

## **Budget! trickle down?**

By  
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For millions of ordinary people including me the recipe of growth is not working any more. For many years now excellent speeches on the budget and the budgets themselves have brought nothing more than further higher prices, difficult living conditions and a lot of promises that were never fulfilled.

It's almost a shame now to listen about ever increasing foreign exchange reserves and the growth that is planned at the macro level. The financial pundits of this country are assuming that making the country prosperous could only be done by increasing growth. Interestingly, Indonesian economists took growth as the most important element in the economic development, as they believed in the theory of trickle down effect. This theory takes growth as a kind of liquid material that flows down by gravity force. It assumes that once growth is created, it would spread down to all levels of society. Thus what we need is a source of growth that produces the "liquid," resembling a water spring.

The problem with the theory is the assumption itself, growth should not be taken as something that will trace its way to the lower strata automatically. It is rather a process that needs to be guided and taken to its correct direction.

Unfortunately it looks as if in the pursuit of creating that source of growth all the efforts are leading to creating hubs of powerful and very rich people with no consideration as to how the trickle down effect shall reach the poor. It looks that the divide between the rich and the poor shall increase. With every successful budget passing by the number of those living below the poverty line shall increase even further. Although government is trying to portray a reduction in the number of those living below the poverty line but unfortunately hungry people who do not get basic rights of access to health services and water rarely believe in statistics.

The stories of the failure of this growth and trickle down effect are many. The theory had been tried in Indonesia before the Asian crisis severely hit the country in 1997 that dragged the country into a social and political unrest. Moreover, the crisis stimulated a serious conflict of class between the poor and the rich as the gap between the two has widened for years. Although for over three decades Indonesian economy has shown impressive growth, the wealth is concentrated only on a small group of people, mostly industrialists who were close to the ruler.

The case of Indonesia shows that solely pursuing growth in economic development is misleading. Let me get back to the basics and accept that growth in itself is not wrong. Growth is the basic tenet of modern economics. This points to the heart of the problem, that is, growth is a means to achieve the end.

Treating growth as the ends often sacrifices moral, social, cultural, and environmental aspects.

This is not merely a policy issue. Rather it is an issue of how to democratize the economic system in which the role of people is significant in determining how they create and disseminate prosperity for and among themselves.

The effect of growth can trickle to the masses if the economics of participation embedded in the social and cultural reality of this country are taken into account without blindly following the recipes of the masters from IMF and World Bank. If we keep on seeing growth as the engine to alleviate poverty by the so called trickle down effect, I feel sorry as I fail to understand any relationship where the mass Industrialization and automation and accumulation of huge Capital is no doubt creating a few filthy rich but on the other hand pushing the millions under the line of poverty with every growth oriented budget.

The question is who should then protect the poor? How the basic needs of the poor taken care of? It should be the government who in turn has to ensure that the basic levels of civic amenities and necessary services are available to the poor. In other words government has to do the pro-poor budgeting.

The indicators for any effort to alleviate the sufferings of the poor should include, at the very basic, the spending on health, education and basic services. After seeing the budget for this year I wondered how good or bad we are doing as compared to our regional neighbours?

Health spending per person of Maldives is almost 8 times and Sri Lanka is almost double what we spend on health per person. This clearly indicates how small countries value their citizens as compared to us.

This year's budget showed an increase of 16% in the health budget and the total amount allocated is 3.254 billion. Whereas there has been cuts in the social protection and community development budgets. The spending of education is just 12.214 billion with an increase of 26%.

So if we keep on pursuing growth without any regard to reducing the poverty and making efforts at the state level to make the benefits reach the poor our policies shall always aim at benefiting the rich at the expense of the poor.

The government should not try to hide behind cruel percentages, which totally distort the perceptions. An increase of 15% across the board for all the levels of government employees would just mean 750 Rs to those whose salaries are 5000 but the same level of increase will translate into 3750 Rs for those who get 25000.

The reduction of 10 paisas on the electricity which would cost the exchequer more than millions but what would the net effect of this saving for the poor whose bills are ranging from 30 units to 150 units, just a meager amount of Rs 3 to 15 in a country where a "Naan" costs 2.5 Rs. On the other hand the increase in the electricity bill by including the TV license fee of Rs 25 is not more than a joke. Because with a reduction of 15 Rs in the small consumer bill and an addition of Rs 25 will have a net increase of Rs 10 on the bills. Though the assurance of the Finance Minister is there that the amount of TV license fee shall not be added if a declaration is given declaring that the consumer does not have a TV. How easy would it be for the poor to do this declaration and get it submitted to the relevant authorities is a question that has baffled me? As for me it is really difficult to follow up on anything with the government departments due to the attitude that we have to face there and the time that it takes. There is a likelihood that most of the poor would end up paying these 25 Rs for the TV even if they do not have one due to the difficulty of providing this declaration. Anyhow next year there will be another feather in the hat of the financial wizards of increasing the collection on the TV license fee to many folds.

The increase in the pensions of those who retired before 1994 by 16% and from there till now only 8% made a lot of retired people wonder what has gone wrong with their financial ability as they could not comprehend the science behind the recommendation where everybody is getting an increase of 15-16% except for the unfortunate pensioners who happened to fall in the bracket of 1994 till now. I tried to find any logical answer as to why the major bracket of pensioners are getting a raise of only 08% whereas the rate for those who would retire now shall be based on the pay that has been increased by 15% or those who retired before 1994 would get 16% increase.

I tried to check on many sources to find out that our life expectancy has not yet reached any significant levels above 63 years till now. So the financial managers have done well because the number of the pensioners in the range of the age of 70 or above will be far too less than those who are in the bracket of 60-70. They should have rather taken some more credit of generous pension reforms by raising the pensioners who retired before 1984 to 32 % and those prior to 1974 to 100%. What's wrong in playing with the figures at least these high percentages would look good and who would try to question on the number of the real, living pensioners getting benefited from such a decision.

We do not go into the details of how the spending that is promised in the budget is dolled out and what level of corruption comes into play. This in turn points to another issue of monitoring and tracking the public expenditure. As soon as the noise of the budget shall die down the information on spending shall rest in the secretive offices of the government officials. People will not know where the billions are going and who is benefiting. However for this it is not only the government that is to blame, rather it is the opposition, the legislators and the

civil society included who have to take the blame of not effectively tracking and monitoring the public money.

Another question is the issue of the quality of debate on the budget. In many countries the legislators are educated on the financial, fiscal and monetary aspects of the policies. There are think tanks that analyse and make their findings known to the people. As a nation instead of just raising a hue and cry at the time of budget presentation we should rather try to make the whole process of allocation more participatory and meaningful. Unless there is a proper challenging of the whole process of resource allocation and a follow up on the efficiency with which the funds are utilised the reality on ground for the poor is not going to change.