As an open and trade-dependent city-state, Singapore was among the first to feel the impact of the 2008 Global Financial Crisis (GFC) that began in the US. Singapore’s economy experienced a steep decline of 17% in the fourth quarter of 2008. In response, the Singapore government acted swiftly to forestall the decline of 17% in the fourth quarter of 2010. The stimulus package thus provides a useful example of innovative policy design within the constraints of a financial crisis. The stimulus package served to mitigate the impacts of the GFC on the city by maintaining employment, facilitating business operations, and supporting households. This means that it was “business as usual” in the city.

The stimulus package was introduced within the constraints of innovative policy design. The 2009 stimulus package was designed to provide a combination of wage freezes and social security contribution rate cuts. This reflects a process of policy learning and innovation that involved adapting past policies to new circumstances. While the stimulus package presents a plausible policy alternative for countries facing financial crises, its effectiveness will depend on context-specific social and political concerns. Action is thus directed at other national contexts. First, reducing labor costs through wage freezes and social security contributions rate cuts is only feasible in countries that do not face strong opposition in the form of consolidated labor unions. Second, funding wage freezes through state spending is a possible policy alternative provided policymakers have access to strong reserves and ample fiscal space. The stimulus package served to mitigate the impacts of the GFC on the city by maintaining employment, facilitating business operations, and supporting households. This means that it was “business as usual” in the city.
Chart: Singapore’s economic growth rates plunged with the onset of the financial crisis. (Monetary Authority of Singapore Annual Report 2008/2009)

The stimulus package allowed Singapore to function economically and socially as a city.