

INSTITUTE OF CURRENT WORLD AFFAIRS

GDN-16
Malayan Budget Debates
A View Through the Keyhole

12 Road 5/35
Petaling Jaya, Selangor
Malaya
2 July 1962

Mr. Richard H. Nolte
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Dear Mr. Nolte,

Last week I sat in parliament to hear another of Malaya's strange but illuminating budget debates.

The Minister of Finance presented a supplementary bill requesting an additional allocation of M\$91 million for development, most of which will go for roads, the army, and schools. This brings this year's development expenditures to about M\$500 million, out of a total budget of about M\$1.5 billion. Although this will raise the deficit for the year to about M\$100 million, there was very little debate on the bill. At one point the 104 member House lacked a quorum (26) because of the extended coffee break of some of the members. In all only about half the house was present, and only twelve people had anything to say on the bill.

The debate included some mild criticism. The opposition Pan Malayan Islamic Party got off a few typically small comments about inefficiency in government. The opposition Socialist Front levelled a typical attack on extravagant and wasteful schemes, and charged the government with neglecting the real needs of the people.

Government had no real trouble meeting these criticisms. Since it controls three-quarters of the seats, the bill was never really in doubt.

In this and other sessions I have attended, and in the sessions of the past fifteen years that I have been reading about, there is a heavy air of anachronism, incongruity, and above all unreality.

For incongruities and anachronisms there is the British parliamentary system set in modern tropical Malaya. The anachronistic wigs of the speaker and clerks appear incongruous framing the broad brown faces of the Malays or the smooth flat horn-rimmed faces of the Chinese. There is also the decorum, the "Honourable Minister" that precedes the insult, which is itself more incongruous for its lack of wit and subtlety.

Far more compelling, however, is the unreality of the budget debate. It is often lengthy and serious, lasting up to a week and covering both the general orientation of the budget and its specific allocations. The unreality comes from the great and consistent disparity between estimated and actual revenues of the Federation. Since 1950 revenues have steadily increased from about M\$400 million to over M\$1 billion per year. In estimating what the revenues will be, government has been off an average of M\$100 million per year. The closest estimate was in 1954 when the actual revenue was only M\$18 million above the estimate; in 1960 actual revenues exceeded estimates by M\$195 million.

Coupled to this is the general conservative orientation of the financial secretary. In the past 11 years government has budgeted for a deficit 9 times. Each time this produced a debate calling for reduced government expenditures. However, there has been an actual deficit in only 3 of these 11 years. Thus in half the debates, members of legislative council or parliament have been criticising a deficit that did not actually exist.

This structural dimension is by far the most important source of the unreality of the budget debate, but there are other sources as well. There is a common anti-bureaucratic sentiment that makes people call for less government at the same time that they are calling for more assistance for special causes. There is also the general oppositional attitude that is a universal concomitant of nascent nationalism. Before independence leading nationalists lost no opportunity to decry publicly the conservative attitude of the British, who were in fact moving toward independence faster than most Malayan nationalists. These same men now find less freedom to change Malaya than they thought accompanied positions of power, and they are far less tolerant of criticism than their British predecessors. Finally there are the politicians seeking to create a favorable public image. In this respect the budget debate takes on the character of a forum that gives people the opportunity of talking into a void.

If this is all one sees, however, I think one would miss a more powerful and profound reality that is reflected in these often bizarre debates. This is the fierce reality of the struggle to change the goals of government. In the budget debates this amounts to three specific changes: 1. from a concern for a balanced budget to a concern for economic development; 2. from a low to a high value placed on such social services as education; and 3. a change in the basic character of protest from nationalism and communalism to communalism and class interest. To show how this worked, it will be useful to distinguish three periods in the parliamentary history of the past fifteen years.

The first period covered the years 1948 to 1955 in which there was a legislative council composed of official members of government, and local unofficial members appointed by the British High Commissioner. Among the unofficial members a few British businessmen formed the most articulate group. It was they who led in the demand for a balanced budget, for cutting our coat according to our cloth, as it was put at least a hundred times. This demand reached an ear-splitting crescendo in 1953 when government budgeted for a deficit



1955

Tunku Abdul Rahman, Malaya's first Prime Minister addresses the House.



1961

of M\$222 million for the following year. Half of all members, Europeans, Malays, Chinese, and Indians, rose to criticize this budget.

There was, however, a significant difference in the tenor of criticism of the different groups. The British criticized this fiscal irresponsibility. Those few who were interested in the development of Malaya saw the proper function of government as that limited to providing the kind of sound fiscal policy and low taxes that would induce foreign capital to enter and stay. No one asked for cuts in education directly, but the British members were quick to point out that expenditures on such social services do not add to the national income.

The Malays also criticized the budget, but they wanted to reduce expenditures by replacing the highly paid British officers with indigenous people. They also argued for more attention to the rural areas, which needed more schools, roads, and hospitals. As one Malay member put it, "Although there is a deficit, it should not be taken as an excuse to retard the proposed plan for raising the economy of the Malays...."

The second period began in 1955 with a legislative council that had a majority of elected seats (52 out of 98). The Alliance (a combination of the United Malay National Organization and the Malayan Chinese Association) won control of the council in the elections of 1955, capturing 51 of the 52 seats. This was the council that brought the country to independence in 1957.

Late in 1955 the Alliance Government presented its first budget. Without sufficient time to prepare its own full budget, the government presented what it called a provisional standstill budget, but even that proposed a deficit of M\$50 million. Appointed members adopted a cautious wait-and-see attitude, and everyone expressed sentiments of solidarity and loyalty to the new government. The only mention of a balanced budget came from the government's own financial secretary. "Sir, the Alliance Government would dearly have liked its first budget to be a balanced one, but the present needs are such that this goal is not yet attainable."

In his own budget address, Tunjku Abdul Rahman gave some indication of what these present needs were. His opening statement was that the government would provide 8,000 new places in schools for the next year; every child of school starting age would have a place. The House reacted with hearty applause. The same pattern attended the presentation of a supplementary finance bill six months later. An additional M\$86 million was requested for schools, railway, and land development. Only the education allocation occasioned any debate, and here there was general acclaim for the government's new education policy.

In the next few years criticism of the new government did increase, but its character was quite different from that of the early part of the decade. A few appointed members still called for a balanced budget, but the majority of local elected representatives called for more attention to the rural areas and to important industries like rubber, tin, and rice. There was still an anti-British sentiment manifested in a desire to speed up the process of replacing British with local officers. In addition, members appointed from the trade unions, and some of the more articulate elected members with leanings to the left, pressed for a better deal for the workers. There was an appeal for better protection for the workers and for more enlightened employers, and a strong pitch against the capitalists, who were blamed for retarding the Malays. Through all of this was a rising tide of demand for more help for the Malays, whose leaders were pressing their claims as the true sons of the soil.

The third period began with the elections of 1959, the first fully independent elections in Malaya. Again, the Alliance won control of parliament, gaining 74 of the 104 seats. The other seats gave the opposition an opportunity to make itself heard.

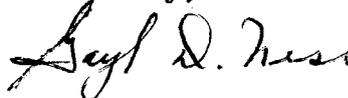
In the budget debates of 1961 and 1962 the basic changes in the goals of government appear consolidated. There has been little mention of a balanced budget except as a long range goal of sound fiscal policy, but sound fiscal policy is no longer a dominant goal of government; it is now more a means than a goal. There is general acceptance of the necessity of using the resources of government to provide more of the social and economic overhead capital without which increases in productivity cannot take place. Government accepts the policy of investing in the development of Malaya, even if this means deficit financing and digging into the nation's reserves.

There is still a distinction made between economic and social services, but social services enjoy a higher priority than ever before. In the past two budgets about 20% of total expenditures have been for education; in 1950 it was about 10%. The yearly average expenditure on education jumped from M\$60 million for the first three years of the last decade to M\$220 million in the first three years of this decade. In practice, if not in theory, education is treated as an item of investment.

There has also been a change in the basic character of protest that is only partly explicit in the budget debates. If the battle cry of the 1950's was "Out with the British; more for the Malays!", the battle cry of the past few years has been "More for the Malays; more for the exploited!" Rabid Malay nationalists now have official spokesmen at the center of government who continue to show an unwillingness to accept Chinese and Indians as citizens with equal rights. Some still press the demand, made before independence, that it be made explicit in the constitution that the country belongs to the Malays. At the other end of the political spectrum, the parties of the left champion the cause of the exploited. Government's policy is to create a property-owning democracy. To the parties of the left this means the economy will be in the hands of capitalists, and with their definition of capitalist as exploiter, they do not see how this can help to solve the problem of poverty.

At first reading the budget debates appear chaotic and unreal, but on closer examination a pattern begins to emerge. It is a pattern of the struggle to change the goals of government. This demonstrates that the nation state often acts to create conflict. Almost as a matter of necessity, it brings into the open the deep fissures that rend a society. But it also provides the ground rules for resolving the conflicts and bridging the fissures. For an ex colony with a highly divisive society, this is inexorably tied to the changing goals and functions of government. It is this that makes fascinating the otherwise tedious business of attending and reading the budget debates.

Sincerely,



Gayl D. Ness

Pictures are by courtesy of the Department of Information, Federation of Malaya.