the system needed to be reformed.²⁶⁰ However, faced with the daunting task of recommending

²⁵⁷ Tan Yew Lee, *supra* note 244, at 7.

²⁵⁸ Barry Riley, *Survey—Pension Fund Investment: Pay Now Or Suffer Later: Funded Plans Could Meet the World's Growing Pension Costs*, *Writes Barry Riley*, FIN. TIMES, May 2, 1996.

²⁵⁹ REPORT OF THE 1994-1996 ADVISORY COUNCIL, *supra* note 77.

²⁶⁰ “In the past, efforts to deal with Social Security's financial difficulties have generally featured cutting benefits and raising tax rates on a pay-as-you-go basis. All Council members agree that the pay-as-you-go approach should be changed.” *Id.*

how best to retool such a complex and politically volatile program, the Council split into three factions, each with its own recommendation.²⁶¹

When the United States finally moves to reform Social Security, the end product must do more than simply optimize social adequacy and individual equity in the quest to prevent poverty among the aged. It must also be sensitive to Western values by recognizing the demand for limited government and preserving individual independence and autonomy. Further, the new system must be equipped to sustain the social and fiscal impact of the coming age wave. To a great degree, Singapore's Central Provident Fund offers a working example of this combination.

1. *The CPF Model Offers A Fair Return On Investment*

The Central Provident Fund protects individual equity by definition; benefits accrue to those who contribute to the fund in proportion to their contributions. An attractive alternative to taxes, the CPF is truly an investment device with measurable returns based on contributions made. These returns are governed by the market (a reflection of the success of the national economy as whole) and not on acute external factors such as the supply of contributors or the political mood of the country. Poverty in old age is entirely avoidable, since CPF members remain fully apprised of the amount of savings they will need when they retire. Further, the direct connection between investment and return contributes to the perception that the system is fair to those who participate.

Of course, equity to individual investors is not the sole factor in determining Social Security's future. Social adequacy principles have always demanded that the return on investment for Social Security contributors be balanced against the needs of the more vulnerable members of the population, who by definition would receive more than their "fair share" in benefits.²⁶² This social insurance aspect has been the centerpiece of the program since its inception in 1935,²⁶³ "spreading the risk of lost income due to retirement, death, or disability over the entire working population."²⁶⁴ However, the history of the Social Security Act supports the

²⁶¹ *Id.* See also National Academy of Social Insurance, *supra* note 54.

²⁶² See *supra* note 50 and accompanying text. See also *Social Security and Future Retirees: Hearings Before the Subcomm. on Social Security and Family Policy of the Senate Comm. on Finance, 104th Cong. (Mar. 11, 1996)* (statement of Dr. Shirley Chater, Commissioner of Social Security).

²⁶³ See *supra* note 50 and accompanying text.

²⁶⁴ Statement on Social Security and Future Retirees, *supra* note 262.

expectation that the “policyholders” of this insurance are entitled to a surrender value at age 65 that is positive, not negative. Since the concept of social adequacy is derived from the goal of improving “society as a whole,”²⁶⁵ many would argue that society as a whole would benefit more from a stronger economy—supported by the capital infusions from private investment—than it would from wealth redistribution programs.²⁶⁶

The first step in retooling the social security system in the United States is to admit that Social Security has become more of a redistribution program than the retirement instrument it was intended to be. Legislative history supports this conclusion, and acceptance of it is vital to save Social Security as a fair and viable retirement entity. Low-wage, full-time, regular workers should continue to receive Social Security benefits that are sufficient to keep them from having to turn to means-tested assistance for support in old age. But it is the function of SSI—not Social Security—to assist those who, for reasons such as part-time work or irregular employment histories, have incomes that fall below a minimum standard.²⁶⁷

A reformed Social Security system in the United States might offer a combination of the CPF components that preserve individual equity, and those elements of the current Social Security arrangement that provide social adequacy. For example, one of the Advisory Council alternatives recommends splitting Social Security into two tiers. The first tier would provide a flat retirement benefit for full-career workers,²⁶⁸ the second tier would provide fully-funded, individually-owned, defined contribution retirement accounts (PSAs).²⁶⁹ While the first tier would remain a pay-as-you-go system with SSI providing the safety net, the PSA portion of the proposal would in fact resemble the CPF model:

²⁶⁵ *Id.*

²⁶⁶ “Neoclassical economics [recognizes that] (1) redistribution reduces incentives to be productive by disaggregating wealth from productivity, (2) the process of redistribution is both expensive and hard to control in a way that yields the results we want, and (3) there is no agreed upon way of ranking alternative distributions of wealth in societies where the total wealth is the same. As a result of (1) and (2), redistribution generally is thought to reduce social wealth as a whole. As a result of (3), there is no obvious way of concluding that a particular redistribution program has produced gains.” Herbert Hovenkamp, *The Limits of Preference-Based Legal Policy*, 89 NW. U. L. REV. 4, 66 (1994).

²⁶⁷ “If the Social Security system were to try to perform [SSI’s] function, it would lose its character as a wage-related contributory system.” *Id.*

²⁶⁸ Eligible retirees would receive a flat dollar benefit equal to \$410 monthly in 1996 dollars, equivalent to 65 percent of the current poverty level for an elderly person living alone or seventy-six percent of the benefit payable to a low-wage worker retiring in 1996. This benefit would be price-indexed. For individuals who do not work a full career, half of the flat benefit would be earned with 10 years of covered earnings, with a 2-percent increment for each additional year of work up to 25 years. *Id.*

²⁶⁹ *Id.* PSA stands for “Personal Security Account.”

Workers would own their PSAs and the interest thereon; they would be free to invest them in a wide range of investments and financial institutions; accounts would be held and managed by private financial institutions; individuals could begin making tax-free withdrawals at 62—regardless of their income or work status; annuitization of PSA balances would be an option but would not be forced on individuals who wished to control the timing and amount of their own distributions; and any balances remaining in an account upon death would be included in an individual's estate.²⁷⁰

2. *The CPF Model Fosters Individual Responsibility and Control*

The CPF encourages individual participation in maintaining investment portfolios and tracking progress toward retirement goals.²⁷¹ The Social Security Administration has only recently made accountings of projected benefits available to the public,²⁷² primarily in response to the general confusion and misunderstanding of Social Security's role in individual retirement plans.²⁷³ Although it would first appear paradoxical, individual responsibility for retirement planning will be enhanced by the imposition of forced savings in the form of mandatory contributions into personal accounts. While the Singapore government has stated that savings rates in that country may not be sufficient for a comfortable retirement, the "inadequacies" of the Central Provident Fund in providing for a comfortable retirement say more about the dire circumstances in the United States than about those in Singapore: if a forty percent savings regimen is insufficient

²⁷⁰ REPORT OF THE 1994-96 ADVISORY COUNCIL, *supra* note 77 (statement by Joan T. Bok, Ann L. Combs, Sylvester J. Schieber, Fidel A. Vargas, and Carolyn L. Weaver) (visited Apr. 1, 1997) <<http://www.ssa.gov/policy/adccouncil/bok2.htm>>.

²⁷¹ See *supra* note 254 and accompanying text.

²⁷² Since 1988, anyone younger than 65 who has paid Social Security taxes but is not yet drawing benefits may request a Personal Earnings and Benefit Estimate Statement (PEBES), which explains retirement, disability and survivors benefits. *New Form Will Detail Social Security Benefits*, CHICAGO SUN TIMES, Aug. 5, 1988, available in 1988 WL 4676818. The Social Security Administration has been sending PEBES statements automatically to individuals 60 and over since 1995. *Social Security (Fifty Plus)*, KNOXVILLE NEWS-SENTINEL, May 26, 1996, available in 1996 WL 10581454.

²⁷³ "[M]any workers tend to exaggerate the amounts they expect to receive when they retire and fail to recognize 'the need for pension planning, adequate insurance coverage and personal savings . . . Social Security is probably the most misunderstood program in the entire federal government.'" *Social Security (Fifty Plus)*, *supra* note 272.

to build a retirement nest egg for an individual Singaporean, how can retiring Americans seriously subscribe to the belief that an eleven percent payroll tax paid by one generation of workers can fund the retirement of another, larger generation of retirees? If Singapore is getting warnings from its leaders that their savings may not be enough, the United States should be pushing the panic button. The current Social Security structure actually reduces savings rates,²⁷⁴ yet no urgent "Save More—Spend Wisely" message appears to be forthcoming from leaders in the United States.²⁷⁵ A forced savings mechanism would result in an immediate reversal in the decline of personal retirement savings rates in the United States. More importantly, general awareness of the necessity of maintaining a proper retirement plan—with private pensions and private savings—would rapidly develop.

Despite its status as a "mandatory" savings scheme,²⁷⁶ the Central Provident Fund program provides members with more autonomy over their own retirement income replacement than does Social Security in its current form. CPF members keep track of and add to their account balances, borrow against their accounts, and may choose from a variety of investment options. Alterations to OASDI should include a means of exercising control over accounts, which would necessarily entail the establishment of individual Social Security accounts to allow "individual workers and families to be directly involved in the investment decisions that will vitally influence their future income and wealth."²⁷⁷ In addition, the power of generational politics to shape the Social Security debate would diminish considerably under a personal account regime, since revenues and proceeds from the nation's retirement program would be individualized rather than collective.

²⁷⁴ Each dollar of Social Security wealth reduces private saving by between two and three cents, and it is estimated that the program as a whole reduces overall private saving by nearly sixty percent. See Martin Feldstein, *Social Security and Saving: New Time Series Evidence*, NAT'L TAX J. 151, 151-52, 162 (1996).

²⁷⁵ See *supra* note 239 and accompanying text.

²⁷⁶ Contributions to Social Security are mandatory as well. See *supra* note 62 and accompanying text.

²⁷⁷ Bok, et al., *supra* note 270.

3. *The CPF model Is Consistent With the Concept of Limited Government*

CPF does not encourage abandonment of individual and familial responsibilities by attempting to replace them. It instead reinforces these values by example. As stated earlier in this Comment, the concept of limited government in the United States has suffered from the tendency of government to increase the size and breadth of its responsibilities. Singapore has shown that by cultivating a healthy fear of the welfare state, adequate retirement income replacement levels can be maintained without going into debt or suffering losses in productivity. Changes to the OASDI benefit formula should therefore include substantial benefits reductions. The level of welfare-style benefits offered by Social Security must either be eliminated or come down to a subsistence level, somewhere below the poverty line. As Singapore has discovered, the lack of benefits for those who fail to provide for their own retirement incomes drives individual discipline to save and prepare.

To complement the reductions in benefits, the government of the United States must also be bold enough to encourage greater individual and family participation in retirement needs. Filial piety is not the sole province of Asian nations. The Singaporean view toward family, responsibility, and hard work, is similar in many respects to that of mainstream conservatives in the United States.²⁷⁸ Reductions in Social Security benefits will reduce the expectations of future retirees for government benefits, will increase the role of the individual in preparing his own independent and autonomous existence in retirement, and build, through necessity, closer family bonds.

4. *The CPF Model Ensures Adequate Funding*

Unlike its pay-as-you-go counterpart in the United States, the CPF is a fully funded pension system: reserves are required to meet future liabilities,²⁷⁹ and these reserves are supplied by the future pensioners themselves. In the United States, qualified pensions in the private sector are already required to meet full funding requirements.²⁸⁰ A fully-funded Social

²⁷⁸ Barry Wain, *Hiding Behind the Asian Values Curtain*, ASIAN WALL ST. J., Dec. 6, 1996, (The Region) at 12.

²⁷⁹ See Cap. 36 § 6(1) (1991 Ed.)

²⁸⁰ I.R.C. § 412.

Security program would provide two key advantages. First, it would eliminate the problem of “overlapping generations”²⁸¹ and ease the political tension between workers and retirees. While accounts will vary in value with fund performance and investment decisions, the system remains solvent without regard to demographic trends. And if each generation fully funds its own retirement, there is little room to argue about generational equity.

Second, even if poorly managed, a system backed by investment in private entities would put productive capital into the economy. Regardless of individual return, the economy benefits from both the increase in aggregate private investment and the corresponding decrease in government borrowing.

B. What Singapore Can Learn From the United States

Singapore’s difficulties in managing the CPF do not come from fiscal instability: the very nature of the program is self-sufficiency. Rather, there is pressure from within this affluent society to liberalize social benefits for the poor. Just as the United States could benefit from adopting Singapore’s healthy skepticism toward modern welfarism, the government of Singapore could improve its legitimacy as a bastion of Asian values by adopting the “safety net” concept of the Western welfare states to protect the less fortunate elderly.

1. The Social Security Model Provides for Broader Inclusion

While this Comment has argued that communitarian values are arguably upheld by a government’s refusal to turn to welfarism, group spirit in Singapore would be enhanced by moving retirement programs further along the individual equity/social adequacy scale. Increasing government benefits for the poor elderly—regardless of the reasons for their plight—would reflect a national sense of Confucianist group spirit, and would simultaneously preserve family values by helping the poorest families stay together.

The Social Security program has achieved virtual full coverage in the very complex and populous United States. It has come to provide a basic

²⁸¹ See *supra* note 102.

floor of protection for all full-career workers, which is fully cost-of-living adjusted for people in retirement and keeps pace with the growth of earnings prior to retirement. For Singapore, broadening the eligibility standards for participation in the Central Provident Fund would be the first step toward social adequacy. Temporary and low-wage workers could be introduced into the program at lower contribution rates. A cumulative point system could be established (such as Social Security's minimum number of working quarters), perhaps with a cash-back provision if the employees do not meet these criteria. On the benefit side, the CPF could set up a flat minimum payout to retirees who qualify as members but were unable to accumulate the minimum sum.

2. *The Social Security Model Is Progressive*

Building more progressivity into the CPF would further enhance the social adequacy of the program. Under Social Security, benefits are intentionally redistributed toward low-wage workers who are less likely to have amassed other retirement assets. In a similar vein, the CPF could distribute financial risks associated with the CPF funding mechanism toward the higher-wage workers who are most able to absorb them. As Singapore's wealth and status among Asian nations has grown, some inroads have already been made. Contributions to the CPF were originally based on a flat payroll tax, regardless of income.²⁸² Recent revisions to the statute provide some mild income bracketing, with those in part-time and low-wage jobs actually paying no payroll tax at all.²⁸³

3. *The Social Security Model Allows for Longer Working Lives*

Finally, Singapore should move forward with its proposed increase in the retirement age.²⁸⁴ The demographic trends which threaten today's social security systems are after all largely due to increased longevity. One of the most basic remedies to the problem of inadequate retirement savings is to increase the period of time individuals spend working and saving, and to control the inevitable increase in the number of years spent in retirement.

²⁸² See Cap. 121 § 6 (1970 Ed.)

²⁸³ See First Schedule (Cap. 36) (1991 Ed.).

²⁸⁴ See e.g. Elaine Swinn-Tan, Letter, *Retiring After 60: Committee Still Studying Issues*, STRAITS TIMES (Sing.), Dec. 5, 1996, available in 1996 WL 14660967.

While the United States is entertaining plans to accelerate its planned increase in the retirement age to sixty-seven,²⁸⁵ Singapore has only recently raised the mandatory private sector retirement age to sixty from fifty-five,²⁸⁶ and has been reluctant to increase it further. Even though they are not required to retire at fifty-five, CPF members can still retire and withdraw their savings at that age. Despite public pressure to maintain a low retirement age, Singapore should bring its age eligibility standards into line with demographic projections.

V. CONCLUSION

While the societies, governments, and value systems of Singapore and the United States differ in many ways, each has found it necessary to provide for the retirement of its citizenry with a public retirement program. As logic would dictate, the results have differed as well. Singapore has implemented a pragmatic, dual-purpose funding scheme that has spurred its economic ascendancy and provided retirement income for its working citizens. Whether by accident or by design, the Central Provident Fund has avoided interfering with the values of the society under which it operates. The tradeoff for Singapore is a system that arguably does not provide true "social security" protection for its people. The United States, on the other hand, has amended the Social Security Act to such an extent over the past sixty years as to provide benefits that dwarf the original provisions of the Act. In so doing, the original purpose of the program has become blurred, its expense has grown unmanageable, and the value system under which it was developed has suffered.

At times in their respective histories, Social Security and the Central Provident Fund have been relatively successful retirement income replacement schemes. Both of these programs have been useful in their respective societies, and both arguably have glaring flaws. And due to global demographic trends, both will unquestionably need revamping in the coming decade. In identifying which adjustments need to be made, the governments of Singapore and the United States would do well to study

²⁸⁵ "An increase in the retirement age from age 65 to 67, phased in over a two-decade period beginning in 2002, has already been enacted. . . . More recently, it has been suggested that the phase in of the higher retirement age should begin immediately and the process should be extended to a retirement age of 70 rather than 67." *Baby Boomers' Retirement: Hearings Before the Senate Select Committee on Aging*, 105th Cong. (March 6, 1997) (statement of Barry Bosworth).

²⁸⁶ *Id.*

each other's programs, and appreciate the fact that certain elements of the other's program may better complement one's own cultural values than the program currently in place. Singapore would benefit from making minor adjustments to the CPF, adding more progressivity and breadth of coverage to an already successful system. The United States, on the other hand, must admit that Social Security as currently administered is unsuited for the challenges of the next century. The Central Provident Fund, a system embraced by a country espousing Asian values over Western culture, is a retirement program that does more to uphold Western values than does the United States' own Social Security scheme. As the United States entertains proposals to restructure national retirement income replacement, attention to Singapore's example is essential in evaluating alternatives to the current Social Security mechanism.

