

Budget: a few changes can help

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AROUND the late 1990s when I was a jobseeker in Sydney, a poster by the Apple company in which Mahatma Gandhi was posing serenely with his iconic charka caught my eye. In the corner of the poster were the words "Think different". Apple, at that time, was floundering in challenges and had little share in the tech market. Now Apple has become the largest company in the world, and it has done so by thinking differently.

Why cannot we think differently while preparing our national budgets? It has been rotating in the same whirlpool of style for the last 40 years. Why is listening to the budget speech still such an ordeal? A nation's most important economic document must be short, sweet, and engaging. In 2011, President Obama spoke about America's long-term budget and planning in just 42 minutes. But we take hours. A tribute to Bangabandhu and thanks to the prime minister can be conveyed in just two sentences instead of a couple of paragraphs. Since the budget speech is now available online across the world, most foreigners will find us very talkative and bombastic. And, indeed, we are. But the time has come to change. India's economy is eleven times bigger than ours, but our budget speech is three times larger than theirs. We really talk more than needed. Our 106 pages can easily be trimmed down to 40 pages without losing any vital messages or information.

Despite various criticisms from economists, this year's budget has nothing out of sort. A fiscal deficit, equivalent to 5 percent of GDP, is fairly acceptable for developing countries. The crucial part is how the deficit is financed. Almost half (44 percent) of this deficit will be met by bank borrowing. This aggressive venture of the government will crowd out private investors and stoke inflation, which is already high. Inflationary pressures will in turn erode part of con-



Finance Minister AMA Muhith presents his budget proposals for the next fiscal year, in parliament on June 7.

PMO/FILE

sumption, which is 75 percent of GDP, and thus may reduce the projected growth rate of 7.2 percent for the next fiscal year.

India's budget deficit is 5.1 percent of its GDP, and the corresponding figure for Pakistan is 4.7 percent. It may seem that Pakistan is in better shape than India. But the reality is different due to two reasons: a big unproductive chunk of Pakistan's budget goes to service its army, and Pakistan's bank borrowing is much higher than India's. The results are consistent. Pakistan's inflation target is close to 10 percent while India's 6.6 percent. India's economic growth is estimated at about 7 percent while Pakistan's 4.7 percent for the next fiscal year. Although economists have reached many consensus, there is no agreement in economics

about the safe percentage of deficits as a share of GDP. In most cases, the lower the better. South Africa's deficit is now 4.6 percent. They, however, plan to reduce it to 3 percent by 2015. In the late 1980s, India's fiscal deficit gradually became 10 percent of its GDP, plunging the country into their worst financial crisis in 1991. As per evidence, a country can afford deficit at around 5 percent of GDP as long as it grows at about 7 percent or above. Hence, balance and judgment are required.

The government's projection on growth (7.2 percent) is ambitious and inflation (7.5 percent) underestimated. Given the rising demand for food and fuel in two emerging giants, China and India, there is little possibility of international commodity and oil

prices to plummet. Hence, a growth rate of money supply at 18 percent is likely to make inflation hover over double digits. If so, the target on output growth will have to be compromised. Why cannot we change the culture of overoptimistic estimations? We should not make professionally unsound estimates just to be politically expedient. Why cannot we speak low and achieve high? Not the other way around.

'Growth' is the most important number in the budget for every country. Since growth has a tremendous trickledown effect, it is often regarded as the panacea for all major ailments in developing societies. Unfortunately, we debate every year over the accuracy of growth figures. People misconstrue economics or accounting as a

profession of dishonest numbers. That is ignoble. Cannot we change the method to make growth numbers solid and incontestable?

Growth figures are not like stockmarket indices that can be collected the day before the speech. It takes time to get data on multiple sectors. Accordingly, the finance minister gives us a tentative number based on assumptions and estimations, or sometimes political pragmatism. In section 12 of the budget speech, the finance minister gave a growth figure of 6.3 percent based on data up until April this year. Again he throws another number in the neighbourhood of 7 percent based on expectations and wisdom, creating room for economists to argue over fractions of numbers and delivering chances to politicians to spawn ridiculous comments on the budget. This has been the culture since the 70s, and it is unnecessary.

If we make a cutoff point, for example, April, to calculate the growth figure for the outgoing fiscal year to be ended in June, the room for controversy is eliminated. Then Boro production of this year can be routinely added to the calculation of GDP for the next fiscal year. More precisely, if we take the last day of Chaitra, April 13th, as the cutoff date, that will not only make our Bangla year more functional, but also make growth calculations more feasible and solid for the finance ministry. Another option is to merge the fiscal year with the Bangla year. Our farmers and petty businessmen have been using the Bangla year as their financial year for ages. Cannot we begin our national account on the same day other people begin their traditional Halkhata, on the first day of Baishakh? Most nations define their fiscal years as per their convenience or the agricultural cycle. The fiscal years for India, the UK and the USA begin on April 1, April 6, and October 1, respectively. Our time has come to think differently.

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Microsoft tackles iPad with Surface tablet

REUTERS, Los Angeles

MICROSOFT Corp introduced its own line of tablet computers on Monday at a much-hyped press event in Los Angeles, marking a major strategic shift for the software giant as it struggles to compete with Apple Inc and re-invent its aging Windows franchise.

The new tablet line, named Surface, includes a consumer device aimed directly at the Apple iPad, and another, larger machine designed to compete with lightweight laptops. Both include a keyboard that doubles as a cover, and both will be powered by versions of the new Windows 8 operating system.

The move breaks with Microsoft's operating model of the past 37 years, which has relied on computer manufacturers to make and market machines running Windows. It could throw the world's largest software company into direct competition with its closest hardware partners such as Samsung Electronics Co Ltd and Hewlett-Packard Co.

However, the success of Apple in recent years has underscored the benefits of an integrated approach to hardware and software, and Microsoft Chief Executive Steve Ballmer said on Monday that the company "didn't want to leave anything uncovered" as it rolled out Windows 8.

The new software is the biggest overhaul of Windows in years, and features a new touch-friendly interface dubbed "Metro". It is scheduled to be available for the Christmas shopping season.

The lighter, thinner version of the Surface tablet, built on an Nvidia Corp chip designed by ARM Holdings, will be the first to market at the same time as the general release of Windows 8, and will feature Microsoft's popular Office suite of applications.

It is comparable to Apple's new iPad, heavier but slightly thinner. It has a 10.6 inch screen and comes in 32GB and 64GB memory sizes.

A second, heavier tablet aimed at the new generation of lightweight laptops called "ultrabooks", running on traditional Intel Corp chips, will come in 64GB and 128GB models. That will be available about three months after the ARM version, Microsoft said.

The company gave no details on pricing, except that they would be competitive with comparable ARM tablets and Intel-powered Ultrabooks. They will be on sale online and in Microsoft's new brick-and-mortar stores in the United States.

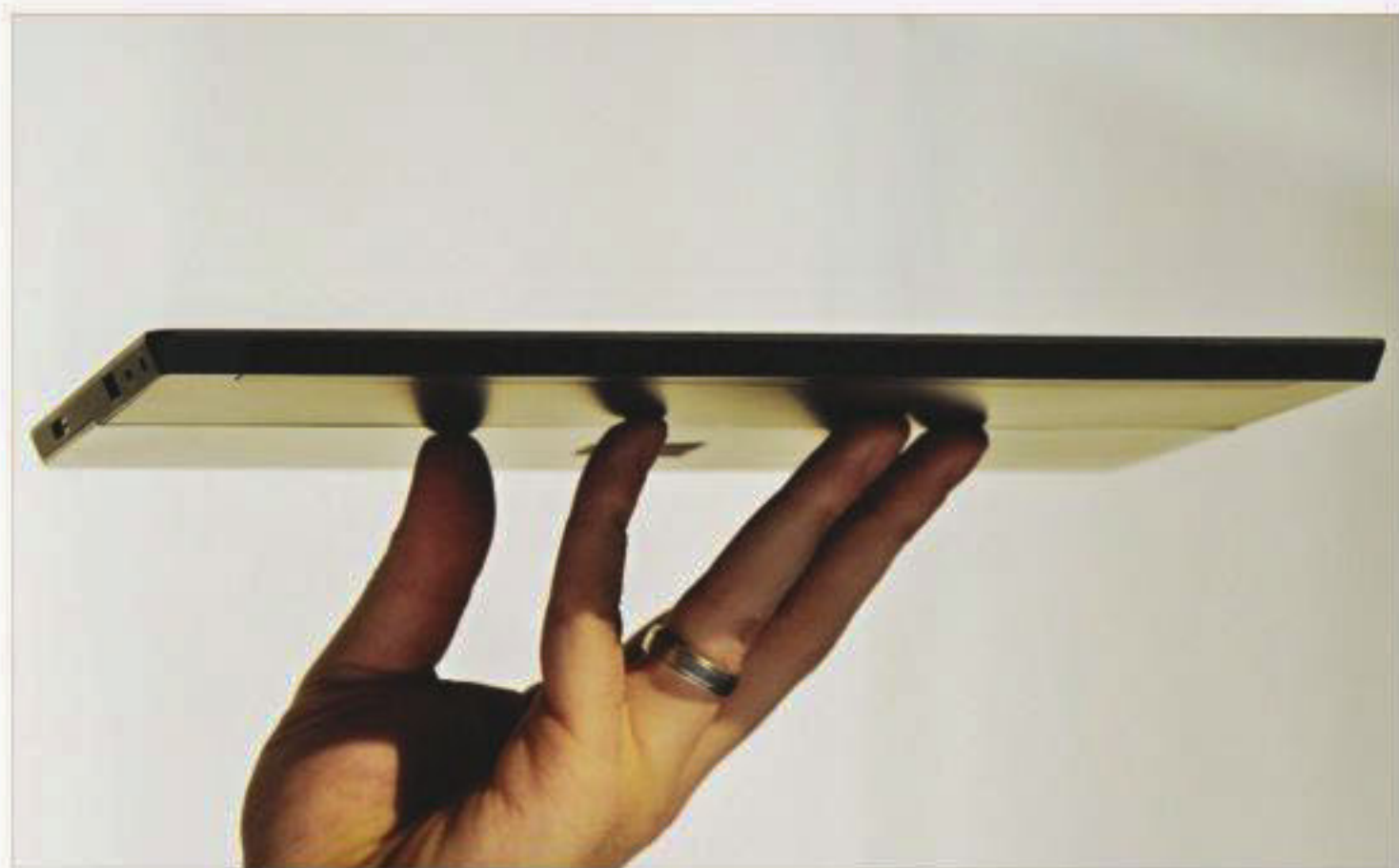
Microsoft shares rose 0.8 percent in after-hours trading, making up for a 0.6 percent drop to \$29.84 in the regular Nasdaq session.

Industry watchers were generally impressed by the devices' specifications, but doubted they were a sure-fire hit.

"I don't see this as an iPad killer, but it has a lot of potential," said Sarah Rotman Epps, an analyst at tech research firm Forrester. "This raises more questions than answers. The story that Microsoft told today was incomplete. They focused on the hardware innovation



Steve Ballmer



BATTLE OF THE TABLET DEVICES

World market share, %
4th quarter 2011

Apple iPad 57

Volumes shipped, millions
15.4

Others 12

3.1

Asus Eee tablets 2

0.6

Amazon Kindle Fire 14

3.9

Samsung Galaxy Tab 8

2.1

Barnes & Noble Nook 7

1.9

Source: IHS iSuppli

AFP

but didn't talk about the services, the unique Microsoft assets that could make this product amazing."

Contrary to expectations, Microsoft made no mention of integrating content and features from its top-selling Xbox game console, the Skype video calling service it bought last year, or Barnes & Noble's Nook e-reader, its new partner in the electronic books market.

Sales of tablets are expected to triple in the next two years, topping 180 million a year in 2013, easily outpacing growth in traditional PCs. Apple has sold 67 million iPads in two years since launch.

Apple, which makes both hardware and software for greater control over the performance of the final product, has revolutionized mobile markets with its smooth, seamless phones and tablets. Rival Google Inc may

experiment with a similar approach after buying phone maker Motorola Mobility this year.

Making its own hardware for such an important product is a departure for Microsoft, which based its success on licensing its software to other manufacturers, stressing the importance of "partners" and the Windows "ecosystem."

"The question is why is Microsoft doing it?," said Michael Silver, an analyst at tech research firm Gartner. "Lack of faith in the OEMs (computer makers)? There's definite risk here as Microsoft increasingly competes with its customers."

Microsoft stressed that "OEMs will have cost and feature parity on Windows 8 and Windows RT," meaning that it would not hold back any features from other hardware makers' Windows tablets.

When it has ventured into hardware, the Redmond, Washington-based company has had a mixed record.

Apart from keyboards and mice, the Xbox game console was its first foray into major manufacturing. That is now a successful business, but only after billions of dollars of investment and overcoming problems with high rates of faulty units - a problem which was nicknamed the "red ring of death" by gamers.

The company's Microsoft-branded Zune music player, a late rival to Apple's iPod, was not a success and its unpopular Kin phone was taken off the market shortly after introduction.

The company killed off a two-screen, slate-style prototype of a tablet device called Courier later that year, saying the technology might emerge in another form later on.