New directions in economics research at LKYSPP

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Jan 2026

This writeup describes new directions for economics research at LKYSPP. It considers what might be taken forwards in research, in public engagement, and in teaching, for degree courses as well as executive and leadership training.

New directions in our School's strategy must contain at least three elements. First, the work must be socially relevant, taking as given intellectual rigour and innovativeness. For this, our work must engage externally: it must consider inputs, ideas, and stimuli from outside sources, getting a sensing on what matters in both underlying fundamentals and public perception. But, additionally, our work must meet the market test in gaining traction with the general public. Our work must certainly look at what other academics and public policy schools do. But it cannot do only that. Our work cannot be just self-referential,

Second, our work must be aspirational, i.e., it needs to reach out to questions and ideas that are new, relative both to our School and to social science knowledge more generally. At the same time that our work should bear social relevance, it must also take a blue-skies look beyond the horizon, anticipating future public policy challenges as much as addressing extant ones. Since we cannot work on everything, we must make an informed estimate on the important challenges to come, and use that assessment to guide our priorities.

Third, our work must leverage the extant comparative-advantage strengths of our School. We must let our brightests assets shine. At the same time, however, we must not shy away from acknowledging where we have gaps in expertise that we project to be important, and putting resources into capacity-building in those areas.

Set against this background, we can consider drivers and actions in response.

1 Drivers

In economic policymaking, the past eight decades framed the most urgent questions in terms of a search for economic efficiency and optimality—or, in international economics, for comparative advantage. Globalization thus naturally emerged as a centrepiece of the international landscape.

Those economic priorities confirmed and, in turn, were supported by the geopolitical thinking of the time. Multilateralism—comprising a level playing

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field for nations to engage with each other, and the twin presumptions that international conflicts would be resolved by peaceful diplomacy, and that cooperation would routinely take place across countries—provided confidence and assurance to smaller states that economic advancement could take place under conditions of safety and security.

In the West, towards the close of that era, macroeconomic stabilization challenges grew subsumed into problems of economic efficiency. Across the international economy, development of ever more sophisticated global supply chains provided concrete expression to abstract ideas of comparative advantage and economic efficiency. Economic development became processes of improving human well-being, but equally of raising economies' production capabilities, i.e., of improving health, education, infrastructure, productivity, and so on as elements of raising performance on the supply side of economies. In the way of thinking from that era, this was the right thing to do because set as counterpoint against our economies' supply side was a demand side that was the entire international economy. Globalization gave that demand unending elasticity.

Given our School's regional expertise and emphasis, it was right for our economics work to lean into the priorities of economic efficiency and comparative advantage as viewed from Asia. Today, however, globalization and multilateralism have evolved: they are no longer on offer to smaller nations. Instead, the global economy has fragmented.

Thus, instead of globalization and economic efficiency, the most pressing economic challenges today concern:

1. jobs, economic well-being, and national security in a new international economic landscape no longer marked by globalisation and multilateralism;

2. AI, robotics, and digital technologies; and

3. the global climate crisis and green transition.

with these three sets of issues intertwined against a backdrop of a global economy that no longer works for smaller nations. This new perspective calls for a re-casting of priorities in the economics work that the School intends.

Policy concerns now turn critically on the political economy of those challenges. The analysis needs to focus on what proposed solutions offer the affected and politicall pivotal populations in the economy. No longer is it enough, for instance, to conclude that comparative advantage benefits all nations, but of greater concern is, What happens to those dislocated from employment as trade grows.

Thus, economies can no longer afford to simply be efficient. They have to generate well-paying jobs and provide national security, even as productivity

improves and aggregate growth occurs. Where market adjustments are needed, the pace of transformation is generally slow, and so overly rapid change raises challenges in political acceptability. All these emerged as issues across the world under the label the "China Shock", so that even though the theory of comparative advantage continued to benefit consumers everywhere, China's rapid rise in manufacturing prowess disrupted domestic employment and production patterns everywhere, across nations both developed and emerging. These dislocations have come together with the emergence of geopolitical rivalries and domestic populism across the world, that in turn have made market adjustment even more difficult.

AI, robotics, and digital technologies have seen even more rapid transformation. And, interestingly, they raise parallel paradoxical challenges in economics as just described for the China Shock. These technologies carry the promise of potentially dramatic boosts to productivity and economic growth everywhere. Thus, they suggest positive effects that parallel those predicted by the theory of comparative advantage. But at the same time their rapid dislocation of employment, effects on automation and labour relations, and shifts in market power all threaten the same worker populations, as again by the China Shock, with wage stagnation, middle-class hollowing out, and political power concentration. This erosion of public trust too heightens domestic populism. This comes hand in hand with a potential significant loss of state power across the world, from new technologie's erosion of the tax base and inducing an extreme concentration of wealth. The ability of states to conduct the business of governance is falling, even as new subnational centres of communications and organizational power are forming. And, even as the China Shock exacerbates an international relations of Great Power Rivalry, so too these technologies worsen tensions between nations of different data-density and different approaches to data privacy.

Singapore has been nimble in positioning itself in the international economic landscape so that it has evaded the worst of these China Shock and digital technology shock effects. Worker dislocation from the China Shock is hardly ever an issue of conversation. Singapore's industries see the positive value in AI, robotics, and digital technologies, and seek to leverage their positive benefits, even if others elsewhere are unable to be as agile. But, as a small state, Singapore is also a nation whose social and economic prosperity depend critically on peace and security and good relations with like-minded nations that value trade and technological progress. It is critical that our research and Singapore's continued economic development are both able to build a new trade dynamic that goes beyond simple comparative advantage, and that allows appropriate management of new technologies.

The challenges I have described arise from the new international economic landscape that is no longer marked by globalisation and multilateralism, and are

compounded by parallel challenges from AI, robotics, and digital technologies. These problems see echoes and magnification from the global climate crisis and the green transition. Even as the survival of the planetary environment becomes ever more fraught, a zero-sum perspective on the international management of that environment has progressively set in. Instead of sharing the best clean technologies across nations—so that the world's best scientists can improve them and make them available to emerging, poorer nations—instead batteries, EVs, and other green engineering are the subject of techno-nationalist protectionism, drawing on the conceit that these technologies—like semiconductors—are dual-use technologies. The world sees ever greater need for the kind of collaboration made possible by the old multilateralism, but the loss of that multilateralism means cooperation has become ever more challenging.

2 Actions

What is economic policy in such a world? What kind of economic research is needed to help guide policy?

It is economic research that puts at its center the management of political economy, both domestically and internationally. Our School needs to develop for Singapore and the region, as well as for the world at large, working models of and practices in urban management, taxation, health care, labour relations, technology and financial regulation, and climate crisis adaptation, that help societies internally adjust to and mitigate a fractured global economy where economic efficiencies will no longer be available as extensively as before. This both improves our well-being but also helps governments everywhere better contend with the domestic dissatisaction that gives rise to populism.

Internationally, economics research needs to take on both platforms of economic statecraft and economic diplomacy—using economic tools to advance the nation's foreign policy goals and to safeguard national security.

Our School is well-placed to undertake these tasks. In our faculty, we have experts in AI and robotics regulation, urban science, financial management, health and social care provision, green finance, environmental change, trade, and taxation and public finance. Between our School's experts spanning economics and international relations, we have some of the world's frontier thinkers in regional alliances, multilateralism, and Great Power relations.

We have also great strength in regional expertise and specifics. Beyond the strength of our faculty, the reorganization of the Bukit Timah campus brings together a number of NUS regionally-focused research centers and institutes. This allows specialist knowledge on countries and regions, and cross-fertilization between our development of economics and IR principles, on the one hand, and

regional specialist expertise, on the other.

Consolidating these already available assets should be a priority. But beyond that, the concerns that drive our new economic research stategy are the same as those that our regional neighbors seekt to advance in their own economic research. Our ambition can include the regular convening at LKYSPP of meetings betwen academics, research centers, and thinktanks from across Southeast Asia and beyond.

Looking ahead, our School can look to recruit experts in . . . **(I need your inputs here to put down something that's achievable in the next two or three years)**. As expertise in the School grows and develops critical mass, the School can look to building out new centers that carry forwards the new economics research being undertaken. Reconfiguration of our research centers and traditional workflows should remain open and flexible as the School sees its priorities evolve.

3 Conclusion

This writeup has argued that both our internal expertise at the School and changing international and technological conditions make the time right for a change in our economic research strategy. Three drivers appear to us to be the most compelling:

1. jobs, economic well-being, and national security in a new international economic landscape no longer marked by globalisation and multilateralism;

2. AI, robotics, and digital technologies; and

3. the global climate crisis and green transition.

This writeup has described why these are not just pressing issues for economic policy across the world but are, in content, deeply inter-related.

This writeup argues for making explicit a new economic research strategy for the School organized around these three planks. It conceptualizes a place for our current academics and researchers in this new strategy. But it then also suggests how regional expertise in the new research centers can be brought together at the School on the basis of these three drivers. Beyond that, the writeup envisions regional economics research networks that should be brought to convene at our School.