Putting Pakatan's "Flawed Budget" Under Scrutiny
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KUALA LUMPUR, Oct 9 (Bernama) -- In trying not to miss the boat, the opposition has also scrambled to bring out what it called "a budget that ensures prosperity for all".

But beyond the lofty promises and glossy numbers, the so-called shadow budget, if ever it is implemented, could hurt rather than benefit ordinary Malaysians.

Unlike Prime Minister Datuk Seri Najib Tun Abdul Razak's all-encompassing Budget 2012, which deliberately opted for a mildly expansionary approach to ensure economic growth continues, Opposition Leader Datuk Seri Anwar Ibrahim has taken a more cautious and hawkish stance.

Under Najib's budget, the economy is forecast to grow at a respectable 5.0 to 6.0 per cent. Under Pakatan's plan, the growth momentum could slow sharply to 4.0 to 4.5 per cent, down from 5.0 to 5.5 per cent in 2011.

In fact, political analysts said the opposition's budget document had the hallmarks of the orthodox International Monetary Fund (IMF) prescriptions for Malaysia when Anwar was the finance minister during the 1997-98 Asian financial crisis before he was sacked.

Those bitter pills include pushing interest rates sky high, tightening bank lending, raising import duties and sharply cutting back on public infrastructure spending, thus putting sharp brakes on the economy.

Malaysians who lived through the crisis more than a decade ago will not easily forget those gripping pains they had to endure.

For a start, Pakatan Rakyat, the coalition of opposition parties, has envisaged a RM220-billion budget for 2012, much smaller than the government's RM232.8-billion budget.

But its forecast of government revenue of RM181 billion is way off the mark. The government had said that its revenue could top RM187 billion next year. Najib opted to spend more in 2012 (up from this year's RM212 billion) to stimulate domestic demand and investments.

Furthermore, the country's economic fundamentals remain on a strong and solid footing. Inflows of foreign direct investment have regained momentum. Foreign Direct Investment increased six-fold to RM29 billion in 2010, the highest growth in Asia. In the first half of 2011, FDI surged further by 75 per cent to RM21.2 billion compared with RM12.1 billion for the corresponding period in 2010.

However, Najib has given an assurance that the government would continue to remain fiscally prudent and keep a tight rein on the fiscal deficit.

There are a few other examples how life would be difficult under the opposition budget plan.

Firstly, the relatively smaller subsidy allocation of RM22 billion against the government's RM33.2 billion would mean more people, especially the poor, would have to struggle to make ends meet amid the rising cost of living.

In his "People's Budget", the prime minister deliberately outlined each essential item that would continue to be subsidised by the government. It is not unusual for Malaysians, including the rich, to take these subsidies for granted. These subsidies include petrol, diesel, cooking gas, natural gas, sugar, rice, flour, and electricity bills.

And Pakatan's proposed cut of a whopping RM10 billion off the Prime Minister's Department (JPM) allocation next year could deprive thousands of JPM staff of their monthly salaries. JPM forms the backbone of the nation's economic and government policy-making and implementation.

Perhaps the most controversial of Pakatan's budget proposals was to set the minimum wage at RM1,100 to wean off the over-dependence on foreign workers. However, many commentators felt that the threshold was blunt and socio-economically flawed.

The threshold, as it stands, is way above the current market rate for unskilled labour. It is absurd to expect a sudden big jump in wages even for unskilled labour without taking into consideration any direct and indirect impact on labour demand, inflation and productivity.

A better approach would be to allow gradual increase in the minimum wage level over a three-year period. Interestingly, the RM1,100 minimum wage will also benefit some 300,000 civil servants who are in the lower-income group. This proposal and other special welfare payments plans for children, senior citizens and women, all to be paid annually, have raised concerns of the country's financial sustainability under Pakatan.

"We can only distribute money when we are having a fiscal surplus or it might further burden the country," columnist Lim Sue Goan wrote in the MySinChew.com column.

Paying special attention to the civil service by dangling a RM5.9-billion carrot to them is also puzzling as Pakatan had made it clear from the start that the civil service is already bloated and needs to be trimmed.

Perhaps one would question the true motivation of Pakatan in taking such a populist posture to woo back civil servants.

At the end of the day, it's a case of Pakatan spending cash that it doesn't have and its budget remains overshadowed by the Barisan Nasional government's pragmatic socio-economic blueprint.

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