

My Dad's Tears:

A Personal Reflection on the Comparative Socio-economic Performance of Panama and Singapore

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In this comparative review, we will analyze and compare the economic performance of Panama and Singapore, exploring the factors that have led to their respective successes and challenges. The hope is to understand the underlying cognitive processes and decision-making patterns that have shaped these countries.



Like most nations Panama, a relatively wealthy country in Central America, strives to improve economic and social conditions. However, Panama has faced numerous obstacles in its quest for economic and social development, including income inequality, corruption, limited access to quality education and healthcare, and a lack of infrastructure in rural areas. Why is the situation so challenging in Panama when other countries, particularly Singapore, with a shorter history, have made significant progress in those areas?

An impactful experience

Several years ago, I traveled to Singapore with my dad, a Panamanian of Chinese origin, a CPA by profession with a keen and socially sensitive eye. We were taken on a sight-seeing tour by my long-time friend, at the time managing editor of the *Straits Times* of Singapore, the most-read English-published newspaper in Asia. Previously, my friend was a senior staff member of the legendary Singaporean prime minister Lee Kuan Yew, a leader of whom H. Kissenger said: "If he was a white man, he would be remembered as the greatest statesman of the 20th century. And R. Nixon called Lee Kuan Yew "a great man born into a too small of a country." When my dad, my friend and I returned to the venerable Raffles Hotel, where we were staying, my dad started to weep. My friend and I, both intrigued, asked him what happened. After regaining his composure, my dad explained that listening to my friend's tale of the challenges Singapore went through from its fight for independence from the British and its expulsion from the Malaysia federation and then seeing Singapore's current prosperity made him emotional because he couldn't help but compare Singapore's development with his own country, Panama, ruled by an elite that is oblivious of the needs of the vast majority of the county's population.

My dad's emotional reaction stayed with me ever since. I recall the incident vividly at least once a year, when I pass by the Raffles lobby, where my dad broke down out of sorrow for the state

of Panama. I have the opportunity to frequently visit Singapore, where I am an affiliated faculty member of Singapore Management University - SMU, one of Asia's top business schools and recognized internationally as one of the top research universities in management and social sciences.

After the independence from the British, Singapore joined the Malaysian federation, only to be expelled five years later. This expulsion led to a defining moment in Singapore's history, forcing the nation to forge its own path and create a unique identity. At the National Museum of Singapore, I watched the historic speech Lee Kuan Yew gave to his Singaporean fellow citizens after the expulsion from the Malaysian federation, overwhelmed by emotions and with tears in his eyes as he explained to his people that they needed to be strong to build an independent and self-reliant society, a task requiring hard work and the creation of a cohesive culture despite substantial ethnic and religious diversity. He called upon the more prominent Chinese, now that they became the de facto majority, to be respectful of other groups and show restraint and acceptance for the country's good.

In my mind I call Lee Kuan Yew's tears during this speech "the second weeping" in memory of my dad's own tears. Today, one can only be amazed by what Singapore, a small city state with limited resources and a lack of natural hinterland, facing numerous challenges regarding food, water, and energy security, has achieved. It is a beacon for developing and emerging countries and continues to inspire the world with its remarkable progress. and development.

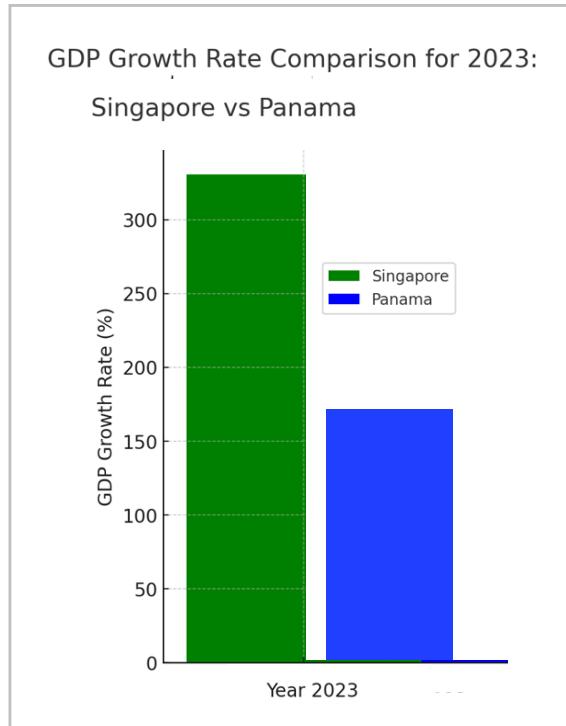
Comparative review of key socioeconomic indicators

Before beginning to compare the two countries, let's establish some benchmarks.

Table 1 provides a comparative analysis of critical indicators for Singapore and Panama in several dimensions.

| Variable | Singapore | Panama | Data Source |
|---|-------------------|-------------------------|----------------------------|
| GDP per capita (PPP) (2023) | \$112,000 | \$22,000 | World Bank |
| GDP per capita (PPP) (1973) | \$26,000 | \$8,000 | World Bank |
| Average annual growth rate | 4.5% | 3.2% | World Bank |
| Gini coefficient (2022) | 0.37 | 0.54 | World Bank |
| Human Development Index (2023) | 0.938 (Very High) | 0.815 (High) | UNDP |
| Public investment in education (% of GDP) | 20% | 5% | UNESCO |
| Corruption Perception Score (2023) | 88 (Very Clean) | 58 (Moderately Corrupt) | Transparency International |
| Trade Openness Ratio (2022) | 214% | 87% | World Bank |

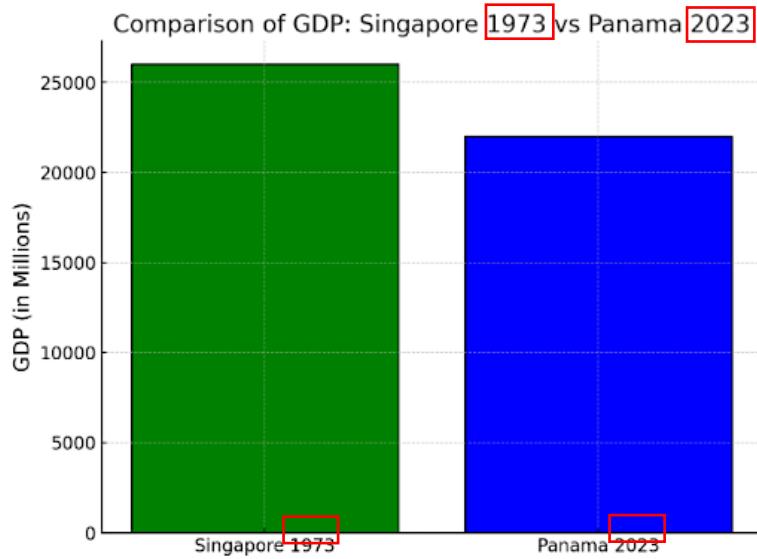
In the graph below, Singapore's GDP total economic growth over the last 50 years (1973-2023) is represented in green, amounting to 330%. Panama's growth is shown in blue, reaching 170%.



This chart reflects the differences in the socio-economic policies. Clearly, Singapore's policies are very effective in moving the country forward.

Panama also made notable economic progress; in fact, it is one of the more successful Latin-American countries with regard to economic growth. However, at the end of the 50-year period under consideration it is further behind of Singapore than in the beginning as the table above shows. In 1973 Panama's per capita income was \$18,000 below Singapore's; 50 years later the discrepancy has grown to \$90,000. In other words, Panama's lag has increased five-fold!

In fact, the graph below shows that Panama's GDP per capita today is still below Singapore's 50 years ago. At that time, Singapore had a GDP per capita of \$ 26,000, and Panama one of \$ 8,000. Today, Singapore's GDP per capita has soared to \$112,000, while Panama's has risen to \$22,000, still below Singapore's levels of 1973.



The drastic difference in GDP per capita between Singapore and Panama highlights the divergent paths these two countries have taken regarding economic development and prosperity.

Singapore also performs better than Panama in other socio-economic and institutional areas. Regarding socio-economic inequality for example, using Gini coefficients from 2022 as basis, Singapore with its score of 0.38 outperforms Panama that has a score of 0.54 as lower scores mean lower inequality. In education, using the PISA ranking system, Singapore scores 540 in reading, making it the top performer in this category globally. In mathematics, Singapore ranks 7th globally, while Panama is 62nd globally. In science, Singapore ranks second globally, and Panama is 60th. Suppose one subscribes to the theory that in today's environment, the success of a country depends on the abilities of its citizens and how well they are prepared for future challenges. In that case, it is unquestionable that Singapore is doing a better job preparing its people than Panama. The overall picture is compounded when we look at the public investment in education. Singapore invests 20% of its GDP in education, while Panama invests only 5%.

Another critical difference is the culture of corruption. According to Transparency International, Singapore is defined as very clean with a score of 88; it ranks right behind Denmark, considered the most pristine, corruption-free country in the world, with a score of 91. Panama, on the other hand, is classified as moderately corrupt, with a score of 58.

One of the assertions one hears in Panama is that the country is the Latin American Singapore. This article seeks to deconstruct this idea and to look realistically at why this is not the case and what it takes to become a Latin Singapore.

Even Switzerland is struggling to compete with Singapore. I clearly remember a staff meeting at UBS during the time when I was head of the bank's Department of Restructuring and Debt Rescheduling. In the meeting the newly appointed CEO of the bank, a Swiss, debriefed us after returning from his first trip to Singapore. He emphasized how impressed he was by the high

level of competence and performance he witnessed in Singapore's public sector. He said he could only wish Switzerland's bureaucracy and public institutions had the same outstanding qualifications.

Searching for explanations

The question is: Why has Singapore, with almost no resources and a shorter history than Panama, achieved such remarkable metrics? There are several possible explanations for this; however, in this document, I will concentrate on reasons that I can justify with my experience and connect to a theoretical understanding.

According to some economists at Stanford, past decisions and actions create self-reinforcing mechanisms that become almost impossible to change. We see this often in business; companies make decisions that they later regret, putting the firms on an undesirable path that becomes hard to change. For example, IBM refused the offer from B. Gates to buy the Microsoft software. The logic at the time was that hardware and software were two different businesses. That decision cemented the future of IBM; the company is still alive but a shadow of what it was before. On the other hand, Apple defined their business to integrate both hardware and software, making them one of the most valuable companies in the world.

The so-called path dependency is a major factor in Panama's sluggish development. I came to understand this incidentally when I was on assignment in Nairobi, Kenya, several years ago, on a mission to evaluate the financial viability of a large project to cultivate roses. Kenya, known for its microclimate, is one of the largest flower producers. On one of the evenings during my stay, I was invited for dinner at the home of the Swiss general manager of one of the largest chemical companies worldwide. As the night progressed, the guests, primarily Europeans, talked about how they ended up in Kenya. Among them was a French couple that started to relate their story. They explained they were descendants of the founder of the Republic of Panama, Phillippe Bunau-Varilla, their grandfather, who they said negotiated and signed the separation of Panama from Colombia with the support of a New York Law firm and the U.S. government, and according to them their grandmother designed and created the Panamanian flag. They told in entertaining detail how a group of primarily local Panamanians (traitors from the point of view of Colombia) allowed their grandfather to have a free hand in the destiny of Panama in return for monetary incentives (bribes). I listened in silence to their story, and only moments before leaving I let them know that I was Panamanian and that the story I was familiar with differed markedly from theirs. It was only later, as I began to delve more deeply into the history of my country, that I found that the French couple, to a certain point, were right.

The fact is that Panama's genesis began with acts of corruption, betrayal, and intrigue, motivated by personal gain and not by the country's and its citizens' interest, in stark contrast

to the case of Singapore, where the heroes fought for independence from Britain for the benefit of the whole country and its-population.

This first, extraordinary act of corruption overshadowing Panama's independence¹ locked the country onto an unfavorable path that counteracts until today the country's needs and aspirations for prosperity and development. Foreign entities and individuals exercise significant control over the country's wealth and resources, thus limiting the ability of the government to create revenues that can be invested for development and necessities of the citizens. To make matters worse, powerful economic interests use political capital to influence policies and regulations that favor them, thus perpetuating an anachronistic, elitist form of capitalism that exacerbates inequality and impedes the development of a genuinely entrepreneurial capitalist society where businesses and individuals alike can flourish and build wealth for themselves and the country. This situation leads to a poor and mediocre society where people are not able to get a good education or the health services they need, hence aggravating poverty. Also, the systemic corruption leads to a poor civic society characterized by high levels of mistrust, which creates barriers to the necessary reforms to move the country forward.

Implications for the upcoming presidential election

In the coming months, the citizens of Panama must make a decision that is crucial for the country's future. Therefore, the country can't afford to make a mistake about the person they will entrust with leading the country; there is too much at stake. At the national level, there is a lot of suffering, frustration, and a lack of hope in the general population. What is urgently required is a transformative person who can inject a vision of the country that can galvanize all sections of the Panamanian society and getting them to march together coherently towards a renewal of Panama, replicating the steps that led Singapore to success in order to offer every Panamanian a place to move forward, prosper and grow.

Panama needs an integer, courageous, respectful unifying leader who can promote a sense of belonging and who genuinely cares for the wellbeing of the country and all its citizens independently of their social condition, whether rich or poor. The common mission is to engage in building a Panama for the benefit of all. This requires a spirit where the disenfranchised classes are willing to develop themselves and work hard for their future, their family and their country, while the privileged class is willing to share their wealth for the common good and smart invest wisely in the common good, knowing that they and their businesses will also benefit from the country's advancement.

¹ Plenty of documentation and books relating to the historical facts of Panama's separation from Colombia illustrate the events at the time.

My last consulting assignment in Panama years ago was to support the strategy process of the newspaper La Estrella De Panama. I have fond memories of the after-work chats with some members of the Duque family, the owners at the time. On some occasions, Mr. Tomas (Fito) Altamirano Duque, at the time the first vice-president of the country, also joined the conversations. I remember asking him in a discussion about the country's future: "Mr. President, after all, what do you prefer: being a member of the ruling upper class in a poor country or being at the top of a country where all citizens are well-off?" Amused he answered: "Obviously I prefer the last. The question is: how can we get there?" Well, Singapore did find a way to achieve this goal. Under the leadership of the late Lee Kuan Yew, whom Singaporeans call "the father", they built a society for the benefit of all, where citizens at all levels are actively engaged. When I am in Singapore, I work at the Lee Kong Chian School of Business that is part of the Singapore Management University (SMU). The business school was founded by the initiative of a successful businessman committed to improving the quality of managers and leaders. The school's mission state is "to create business knowledge, and nurture keen minds to lead organizations and serve society." In essence, even profit-seeking managers are expected to never lose sight of their leadership responsibilities and the ultimate goal to serve society as a whole.

For Panama the coming elections will be challenging. There are major structural challenges, and it is also a critical time because of significant global changes as the world moves from a unipolar to a multipolar world, one that can offer new and exciting opportunities for a country wise enough to navigate those global changes to the advantage of the citizens. Hence it is essential to make the right choice this time and select a competent, integer person to lead the country for the next five years. Panamanians are often complaining about corruption and the inept political elite. But people need to understand that the state of the country is the manifestation of the general incompetence of the constituency. After all it is the population that elects the president and his government and if they enrich themselves it is actually rational behavior from their point of view and under the current circumstances. Theories of human behavior suggest that given the possibility of enriching yourself, most individuals take advantage of the opportunity including acts of corruption if the downside (imprisonment, expropriation of personal assets, social exclusion, etc.) is nonexistent and no personal consequences are to be feared. From this perspective, Panamanians are ultimately responsible for the country's corruption. In the local culture and ethos, politicians implement a simple logic according to the generalized Panamanian expression: "Hey, play smart ('juega vivo' in Spanish); just do it and don't get caught."

A model as decision-making tool for the election

To help decide who to vote for I designed a simple, unsophisticated prediction model using artificial intelligence. The criteria a candidate should be able to fulfill to be eligible based on my personal expectations are the following:

A candidate must

- a) have the resolve to systematically and rigorously implement a culture of zero corruption in Panama
- b) be determined to systematically invest in country's human capital by developing the citizens' skills, improving the health system, and building the necessary physical and cultural infrastructure to move the nation forward and navigate also skillfully the global challenges the country is confronting
- c) be able to promote an authentic and realistic culture of inclusion in Panama, unifying the country's different ethnic and religious groups replicating what Singapore was able to achieve with its multi-ethnic and multi-religious population. (I'm always impressed by the non-discriminatory best practices of Singapore. The first time I went to teach at the Singapore Management University for example, I was required to sign a declaration that I would not engage in or instigate any acts of discrimination based on race or religious beliefs; otherwise, I would be expelled from the country.)

Having defined the expected outcome for the model; the next step was to define attributes as basis for the predictions. I built a synthetic list of five candidates identified as candidates A, B, C, D, and E and constructed three rudimentary independent variables to help predict the likelihood of a candidate being a good choice to be the president of Panama. The 3 independent variables are:

- historical precedent (track record of previous activities)
- association matters (relationships with persons or institutions)
- and an unspecified, residual factor

The model is based on the logical assumption that future behaviors will be aligned with past behaviors, especially if the incentives stay the same (the "juega vivo" rule mentioned above). For the candidates A, B, and C, the model also includes the assumption that the variable "historical precedent" weighs heavily on their score.

Here are the predictions resulting from the model:

Candidate A scored a 10% likelihood of being an effective president.

Candidate B scored a 45% likelihood of being an effective president. The higher score results from the consideration that this candidate has a track record in governing. During his past presidency, the country experienced some improvement in its physical infrastructure. However,

the culture and levels of corruption remained similar to previous administrations. In addition, the model considered this candidate's limitation to engaging in international relations.

Candidate C scored 5% in the model for being an effective president because the track record in this case reveals ongoing difficulties due to possible venality.

Candidate D got a score of 20%. In the case of this candidate, the prediction attribute "association matters" weighed heavily. There is no track record as a president, but the model did consider his associations. Networks, affiliations, and partnerships often have a significant role in determining political behavior.

Candidate E is the wild card and the hardest to predict, with no record and no questionable associations known about this candidate. This candidate could bring a fresh perspective and be more effective. However, given the system's corruption level, a well-intentioned candidate can succumb to pressure and temptation. As such, the model took a middle-ground estimation, a 50/50% chance of being an effective leader.

Inferences from the model

With the trends and information resulting from the model, I decided to concentrate on candidates B and E, the two with the highest predictive scores produced by the tool. Now, it is up to the constituency or anyone who wants to take a cognitive, rational approach to voting instead of acting on a visceral, emotional impulse that is likely to get the country in trouble yet again.

In real life, one of the first things I think voters should check, is whether a candidate is trying to win the elections by buying votes. This kind of action should immediately categorize any candidate as unqualified and unable to perform the duties of the presidency. Moreover, I would recommend that voters demand specific plans from the candidates about what they intend to implement during the five years of the presidential term.

A good strategy might be to ask the candidates to present a vision of how they intend to support and develop the province of Colon, which undoubtedly needs the most support. I would ask them to describe what Colon will look like after five years of their leadership in concrete details. For example, what do they expect the city of Colon to look like, given that its urban heritage would allow to convert it into a Pearl of the Caribbean? A great response would be for them to say that the city will be renewed with beautiful buildings in bright colors with the port of Colon as attractive tourist destination that offers safe facilities, thriving businesses and restaurants that cater to tourists and locals alike, turning Colon into a mecca of Afro-Caribbean cuisine. Furthermore, Colon could be the location for an extension of the university of Panama, for example, a center of maritime research. The candidates' response should also include that they will build and support a culture of self-esteem and pride of the local heritage. Altogether Colon would be great place to live in, a place of growth and healthy recreation.

In the same manner I would keep asking them question after question:

What exactly are your plans to improve the life of Pablo, the eight-years-old indigenous kid who must walk 6 hours from his camp to school and back, on a dirt road and often hungry?

What actions and initiatives will you implement to improve the Social Security and the Health system that urgently need modern facilities and reliable services?

How will you turn the University of Panama into an institution that enables Panamanians to compete successfully on an international level?

What concretely will you do to reduce the congested traffic? And how will you make the city of Panama green again, like the city of Singapore, where, despite similar weather and temperature, the predominance of trees and greenery allows the citizens to enjoy walking in the city?

Most importantly, what measures are you planning to improve the Corruption Perception Score and change the index from moderately corrupt to clean?

Conclusions

I am sure a lot of my compatriots will come up with many more questions for the candidates, in particular, how they intend to solve the immigration issue. The organization of "Doctors Without Borders" recently reported that in the past 12 months alone almost half a million migrants made their way through the dense and dangerous jungle on the border to Colombia, crossing illegally into Panama. The conventional view of immigration is that the most motivated, entrepreneurial people tend to migrate. However, some economists of the University of Chicago take a contrarian view, suggesting that immigrants are the marginal human resources of their countries of origin, who are unable to find employment or make a decent living and thus end up increasing the so-called phantom unemployment rate in the host countries.

Using the approach of making the candidates commit to concrete plans they are going to implement is a practical approach to gain clarity about the candidates' intentions, and it can reduce the risk and the uncertainty of making a wrong choice in the next presidential election.

Ultimately, it is about more than changing the system. We all know that capitalism is probably the most effective, efficient, and creative way to develop societies. However, it needs care and attention to keep it running as it should. In other words, it requires minding. If a system is defined as capitalist yet capital is owned by a small elite, representing a tiny portion of the population, then that is not really capitalism. It is *de facto* feudalism. In a true capitalist society, every individual should have some capital or at least *be able to own* capital. Probably it begins with owning your home and having a sense of freedom and self-reliance within the limits of respect and consideration of fellow members of society. That is a system I suggest calling generalized capitalism.

This view doesn't exclude a social hierarchy, which is a universal phenomenon in nature. So, we may envisage a society composed of layers of prominent capitalists, medium-size capitalists, and small capitalists, the latter accounting probably for the majority of the population.

Singapore understood this from the outset as an anecdote of the late Lee Kuan Yew illustrates in a compelling way. During the devastating Bukit Ho Swee fire that reduced major parts of the city to ashes, the prime minister, observing how people took great risks to rescue their belongings, had a key insight: "If we want the system to work, we need for each Singaporean to have a stake in the country." This led amongst other to Singapore's national housing policy that resulted in urban home ownership of around 90%, the highest in a capitalist system.

If Panamanians succeed in selecting an effective candidate who will do his job well, I am sure my dad, wherever he is now, doesn't need to shed tears anymore. Instead, he can smile with satisfaction at what his country has achieved against the odds.

Boquete, Panama

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