

BN's Budget 2012 Is Like A Sugar-Coated Placebo; Makes You Feel Good After Taking It, Only To Tax You More Later

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It is difficult not to "feel good" after a record-breaking pre-election budget where goodies big and small, were liberally handed out to practically all segments of society. The question is, beneath the sweeteners, are there substantive reforms proposed in the Budget 2012 to make "transformative" changes to our economy to achieve the goal of becoming a "high-income nation" by 2020.

The answer, when compared side by side with Pakatan Rakyat (PR) Alternative Budget is obvious. There is little in the Barisan Nasional (BN) federal government's budget that indicates a determination to slaughter sacred cows and take the Malaysian economy to the next level.

Both the PR and BN's budgets had proposed cash grants to various deserving segments of society in order to help alleviate their increasingly heavy burdens. However, PR matched its welfare benefits with policies to rectify the distortions created by the current government to reduce inflationary pressures and the cost of living over the longer term.

PR has called for the abolition of artificial monopolies licensed by the Government such as Bernas which monopolises the sale and distribution of local and imported rice. In addition, predatory market strategies by Telekom Malaysia to stifle competition will be made illegal while the monopoly of satellite and cable television will be abolished.

On top of that we will dismantle cartels in the telecommunication, media, airline, oil and gas as well as other industries to ensure a genuine competitive market which will benefit the man on the street with lower prices.

What's more, we have promised drastic changes to the current privatisation policies which are opaque, uncompetitive and clearly benefit the concessionaires at the expense of the Government and the rakyat. The 2-prong strategy demands the renegotiation or expropriation of current concession assets such as independent power producers, highway and water companies, while putting in place an open, transparent and competitive framework to ensure only the parties with the best services at the lowest price will be awarded the relevant contracts in the future.

Under PR for example, all Approved Permits to import cars will be auctioned not only to increase government revenue, but also to ensure only genuine businessmen and not rent-seeking middle-men secure the rights.

PR has also committed to transform our labour market in the interest those who are paid suppressed wages by instituting a minimum wage of RM1,100 per month. This will ensure that all workers will receive a humane subsistence wage. The measure will not only stimulate domestic demand in our economy, it will also increase the attractiveness of hiring local workers as opposed to foreign workers while phasing out low value-added industries.

It is only with these institutional and structural changes, can we be assured of lower cost of living in the middle and longer term. The budget announced by the Prime Minister has instead chosen to

prescribe pain-killers which will ease the rakyat's suffering in the short term, without the medication to cure the actual illness.

In fact when comparing the two budgets, had PR used the more optimistic BN revenue assumptions of RM186.9 billion and our planned expenditure of RM220 billion, the projected deficit of PR's budget would further decline to 3.8%, significantly lower and healthier than BN's 4.7%. This proves that PR can provide not just the "pain-killers" with welfare grants and "cure" the economy by removing artificial barriers to lower cost of living; we can do it all by spending less, and incurring lower debts than BN.

The above also shows that with good governance and the necessary political will to reform and restructure our economy, there will be no need for the Government to further tax the rakyat via BN's proposed Goods and Services Tax (GST). Therein lies the fundamental difference between BN and PR's budget – the former prescribes a sugar-coated placebo that makes you feel good in the short term only to tax you more later, while the latter seek to ease the pain and cure the illness at the lowest possible cost.

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