

Ahmad Maslan in need of Economics 101

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By Liew Chin Tong

Let me say it again: Deputy Finance Minister Ahmad Maslan should be removed from the Finance Ministry as he doesn't understand economics at all.

Ahmad came out guns blazing in Permatang Pauh yesterday against his critics, even including "Kesian orang tua tu" (pity the old man), in reference to Dr Mahathir Mohamad (right).

He also hit back at Perlis mufti Mohd Asri Zainal Abidin and Assc Prof Mohamad Agus Yusof.

Ahmad remarked that "I hope those who advise and report to Dr Mahathir will give him the right picture. Don't give him wrong information."

Ahmad's new line is that the Goods and Services Tax (GST) has brought tax rates down, such as for individual income and corporate taxes.

It is another 'kurang cerdik' argument, vintage Ahmad Maslan.

While there are marginal tax cuts for income and corporate taxes, which are insignificant anyway, the fact is that the majority of Malaysians are BR1M recipients - which is 7.9 million in 2014 - and the GST taxes them.

Affecting the poor the most

GST taxes everyone and the impact on the poor is even bigger due to the limited income that they have.

This is why GST is regarded as a "regressive tax", a view that Ahmad has rejected without providing any evidence suggesting otherwise.

The ultimate purpose of the GST implementation in Malaysia is for the Government to increase the level of tax revenue to reduce its deficits.

It is a classic case of 'killing the golden goose' short-sightedness.

As I have repeatedly said, the biggest challenge posed by GST to Malaysian economy is not inflation but the dampening of domestic consumption which is an important pillar of our economy.

When disposable income of ordinary Malaysians are depleted by the GST and its resultant inflation, and given that household debts are so high, which means any room for

manoeuvres for the families is very limited, if every household cuts back on consumption, the economy will be at a standstill.

To use an Ahmad example, when all Malaysians took his advice to stay home and cook, the entire food industry from the burger sellers to hawkers to pizza deliveries to restaurants, will all come to a halt.

We don't need a propagandist at the Finance Ministry. We need sensible leaders with a holistic understanding of the economy to steer the economy through turbulent times.

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