

Needed a clear Vision

By Prof Khurshid Ahmad

PAKISTAN HAS been in the grip of economic crisis since its creation, With exception of a few prosperous years, the general economic condition of the people remained hard-pressed all through the last 50 years.

However, the intensity and gravity of the economic deterioration and the state of virtual anarchy and disorder that is prevalent, currently (more particularly during 1998) has no parallel. Though the crisis snow-balled during the last 26 years owing to the wrong policies adopted premier Sharif and his team ruled the roost for at least the 15 years. Pakistan's depleting economic conditions can also not be entirely attributed to sanctions imposed after May 28 nuclear tests. Although sanctions have a partial effect, yet the major cause of worsening economy has been the illconceived policies that the government pursued.

If the leadership overlooking the real causes believes some IMF/WB loan extension bailout package as the only way out, then there seems no end to the present mire; then it is only the question of time that the country turns insolvent. The decisive moment is at hand. Procrastination aside, government must start making basic structural change now...

It is a bitter reality that the country's leadership (the present ruler. and opposition) does not seem to comprehend the economic problem, what to talk of solving it. The situation is that of total stagnation and recession.

Factors effecting economy

To have proper understanding of the issue, determine real causes and suggest appropriate strategy, it thus seems necessary to have a look at the basic indicators of economy since 1972. The analysis of past 26 years of Pakistan. Economy brings forth the following facts

* Lack of policy making: No effort has been made towards planning and policy-making to set priorities on scientific lines keeping in view the country's requirements..

During first 15 years (i.e. till 1987) there was practically no long term planning. The whole business was conducted based on annual plans and budgets Thus, adhocism and expediency were central in these policies. Thereafter planning was done with the sole objective to avail more and more aid...

** Disregarding social uplift plans: No sustained programme was developed to develop economic infrastructure, establish industries, increase agricultural production, organize judicious distribution of wealth, and to provide food, education, health and economic opportunities to the common citizens. Thus, the task of developing the economic foundations was overlooked which culminated in the bitter outcome that we see today. Window-dressing in the name of development, protecting the interest of the affluent, and providing opportunities to a special class to amass wealth, has been the target of the government and all state organs...

Reliance on foreign assistance: For, economic development, self-reliance was not resorted to. Nor an approach was followed to develop capability to strengthen national production base or the one hand and on the other, pave way for progress counting on indigenous resources. Contrary to this, the leading factor considered necessary for development have been foreign aid. Consequently, the country was burdened with over Rs. 3000 bn domestic and foreign debt (more than the total annual GDP). The result is the type of economy depending for its life on others, whose domestic base is most fragile and which is practically mortgaged.

In such circumstances naturally our political freedom is badly hurt and is at stake.

****Embracing failed foreign economic policies:** The strategy being followed since last 15 to 16 years is the so-called stabilization policy dictated by the IMF and the World Bank. This policy emphasized reduction in budget deficit, stalling inflation and investment based on privatization and loans. What, however, actually surfaced is that the external debt, increased enormously, unemployment and poverty shot up, while GNP growth per capita went negligible (the rate being half during 1988-98 compared to preceding 10 years), large scale industrial production has been dissatisfactory, the capital productivity has continuously declined (indicative of ill health), budget deficit could not be curtailed as desired and the inflation has been 10.47 per cent against the average 9.61 per cent of 1979-89. These are official figures. Independent economists believe that the actual rate is 50 per cent more than that. In other words, the whole strategy of IMF has just failed.

***Unjust distribution of wealth:** The policies pursued during the past 26 years have added to poverty and increased the rich poor gap. Availability of actual figures is a problem. Yet whatever is known, indicates that poverty that had declined between 1975 and 1990, again increased after that. If everybody knows how miserably the country was plundered by Benazir Bhutto and her group in the PPP and how the money was siphoned out of the country, Now two years have passed and not a single penny could be recovered despite outcry. The same is the story of the Prime Minister's family He himself admitted that his business, concerns have availed Rs. 10bn from the banking sector alone which he has not paid back (this amount accounts for 1/15th. of of the total default).

Extravagance continues on the highest scale. The President House and the Prime Minister office consume more than Rs. 2bn annually, which together is more than the whole federal budget of the health sector. The information ministry, which is doing nothing but official propaganda, spends Rs. 1bn per year. Compared to this, the total allocation for research and development (R&D) in the country, is Rs. 14.5 mn. Parliament itself is partner in this, doll out business. It is neither playing any role to correct the economic priorities, nor to establish some effective mechanism of accountability to check corruption So, we are again faced with the question of political will and change: of leadership, without which the new chapter of national life is hard to open.

Another apparently subsidiary but very important fact is the lack of reliable machinery to provide correct information and statistics The Statistics Division first ascertains the mood of the government Even the State Bank, having attained partial freedom, avoids giving free opinion.

There is little open dialogue about policy-making Radio and TV are but government's maidservants. Attempts are also being made to tame the press. The Parliament forum has lost all its effectiveness. There is no way of general discussion and participation in policy decisions or to avail. public opinion about national and international issues. Important international agreements are neither brought to the notice of the nation, nor placed before the Parliament. At best, closed-door decisions are reached in the cabinet, more truly, the cabinets rather informed, whereas a few top persons take decisions. Resultantly the country lacks open governance, which is the spirit of good governance. This attitude only encourages corruption and promotes dictatorial tendencies.

The way-out

To get rid of the economic quagmire and to revamp the economy, a number of steps are required. The first is to have a clear vision of the economic system, the objectives and the priorities. The present Government has no such vision. The government - whether present or past-has only worked to strengthen the feudal and capitalist system, and to promote a type of political and economic aristocracy. More: important therefore, is to have proper concept of the new system, "whose main features were outlined above in our critique of the present system and for which we referred to what Allama Iqbal and the Quaid-j. Azam had to say. Without that vision no change is possible..

There is need to design a detailed policy-making system and an economic strategy in the light of the said vision. Praise be to Allah, the theoretical work, covering all necessary details, has already been done by the Islamic movement in Pakistan, as well as by the global movements and their friendly research institutions and scholars. Enormous Literature is available to provide guidance to any good government to work out detailed programme in no time

Third and the most important necessity is a new. political and economic leadership which is willing to challenge the present system and can put anything at stake to establish the new system. The present leadership has lost its vision and enjoys no credibility within and outside the country. What this leadership has accomplished over the past 15 years, suggests that the nation should not commit the foolishness of testing it anymore..

The salvation lies in empowering a new leadership, which in accordance with the said new-vision can undertake effective and impartial accountability of all those who ruled in the past, and simultaneously accomplish the task of national re-construction. This is the why out of the present economic crisis.

1 population below poverty line was 20 per cent in 1990, it went up to 30 per cent in 1995 and was 38 per cent in 1998. It means poverty almost doubled in just 8 years. Household income surveys not only point out increased poverty; they. also indicate-wealth concentration., Thus rich is getting richer and the poor poorer. (Human Development in South Asia 1998, page 17, by Dr. Mahboobul Haq) These basic drawbacks emerged as the natural consequence of the IMF/World Bank policy based on structural adjustments and the so-called stability promoting steps. These were indirect conflict with our national priorities. In light of above facts, we stress review on basic policy matters for developing a sound framework for long and short-term economic reforms.

Pakistan was created to actualize a society based on principles of justice and fraternity. Our rulers quite often quote Allama Iqbal and the Quaid-i-Azam, but unfortunately have never been practically interested in the goals and objectives set by them. For Iqbal, Pakistan stood as an abode for Muslim identity, a piece of land where Islamic law shall be revived, a nation which eventually shall emerge as savior of Muslims from poverty and prejudice and an envious race that shall take the role of leadership in the region.

The Quaid-i-Azam consciously realized that Pakistan should not be dependent on others. He knew that simple privatization was no solution. The state also has a positive role to play, which it should discharge with honesty and high degree of performance. Laying the foundation stone of Valika Textile Mills (Sep. 26, 1947), the Quaid-i-Azam said that the objective of our industrial growth should be to minimize our dependence, so that we can play our role in the world affairs according to our position. He had also clarified the importance of judicious tax system, social justice, basic industries and the public sector control and management of the public utilities institutions.

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Lamentably, during the past 50 years we have forgotten these lessons. Nothing has been done to change the feudal and capitalist system, which is the real cause of our economic miseries. A few thousand families control the country today and are exploiting all its resources, whereas the masses live in a state of helplessness. The same few thousands today own and control agriculture, industry and trade. They are in politics and enjoy seats of power and authority. Their descendants hold high positions in administration, the army and the police. They are the ones profiting from banks at the same time leading defaulters' list. They own 80 per cent of wealth and have taken billions of dollars out of the country. Being constrained of space, we are not going in details but would like to refer to two recent works Political Vaderas of Pakistan by A Abbas Jafri, and

Who owns Pakistan by Shahidur Rehman, for a worth update on this affluent minority of Pakistan.

As long as this cruel system of oppression persists, and the Qabza group remains in power; Pakistan

as visualized by Iqbal and the Quaid-i-Azam, will not come into being. Factors preventing prosperity The misappropriation, the corruption and the loot that are rampant at all levels provide yet another dimension of the same oppressive system. Consequently, this self-seeking greedy group has usurped a lion's share of the national wealth. Corruption is estimated to be at least Rs. 500 billion annually, which amounts to 90 per cent of the budget (More liberal estimates give Rs. 1500 billion, which is 75 per cent of the GDP). If we could get rid of this corruption and the curse of interest (riba), the resources thus saved can eliminate poverty in Pakistan in a few years. Nevertheless, this will be possible only if the reins of power and decision-making are held by the people themselves and their voice is made truly effective. Country should have an honest and capable leadership, which should hold accountable the plunderers and establish in totally

transparent governance, in which leadership emerges from the masses, that serves, the masses and stays answer- able before the people and God Almighty.

Setting proper economic priori- ties is part of this process. It is the : call of the hour that the direction of true self- reliance and economic development is so set as to establish a production mechanism that satisfies the needs of the people. Debt- based development strategy has failed, and has made the country infirm so much so that it survives on external oxygen supply. It is time the nation decides to do away. with loans and base its economy on self-reliance. For this purpose, we need not default.

Over the past 15 years, some 32 countries have re-scheduled their debt repayment. About 11 coun- tries even followed the path of defaulting. We should work out a strategy keeping in view both the best and worst scenarios. The true resolve, however, should be that we are to live within our own means and get only such loans (if at all availed) which enhance our productivity and are thus easily repaid.

Unfortunately, the loan politics in Pakistan played a blind game, which never helped to improve production capability. We are ratline meeting even our general administrative expenditure through loans and have forgotten the ill consequences that are but natural. We have already touched the closing end, yet our leadership is bent upon seeking further loans to linger on somehow. This is no way to progress, it is suicidal.

Lack of effective accountability is the cause to give rise to malpractice and pave way to unchecked decay. What is currently done in the name of accountability is nothing more than sheer joke, The two big par- ties, which have set high examples of corruption, have only staged dramas by way of engaging the opponent during their respective tenure. None has been subjected to true accountability, nor it is possible the way it is being done. Everyone should be accounted for, and that will be done through a system and machinery that is totally independent and none is out of its told. Then such an accounting can be done by one who is himself clean and above all doubts.