

Parvez Hasan. *My Life, My Country: Memoirs of a Pakistani Economist*. 2011. Lahore: Ferozsons (Pvt.) Ltd. 472 pages. Hard cover. \$25.00.

This is a timely book. It comes out at an extraordinarily difficult time for the Pakistani economy. The country has seen many ups and downs in its turbulent history of 64 years. In the second half of the 1960s, many economists—some of them from the West<sup>1</sup>—saw Pakistan as a model of economic success which other developing nations could follow. Some scholars even viewed Ayub Khan's political model as a success, able to address the problem the Nobel Prize winning economist Gunnar Myrdal had identified as the "soft Asian state".<sup>2</sup> Now, half a century later, the country is viewed as a highly troubled and stressed state.<sup>3</sup> It faces numerous problems that could conceivably result in the collapse of the economy. Parvez Hasan's book traces some of these ups and downs in Pakistan's economic history. He presents them as a part of his life story.

In this review I shall place the book in the context of what its author has done in several other published works to increase our understanding of the way the Pakistani economy has developed, and what its prospects are in the near and medium term. But before going into the substance of the book, I should say a word about my decades-long association with the author.

I came to know Parvez Hasan, the author, when he arrived in Lahore in the mid-1960s to take up the newly minted position of Chief Economist, Government of West Pakistan. I was then Deputy Secretary, Foreign Aid, in the province's Planning and Development Department. This was the place that also housed Parvez Hasan. Although I did not report to him, I was a witness to the effort he made to get accepted by a government dominated by the then powerful Civil Service of Pakistan, the CSP. I was part of that service and some of its members did not react kindly to those who invaded their space from the outside. But Hasan managed to carve out a role for himself and played an important part in bringing both substance and discipline to the management of the economy of West Pakistan. How that was done is an important part of the story he tells in the book.

Parvez left Pakistan for the World Bank on July 1, 1972, the day West Pakistan was broken up into four provinces and I took over from him as the Chief Economist of the Punjab. I stayed in that job for a few months before I also left for the United States, first to Harvard University and then to the World Bank.

My next association with Parvez Hasan was in the winter of 1971, when he brought me down from Harvard University to work with him as a World Bank consultant. My assignment was to contribute a chapter on poverty to a major report he was preparing on the Philippines. I went with him and his team to Manila and other places in that country, and in the process developed an enormous respect for his way of working. He was able to quickly acquire a deep understanding of whichever country, he was working on and to come up with sound policy prescriptions for those in charge of managing its economy. At the World Bank, he worked on the Philippines, China, South Korea, and various countries of Central Asia. He has used that experience in the book under review to analyse the factors that have contributed to the development of the Pakistani economy.

I joined the World Bank in 1974 but did not have any professional contact with the author. My only professional association with him was in 1977 after General Zia ul

Haq had overthrown the government of Prime Minister Zulfikar Ali Bhutto and wanted to change the course set by the socialist regime. Bhutto's policies were not well thought out and had sent the economy into a tailspin. Parvez Hasan and I were called into advise the new government on how they could correct the course and set the economy back in the trajectory of growth. I don't believe we had much influence on the making of economic policy at that time.

My fourth professional association with the author is the one that is on-going at this time. He and I are on the Executive Council of the Institute of Public Policy, a Lahore-based institution affiliated with Beaconhouse National University. One of the main activities of the Institute is to write and present to the government, academics, and the media our thinking on the state of the economy. Hasan has been an important contributor to the annual reports, four of which have appeared since 2008.<sup>4</sup> In each of these we have examined the problems the economy faced at the time of writing the report, and have also presented what we considered to be the correct set of policy choices to deal with them.

With this brief introduction of my association with the author, let me get to the main point of this review. This is the second book Parvez Hasan has published on the Pakistani economy. His first, *Pakistan's Economy at the Crossroads*,<sup>5</sup> came out in 1998, Thirteen years before the publication of the present *Memoirs*. "Standing at the crossroads" is an overused but correct metaphor for the development of the Pakistani economy. What is interesting about Pakistan's economy is that with one possible exception, Pakistan has always managed to take the wrong turn whenever it arrived at the crossroads. Both Parvez Hasan and I have studied Pakistan's economic history<sup>6</sup> and I am sure he would agree with me that, over the last 64 years, the economy has stopped at half a dozen crossroads at least. Let me count them in order to say a few words about how Hasan in the present book thinks the country could move in the right direction.

We reached the first crossroads soon after the country gained independence, and India, for whatever reasons, took a number of steps to cripple the Pakistani economy before it had had the time to stand on its feet. It held back the release to Pakistan of what were called the "Sterling Balances", owed by Britain to the dominions and colonies for the help they had provided in fighting the Second World War. It then threatened to divert irrigation water that flowed into the Pakistani part of the Punjab from the canal headworks that were now located in India. It then punished Pakistan for not devaluing its currency with respect to the American dollar as India and other members of the British Commonwealth had done. New Delhi imposed a trade embargo on Pakistan. However, Pakistan managed to find a way out of these crises by adopting a number of sound policies under the influence of some remarkable civil servants who were placed in charge of managing the economy. This was one of the few occasions when Pakistan took the right turn from the crossroads at which it had arrived.

The second crossroads came in the late 1950s when the political establishment failed to find a solution to the problem of ethnic divide created by the migration of eight million refugees from India to Pakistan. Under the leadership of the military, which intervened for the first time in Pakistan's history, the country abandoned democracy in favour of a highly centralised authoritarian structure. Under Field Marshal Ayub Khan, the country prospered economically but the lack of political consensus behind the model

meant that it could not be sustained.<sup>7</sup> This was the time when Parvez Hasan worked in West Pakistan and made an enormous contribution to developing a strategy of economic growth that paid handsome dividends to the province in which he served.

But the politics associated with this style of management got in the way. It was abandoned when the country arrived at its third crossroads under a new military leader, General Yahya Khan. Once again, Pakistan took the wrong road by not handing over the citizens of East Pakistan the reins of political power that should have been in their hands given the enormous victory they had secured in the elections of 1970. The result was a civil war and the emergence of East Pakistan as the independent state of Bangladesh.<sup>8</sup>

The country got stalled at another cross roads—the fourth on my list—when power was transferred to a civilian leadership from a highly discredited military establishment that had suffered a terrible defeat in East Pakistan. However, the country took the wrong economic road by bringing the state into economic management at a time when it had demonstrated its weakness in playing that role in many countries, especially across the border in India. As Pakistan was going downhill, Hasan had begun his work at the World Bank, authoring important reports on the Philippines, China, and South Korea. He drew the right lessons from these analyses: that the state had an important role to play in economic management but not as the owner of economic assets. It should be a friend, guide, and champion of private enterprise but should not supplant it. Under Bhutto, the country had gone entirely in the wrong direction.

The 9/11 terrorist attack on the U.S. brought Pakistan to another crossroads. General Pervez Musharraf, now the country's president, readily joined Washington in what was then called the "war on terror", and received in return an enormous amount of military and economic aid.<sup>9</sup> This was mostly wasted on the economic side as the country went on a consumption binge that temporarily raised the rate of GDP growth but left deep faults in the structure of the economy.

For the sixth time by my count, Pakistan stands once again at another crossroads. There are many directions in which it can go, but only one of these is the right one—that will keep the political system in the hands of the elected representatives of the people, make the military and security establishments responsible to the legislative branch of the government, make public officials responsible to special purpose institutions that will have the power to investigate and punish all those who abuse people's trust, introduce a fiscal system that will yield enough resources to pay for most of the growth in the national product the country needs while bringing about better distribution of income and wealth, and introduce tolerance and respect for all the people no matter what their faith or other disposition is.

The conclusion one reaches after reading Hasan's book is that there is a great deal of wrong with the economic state of Pakistan. But the author is not prepared to give up hope. Here, I would like to quote from the book. "Given the multi-faceted economic and political problems, the revival of economic growth to a level that would ensure an adequate rate of job creation and some progress towards reducing the present high incidence of poverty appears an uphill task and perhaps more difficult than at any time in the past. It is easy to be pessimistic about Pakistan[']s future [but] I believe that it is quite possible that in a decade, Pakistan might surprise both itself and the world at large by not

only surviving with its borders intact, but also turning a corner in a very significant way towards a modern, moderate, rapidly growing state.”<sup>10</sup>

Hasan has hope for Pakistan’s future. How could that happen? That is the subject of the last chapter of the book. One of the main messages of the book is that Pakistan’s current policy-makers must have the country engage with the world, to move away from the isolation into which Pakistan has been pushed by circumstances, and to focus on turning international trade into a major driver of economic growth. Development Economics is not a discipline that lends itself to pessimism. Both Hasan and I believe that the right path can be taken even through the most crowded and difficult of crossroads.

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