

*Growth and Inequality in Pakistan.* Edited by Keith Griffin and Azizur Rahman Khan. London: Macmillan. 1972.

This volume is a collection of selected analytical articles on Pakistan's economy during the 1960s. All the contributors to this volume having been associated with the Pakistan Institute of Development Economics (PIDE), they are well versed with the economy of Pakistan and their criticisms and judgements carry authority. This volume, thus, is a modest tribute to the PIDE which has established itself as a centre of excellence in solid and unbiased research in applied economics.

This volume provides an impassionate assessment of past events and economic policies, and is divided into four sections. These cover major areas of policy concern, namely, development strategy; agricultural development; industry and trade; and wages, income distribution and savings. Each section carries a useful and lucid commentary by the editors who have also added a 20-page introduction to the volume. Drawing upon the selected articles, the introductory essay summarizes growth experience of Pakistan and the lessons to which various essays point.

Part One is concerned with the post-independence development strategy. It contains an article on 'Financing Development Plans in Pakistan' by K. Griffin which originally appeared in the Winter 1965 issue of the *Pakistan Development Review (PDR)*. This article evaluates the performance of the economy during the Second Five Year Plan. In the first half of the article, it is shown that resources to the extent of 15% of the value of agricultural output were transferred to urban areas and that redistribution of income was so pronounced that the standard of living of rural people experienced a decline. Income inequalities, however, did not ensure any remarkably high private savings rate as was stipulated by the planners. In the second half of the essay it is shown that Pakistan's foreign indebtedness grew astronomically. This continued reliance on foreign aid, Griffin believes, will put a squeeze on foreign exchange earnings as a major portion of exports will have to be used in debt servicing. He further claims that foreign aid tends to strengthen existing institutions and thereby inhibits change and retards development. He then goes on to outline a strategy which would place reliance on the mobilization of domestic resources. The main features of such strategy are:

- (1) the acquisition of large land holdings and their consequent control by the state;
- (2) consolidation of fragmented holdings and the formation of co-operatives;
- (3) the full mobilization of overt and seasonal unemployed labour on rural investment projects and low cost housing;
- (4) the establishment and management of state industrial enterprises;
- (5) higher taxation; and
- (6) a substantial increase of outlays on rural education.

He believes that the above measures would tend to increase both equity and domestic savings. Griffin's article is interesting and well written. However, the present reviewer would have liked to see more articles on development strategy. This is an area of research which should demand increasing attention of economists in the future.

Part Two is entitled 'Stagnation and Growth in Agriculture', and contains two articles, one by Bose and the other by Kaneda. Bose studies East-West contrast in Pakistan's agricultural development. He takes exception to the commonly held view that growth of the rural sector in East as well as West Pakistan during the Second Plan was remarkable. Examining the period 1960/61 to 1967/68 he shows that total agricultural production grew at 2.1 per cent a year in East Pakistan compared to 4.6 per cent per annum in the West. Kaneda discusses the then controversial policy issue of tractor mechanization in the

broader context of agricultural development. He relies on the historical experience of the U.S.A. and Japan to conclude that tractor mechanization in Pakistan was premature. Kaneda feared that 'green revolution' through tractor mechanization would create unemployment and encourage increased inequality in the distribution of land. He advocates a development strategy which places primary emphasis on further exploitation of well-known techniques and factor combinations for the agricultural development of Pakistan.

Part Three deals with industry and trade and contains four articles on import substitution, industrial efficiency and foreign assistance. The first three papers discuss resource allocation aspects of industrial policy and suggest that resource misallocation was not confined to penalising agriculture and subsidising industry. The indirect trade controls also led to a considerable distortion of intra-industrial priorities.

Soligo and Stern show that some of the privately profitable industries have negative value added at world prices. Nurul Islam finds that many of Pakistan's industries do not satisfy the comparative advantage criterion. Gordon Winston shows how various exchange controls resulted in foreign exchange wastages and distortion of industrial priorities. Griffin and Khan in their note on the 'Degree of Dependence on Foreign Assistance' claim that foreign aid also resulted in distortion of priorities. This important observation requires further scrutiny.

Part Four deals with wages, income distribution and savings. Bergan's article on 'Personal Income Distribution and Personal Savings' shows that there are greater income inequalities in rural than in urban areas and greater in West Pakistan than in East Pakistan (now Bangladesh). Bergan also estimates that personal savings rate was higher in rural than in urban areas. This important finding disproves the hypothesis that growth and equality are necessarily in conflict during early stages of development.

Dr. A.R. Khan in an outstanding piece of economic research shows that during the period 1954-64, per capita income in Pakistan rose but standard of living of the majority of her population declined. He deflates money wages of industrial workers by a cost of living index and finds that real wages of industrial workers experienced decline in a period of industrial expansion. Dr. Khan's findings are quite startling and need to be reexamined in the light of the more recent data.

Finally, Dr. Bose has studied the trend of the real income of the "poorest of the poor", i.e. the landless workers of East Pakistan, declined in the 1950's and did not rise significantly in the 1960's.

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