

**Malaysiakini Report On PR's Shadow Budget 2012 Refuted**  
**MalaysianMirror.com**  
**October 13, 2011**  
**By Zairil Khir Johari**

I am extremely disappointed by the *Malaysiakini* report dated 12 October 2011 entitled "*BN, Pakatan budgets awash with election goodies*".

Tunku Zain al Abidin Muhriz, President of the Institute of Democracy & Economic Affairs (IDEAS), is reported to have said that the arguments between BN and Pakatan Rakyat "... don't derive from a real ideological difference which requires one to consider decentralised individual freedom versus centralised control."

It would appear that Tunku Abidin has not yet had the opportunity to fully appraise Pakatan Rakyat's Shadow Budget 2012 entitled "Kesejahteraan Untuk Semua" or "Prosperity for All", as the reported comments seem to be based on the media's hitherto menial reports of the more populist items on the Pakatan Rakyat Shadow Budget.

I am confident that if Tunku Abidin were to delve deeper into the Pakatan Rakyat document, he would be pleased to find an underlying logic or philosophy that informs our policy-making process. This is evident even with what may be construed as the "goodies" or populist measures.

### **Deficit and spending**

Let's start with the deficit-to-GDP ratios. Our 4.4 per cent deficit may not appear to differ from BN's 4.7 per cent, but many are unaware of the fact that our deficit is in relation to a much more conservative GDP growth projection of 4 to 4.5 per cent in 2012. The BN's 5 to 5.5 per cent GDP growth projection is regarded by many as unrealistically optimistic, and we predict that the BN's true deficit will eventually increase to closer to 6 per cent of GDP. Hence, one has to go beneath the surface numbers to understand the great care we've taken in ensuring prudence and fiscal responsibility.

Take also our spending approach. While our proposed RM220 billion expenditure may not seem far off compared to BN's RM232 billion, we place great emphasis on efficiency, accountability and sustainability. In other words, by institutionalising measures such as an open tender system and an Unfair Public Contracts Act, we aim to increase effective spending by at least 20 percent, or RM44 billion.

In addition to getting more bang for our proverbial buck, we also prescribe auctioning Approved Permits (Aps) at market value, which will not only raise RM1.2 billion in previously lost revenue, but also address the rent-seeking model that has been fostered by an uncompetitive system.

Another crucial difference in our budget is the fact that we are committed to reducing dependency on Petronas. We propose to limit the Petronas dividend to around 40 per cent of projected net profits, instead of the ridiculous 74 per cent practised by the Najib Administration. Nowhere in the world would an oil company, even a nationalised one, pay out such an irresponsible amount of their net profits as a dividend. Without sufficient funds for reinvestment, there will be a direct and adverse effect on Petronas's long-term sustainability.

Thus, not only is the BN's budget unrealistic and fiscally unsustainable, it also makes no attempt to address key fundamental shortcomings and irresponsible practices.

### **Decentralisation**

Tunku Abidin also raised the issue of decentralisation, which is in fact a key theme in our budget. Not only do we promise to review the Capitation Grant, we also promise to distribute equalisation grants, development grants as well as share corporate and income tax collections with the states. Empowering the states will also create more responsibility for each state government, hence increasing direct accountability to the people that elected them.

This is of course in addition to our commitment to reduce the discretionary budget of the Prime Minister's Department by returning the multitude of super-agencies within the PMD to their respective ministries. This will very importantly devolve power that has been increasingly centred on the chief executive's office.

### **Monopolies and the free market**

We are also very clear on our position with regards to monopolies. We advocate the abolishment of the Bernas rice monopoly by opening up import licenses, while Telekom Malaysia will be made to release its grip on the "last mile" market of broadband internet services. Cartels in the telecommunications, media and airline industries will also be addressed. More significantly, we will also award taxi licenses direct to individual taxi drivers.

Another point made by Tunku was the apparent lack of "... discussion of protection of individual liberty and free enterprise." Again, this is untrue if one were to read through our budget document, where we state in very clear terms that we will reduce the state's involvement in the economy, disengage GLCs from crowding out the private sector and commit to reducing bureaucratic red tape.

Take a quote from Section 5.4 of our alternative budget, which states:

"As much as possible, Pakatan Rakyat is in favour of upholding fair and equal opportunity to allow the economy to be competitive by arousing market confidence. Pakatan will face resistance from cronies that desire to perpetuate patronage and rent-seeking."

### **More than goodies**

Lastly, I would also like to address Tunku's comments that the "government and opposition's budgets are awash with goodies... for the purpose of electoral gain." I do not disagree that the budgets contain populist measures, but that is almost expected with an election looming. Yet there are major differences. Unlike the BN's hand-outs which are superficial, we have taken painstaking care to ensure that our cash assistances are logically derived.

For example, the BN is giving out RM500 to lower-income families, in addition to RM100 a child for schoolchildren and RM200 for tertiary students. As a temporary measure, it will definitely help to ease the problems associated with rising cost of living, especially for the targeted groups. Beyond that however, there is no other rationale besides being a clear electoral inducement.

Our approach, which is to grant a RM1,000 homemaker allowance and an allowance of RM700 a child for childcare, in addition to the facilitation and establishment of certified childcare centres, has

a more nuanced intention, which is to encourage female participation in the workforce, thus empowering the targeted group to increase their own productivity and ultimately their household income.

In conclusion, I would like to stress that the Pakatan Rakyat's alternative budget should not be judged merely by its "summary of goodies", but in its totality. It will be apparent to anyone who scrutinises our Shadow Budget that our ideological basis is consistent and tangentially divergent from the BN government's.

However, do not just take my word for it. I encourage all interested citizens to download and read the full version of the Pakatan Rakyat's Shadow Budget 2012 for themselves.

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