

PAKISTAN'S ECONOMIC CRISIS

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By Professor 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 during the present rule (more particularly during 1998) has simply no parallel. Though the crisis snowballed during the last 26 years due primarily the wrong policies adopted - premier Sharif and his team ruled the roost for at least the last 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 (and which need to be accepted boldly) has been the ill-conceived 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 changes now. Frequent visits to revered Washington or supplication before the international monetary bodies shall work no more.

It is a bitter reality that the country's leadership (the present rulers 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 county'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, aphorism 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 program 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 interests 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 on 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 the 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 in direct 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 economy - Quaid and Iqbal's vision:

Pakistan was created to actualize a society based on principles of justice and fraternity. Our rulers quite often quote Allama Iqbal and Quaid-e-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. In his 1930 address and correspondence with Quaid-e-Azam, Allama Iqbal clearly mentioned these four primary objectives. Inaugurating the State Bank of Pakistan, Quaid-e-Azam said:

"The economic system of the West has created almost insoluble problems for humanity and to many of us it appears that only a Masiha can save it from disaster that is now facing the world. It has failed to do justice between man and man and to eradicate friction from the international field... The adoption of Western economic theory and practice will not help us in achieving our goal of creating a happy and contented people. We must work our destiny in our own way and present to the world an economic system based on true Islamic concept of equality of manhood and social justice."

The elimination of poverty and to work for the welfare of the poor was his priority. He said:

"I am an old man. God has given me enough to live comfortably at this age. Why should I turn my blood into water, run about and take so much trouble? Not for the capitalists, but for you the poor people. I have seen the abject poverty of the people. Some of them did not get food, even once a day. I feel it and, in Pakistan, we will do all in our power to see that everybody can get a decent living."

(Address to Muslim League workers in Calcutta, March 1, 1946)

Addressing the National Assembly on Aug. 11, 1947, he had announced:

"Now, if we want to make this great state of Pakistan happy and prosperous, we should wholly and solely concentrate on the well-being of the people, and especially of the masses and the poor."

Quaid-e-Azam had identified those segments of the society that posed real hindrance in the way of progress. But those who claim to be followers of the Quaid have only strengthened the same cruel elements against whom the battle of independence he won:

"Here I should like to give a warning to the landlords and capitalists who have flourished at our expense by a system which is so vicious, which is so wicked, which makes them so selfish that it is difficult to reason with them. The exploitation of the masses has gone into their blood. They have forgotten the lesson of Islam... There are millions and millions of our people who hardly get one meal a day. Is this civilization? Is this the aim of Pakistan? Do you visualize that millions have been exploited and can't get one meal a day? If that is the idea of Pakistan I would not have it." **(Address to the Meeting of All India Muslim League, Delhi, April 24, 1946)**

Quaid-e-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), Quaid-e-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.

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 Jafari, and Who owns Pakistan by Shahid ur 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 Quaid-e-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 they and their voice is made truly effective. Country should have an honest and capable leadership, which should hold accountable the plunderers and establish totally transparent governance, in which leadership emerges from the masses, that serves the masses and stays answerable before the people and God Almighty.

Setting proper economic priorities 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 countries 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 rather 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 parties, which have set high examples of corruption, have only staged dramas by way of engaging the opponent, during their respective tenure. No one has been subjected to true accountability nor is it 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 hold. Then such an accounting can be done by one who is himself clean and above all doubts.

Everybody knows how mercilessly the country was plundered by Benazir Bhutto and her group in PPP tenure 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. 10 billion from the banking sector alone, which he has not paid back (this amount accounts for 1/15th of the total default).

Extravagance continues on the highest scale. The President House and the Prime Minister office consume more than Rs. 2 billion. 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. 1 billion per year. Compared to this, the total allocation for research and development (R&D) in the country is Rs. 14.5 million. 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 cabinet is 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 Quaid-e-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 program 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 reconstruction. This is the way out of the present economic crisis.
