

Handouts can't cure hardcore poverty, inflation

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After listening to Prime Minister Najib Tun Razak make his two hour budget announcement on TV1, it really appears that it is business as usual for middle Malaysia despite the goodies being dished out.

There are a couple of points in the speech that are of interest. Firstly, what hits you immediately is the sheer size the budget. RM232.8 billion is a lot of money, especially when we are looking at a 9.4 percent rise in expenditure.

However, the country's deficit will be reduced to 4.7 percent from 5.4 percent of GDP. How this is going to be achieved is yet to be seen. However, the fact remains that in terms of amount, it would be the biggest deficit in Malaysian history.

Economic growth is expected at 5 to 5.5 percent for 2011 and growth of between 5 to 6 percent for 2012 despite tough economic conditions. Even if this is the case, there will be the fundamental question as to whether this would be enough to pay for our bills as a result of this budget?

Goodies galore across the board have been promised: from patients above 60 being exempted from outpatient registration fees, RM15 million for 150 futsal courts, RM200 vouchers for school children and the abolition of school fees.

A proposal taken from the Pakatan Rakyat Buku Jingga was a RM500 relief for families earning a household income of under RM3,000. Apart from the futsal courts, these are welcomed steps taken by the BN government.

One part that I find particularly exciting is the tax exemption for donations to mission schools and houses of worship which is a big step in respecting the practice of other religions. However, in their sincerity, licenses for building places of worship should be dropped as well.

Good news for foreign investors includes the liberalising of 17 services sub-sectors which would allow 100 percent foreign equity. This is not good news for local investors who are still subject to a 40 percent bumiputera equity, which would have companies such as Genting and YTL taking money out of the country. Why are we giving incentives to foreigners at the expense of our own citizens?

Apart from the lifting of duties for hybrid cars until 2013, there is a complete absence in the mention of green technology. After the prime minister's vision of Putrajaya and Cyberjaya as green technology centres, RM1.5 billion in soft loans for green technology companies and a pledge to reduce Malaysia's carbon footprint by 40 percent by 2025, why suddenly shelve it?

We just had a massive green technology exhibition in September called IGEM hosted by the Ministry of Energy, Green Technology and Water (KeTTHA). The minister Peter Chin was around for the entire duration of the event over four days, but in the end, was it all lip service to the environmentalists?

The other losers are the middle income earners, and incentives for businesses. Although there are substantial allocations for entrepreneurs starting out new businesses, liberalising business by dropping taxes such as import taxes on cars or eliminating the controversial APs would have been a very popular move. No allocation for improving public transport and access will also disappoint the daily commuter.

What was extremely disappointing is the announcement of more mega projects such as the Coastal Highway JB-Nusa and the Taiping Heritage Tourism Project at a cost of RM978 million. These would certainly go into cost over-runs, be subject to closed tenders and cronyism. No change from the past.

The big winners in this budget are the civil servants, who will be getting their half month bonuses, pay rises from 7 to 13 percent per annum, and a time based pay scheme for civil servants to climb pay grades faster. With 1.3 million civil servants, that is a massive number of voters who would be affected by this measure.

With all these goodies, it is certainly shaping up as an election budget. Our prime minister was careful to mention that the RM33.2 billion subsidies package would not be removed as a gesture of putting the "people first", but many still question why RON 95 is still RM1.90 despite oil prices falling.

There are many quick fixes and incentives, but the fundamental infrastructure of the nation has been ignored. Handouts cannot eradicate hardcore poverty, nor combat rising costs. There are no moves to make our economy more competitive or additional incentives to bring our overseas talent home.

To the prime minister's credit, it is not a bad budget. But given the fact that the money spent is merely aesthetic, and does not change the divisive, corrupt and oppressive system it is built on, Pakatan Rakyat is looking increasingly capable of being an effective government.

Given the fact that the alternative budget was well received, and with the promise of accountable and graft free government, we may yet uncover billions more which Barisan Nasional has been concealing from the rakyat.