

BUDGET 1989 - An OVERVIEW

Bernard Soysa

Mr. Bernard Soysa, a former Chairman of the Public Accounts Committee and the Secretary of the LSSP was for long years regarded one parliamentarian who made an authoritative contribution to the Budget debate and has also addressed many professional forums on fiscal policy and public sector finance.

In most budget that I have seen in the past few years I find -whether there is a deliberate attempt to hoodwink the public or not, I do not know - or whether they are hoodwinking themselves - a good many of the figures that have been put forward have been erroneous. In other words they were bogus figures. I have a strong suspicion - it only amounts to a suspicion - that in this year's budget too revenue expectations have been slightly understated. In any event, with all that there emerges a position that should make a person putting forward a budget nervous and unhappy. This is that whatever be the treatment of the Capital budget there is an anticipated deficit on the Recurrent Expenditure side, which without any further comment means that you are living beyond your means.

Regarding Capital Expenditure - I have not seen the detailed estimates. I therefore do not know to what extent there has been any pruning as compared with what was provided last year. I cannot say. Sometimes, any reduction of the estimate could mean that the project for which money was voted before has been completed or nears completion. I know a number of estimates for projects that have begun and are nearing completion and any attempt to slash those votes would mean that either you are paying people for doing nothing for some time, or on the other hand halting works for a period of time which would mean that the benefit expected from that project will also be delayed for that period, while the money spent remains tied up with that incomplete project.

Now this Budget is expected to have a different structure from previous budgets. In all the earlier Budgets Mr. Ronnie de Mel added up results in this way: considerable reliefs, Tax reliefs granted to the affluent in various ways. I am not here trying to justify them or to say that they were unjustified. That is not the aspect with which I am concerned now. Those tax reliefs were sought to be justified entirely on the footing that they were necessary in order to get the

private sector harnessed to development to get the private sector to work in an expanded manner. That is, apart from whatever they were doing at the time to harness them for development in a big way. Has this happened? I do not see such results, or any worthwhile results to show for it. There has been a considerable growth in regard to Infrastructure development but that was almost all carried out on government expenditure. Private sector expansion has been principally in regard to Services, in Commerce; commercial activities have undoubtedly expanded on a large scale. What has that brought us? Added inflation: A consumerist bonanza for some.

The theory that tax reliefs would encourage capitalist development is one that has been found to be inadequate over many many years. It was revived and strongly adhered to by the previous Government which was in office for eleven years. It was revised on an acceptance of the economic theories of Hayek and Milton Friedman. An idea that they put across have been practised by governments as different from ours as Mrs. Thatcher's Government in Great Britain or that of Ronald Reagan in the United States. Any failure on the part of those governments have been attributed by the economists who propounded the theories to the fact that their theories were not fully implemented. If they had been fully carried out, they say, things would not have been so bad.

In any event, the activities of the last Government in this country for eleven years were said to be contrasted with "the socialist policies of the previous government". That is totally incorrect. There were no socialist policies of previous governments, not even in the days of the Coalitions. Dr. N.M. Perera and others, on two occasions, tried to turn the country in that direction. But there was no great socialist transformation, save the nationalisation projects that were effected. What was done in a big way was in respect of land: the land distribution policy, the limitation on the extent of ownership and the nationalisation of the foreign owned estates. Those were big items: but they did not add up to socialism. These are not the things most mentioned when the new policy was contrasted with the "socialism" of the past. The principal reference was to the "controls". Price control, exchange control, rationing and the like.

However, there was certainly a new departure with Mr. Ronnie de Mel's budgets.

To be continued.