

Nice from far, far from nice

THE annual post-Budget swoon is in full swing on the share market, and the KLCI is clearly struggling to stay above the 1,700-point level. Small-cap punters needn't worry: it's the large fund managers and the institutional players who have to fret about the big-caps and their performance going into the last two months of the year.

That's because they have performance returns to publish, and as a result, window-dressing must occur.

Which then brings up the issue of Valuecap, and the RM20 bil it will inject into the market to prop up the index.

In typical fashion, this infusion has been trumpeted as a "measure to strengthen the economy", and "indirectly contribute positively towards the activities of listed companies and towards the economic growth of the country in general".

On Valuecap's website, the hyperbole continues, with the slogan "Change, Transformation and Innovation", which heads the main page.

Question. How does a cash infusion of an initial RM6 bil into a share market that is worth RM1.7 tril "strengthen the economy"? Indeed, what part of this *angpow* is transformational



**Onwards
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or innovative in any way, shape or form?

By most accounts, it might appear to be akin to a drug – sorry – cash infusion that will help only fund managers report better end-of-year performance returns and not much else. The other dimension to this infusion is the strong possibility that the RM20 bil will be, in the main, a case of throwing good money after bad.

If foreign fund managers are selling Malaysia because of our currently poor fundamentals of high debt, poor productivity, weak earnings, slowing growth and political stability, no amount of money can stem this tide.

There's a saying in the markets: "Don't fight the Fed."

Same here: Valuecap's RM20 bil, if and when the selling resumes, will be like a slingshot fighting a cannon.



Some RM39 bil is expected to come from GST next year, compared with roughly RM70 bil in corporation taxes

It's the same elsewhere: even the massively rich Saudis will soon run out of money (in five years, according to CNN), because even they can't afford to fight low oil prices forever.

Couldn't that RM20 bil be better spent elsewhere, like building more schools, libraries and parks, or hiring better teachers to teach our children? Why must this money be spent helping fund managers in their window-dressing activities?

Just come clean

Which brings me to another point. Governments can never, ever, tell the truth. Why don't they just come clean and say, "this money is to help our fund managers report better numbers, and maybe, just maybe, a trickle of that money might return to you in the year-end dividend".

It was the same in Budget 2016. The government went around telling people it was a "people's budget", and it also coined yet another abbreviation, "M40",

to describe yet another segment of the population they were ostensibly going to help.

But the opposite actually happened.

While reliefs and BR1M payments were doled out in higher numbers, the government will take it back in the form of higher taxes for the wealthier and consumption taxes for the poorer.

While necessary because of the narrow tax base in this country, GST is anything but progressive, since the poor feel the pinch a lot more than the rich, relative to their net worth.

So why tell the people it's a budget that aids them when in fact the opposite is true? That they are actually shouldering the burden of an indebted nation caused by the profligacy of an administration that has grown fat, lazy, complacent and arrogant?

Roughly RM39 bil is expected to come from GST next year, its first full-year of
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Saying one thing and doing another

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tax accrual, compared with the roughly RM70 bil in corporation taxes.

Which means that more than half the tax income to support the government's spending will come from the people. Rich companies with lots of cash on their balance sheets will shoulder less than half the burden of the shortfall from diminished oil revenues.

Worse, the government itself is not exactly tightening its belt. While there are cuts in education, social spending and welfare, the Home Ministry and PM's Department, which some say form the hub of wealth and control in the country, will receive extravagant portions next year.

The PM's Department alone will receive RM20 bil, around 7.5% of the total of RM267 bil. It has given itself an

increasingly higher allocation of the national budget each year, with the biggest portion ever next year.

Its defence? There are more than 70 departments and agencies under the PM's Department, compared with other ministries with "only" 10 departments.

Among the departments and agencies under the PM's Department: SPAD, National Security Council, Economic Planning Unit, Department of Statistics, MACC, Public Service Commission, Malaysia Innovation Agency and Bumi-putera Agenda Steering Unit.

And then there is Jakim, or Malaysian Islamic Religious Development Department, which will receive RM725 mil.

Firstly: do we really need this many agencies? Malaysia is well and truly an over-governmented country that needs to scale down its administration. But instead, it adds more and more departments and agencies each year, to mounting confusion as to who exactly is responsible for what.

Secondly, do we really need to spend this much on the thought police?

To quote, Zurairi AR, the self-styled humanist and sceptic who writes a

column for *The Malaysian Insider*, Jakim can be remembered for its guidelines on shariah-compliant entertainment (stipulating gender segregation at concerts), cautioning against jokes that "lead to excessive laughter" and its Malaysian Shariah Index, which, inter alia, surveys whether the government has succeeded in preventing the spread of Christianisation. Really?

Is this not a government that says it "celebrates diversity" and is a "government for all"? Is it not hypocrisy when it says one thing and does another?

Contrary to the hyperbole, Valuecap and Budget 2016 show two things. One, that taxpayers' money continues to be spent on the wrong things, like policing its own people and shuttering them, and two, that its public statements should never be read as gospel.

It might say one thing, but in reality, it means another, quite opposite meaning. Nice from far then, but in reality, far from nice. [FocusM](#)

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