



CONTEXTUALIZING PAKISTAN'S CITIES

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PAKISTAN'S URBANIZATION:

Achieving Progress, Growth, and Development Through Urban Renewal



Policy Recommendations

- Revise current urban planning and zoning strategies. Emphasize more density, vertical growth, mixed-use (residential and commercial) buildings, and more walking space. This would stem sprawl, save precious agricultural land, generate environmental benefits, and promote more inclusivity. Such changes would also lead to a construction boom that in turn would create employment, attract investment, and hasten sustained growth.
- Eliminate city management biases against social, cultural, and learning activities and leisure space.
- Monetize housing benefits for public sector officials, who currently enjoy luxury housing and sprawled office space that take up large areas of city centers. Monetization could free up valuable land for high-value commercial and mixed-use development.
- Undertake civil service reform. Currently, a small group of federal administrators regulates cities and controls much of its prime land. Professional city managers are needed to manage cities for growth.

Recent research shows many reasons why city development is at the heart of progress, growth, and development:

History and civilization evolved in cities. All major scientific, social, political, economic, and technological innovations have happened in human agglomerations known as cities. Great civilizations and empires have been developed around cities. It is no accident that the dominant empire of any time has had the most important, creative, and productive city of the time.

The most advanced cities have been places of learning and idea development. Cities such as London, Edinburgh, Paris, Los Angeles, and New York have been birthplaces of invention, creativity, and—most important of all—enlightenment and reformation. Historically these cities have been for commerce and merchants, and have evolved as mixed-use commercial cities.

The bulk of the output in any country is produced in cities. Markets are based in cities. In bigger, denser cities, these markets can be highly specialized clusters of information exchange. Innovation and entrepreneurship often are incubated in such cities. Economic activity, innovation, and entrepreneurship tend to cluster and feed off each other, thereby favoring density.

The difference between poor and rich countries often lies in the productivity of their cities.

Cities allow space for everyone and all activities. Cities offer community and networking infrastructure—libraries, community centers, sporting and conference facilities, theaters—to all, especially the poor and the middle classes.

Creative cities enhance individual productivity. In the post-industrial information age, creativity

creates value. Creative cities are multiethnic, open to immigration, culturally rich, dense, and full of learning and innovation. They also allow for eccentricity, and offer many diverse learning experiences. In well-organized societies, productivity increases and energies converge to produce innovation and fresh ideas.

City centers are mixed-use and densely populated, with private space as well as private transportation at a premium. Increasingly, cities are using congestion taxes for cars and putting more emphasis on public transport to make cities more people-friendly. The young, the poor, and the middle classes—along with their creative activities—co-exist and interact with businesses in busy 24-hour downtowns. These city centers represent the heart of a city and define a city. All development around a city is then relative to this city center. City centers are magnets for ideas and migration. In fact, globalization is really the network of ideas generated in city centers.

City regulation allows change and development. Cities are dense human settlements, and it is no wonder that they accentuate conflicts. Successful countries and city administrations develop institutions for managing these conflicts, while bearing in mind the needs of development and growth. Where conflicts are not properly managed, decline sets in.

Building regulations must allow for creative destruction and renewal. An important tension that needs to be managed is that between preservation of legacies and histories, and accommodations to the new and modern. Preservation is costly but necessary. However, without creative destruction, city development may be arrested. Preservation must be cleverly executed, preserving the spirit of the past and not seeking to keep obsolescent culture and functions alive.

Real estate prices go up where height restrictions are excessive and building processes are discouraging of construction.

Rezoning helps development and increases supply to keep prices in check. Mayor Ed Koch of New York once talked of the NIMBY (“not in my backyard”) mentality. Most of us would like a nice spacious mansion set in the middle of nice green meadows, with all urban amenities within easy reach. Yet no one wants a busy highway or a shopping mall close to their backyard. Yet as a city grows, space has to be made for urban conveniences such as highways, hotels, offices, and shopping malls. Often estates and even palaces have to give way to the development of the city. City management must be able to deal with the NIMBY mantra. Palaces, estates, hunting grounds, and leisure parks of the rich have given ground to the needs of cities. There are examples of the supremely entitled—namely kings and dukes and barons—who have seen the importance of yielding such private spaces to the development of more productive cities.

THE STATE OF PAKISTANI CITIES

This idea of city development being at the heart of the growth process represents an emerging global consensus. However, Pakistani policy and research remain largely oblivious to it, thanks to a highly donor-dependent policy process that eschews domestic thought and debate. The result is that Pakistani cities are the opposite of what conventional policy advice says they should be. Consider the following:

Sprawl is actively encouraged. No Pakistani cities appear to have downtowns or city centers—dense areas of residential, office, and commercial use combined with entertainment within an almost walkable district. Instead, many cities are falling victim to urban sprawl at the expense

of valuable agricultural land for which, at various times, expensive irrigation has been put in place.

Sprawl development favors roads and housing estates for the rich over other activities.

There is an excess demand for most forms of city activities and basic services—education, entertainment, offices, retail, warehousing, and even low-income and middle-class housing. All these activities lack purpose-oriented space, and so are forced to be conducted in the only kind of city space planners have been allowing for the last few years—single-family homes.

High rises, even for flats, are severely discouraged and penalized. The result is that housing for low-income groups, young people starting families, and the middle class is in extremely short supply. In addition, there is no cohesive, mindful construction activity in any Pakistani city—even though this sector could sharply expand employment and growth.

City zoning has been very unfriendly to commercial construction, public spaces, and commercial and community activity. Zoning, heavily manipulated by influential groups with vested interests, favors single-family housing, which leaves little space for other activities. Commercialization—anything other than single-family homes—is arbitrary, cumbersome, ill-planned, and expensive. As a result, zoning and real estate development appear to be rent-seeking games.

Government rather than commerce dominates city functioning. There is a large presence of government (and also of the army) in all cities. Most prime land is government-owned, making the availability of prime land for commercial and mixed-use development very difficult. For example, the Mall Road in Lahore—the city’s main thoroughfare—is completely owned by the

government, almost all the way from the provincial assembly chambers to the airport.

WHAT EXPLAINS THE PREVAILING PARADIGM?

Why are our cities in such poor shape?

The answer lies in the architecture of their governance. Cities have become a major vehicle of rent-seeking and privilege preservation. Zoning and the arbitrary use of public land have become major vehicles for rent distribution. Laws and institutions—based on open transparent processes and clear property rights—have not been created to deal with this problem. In Pakistan, centralized administrations, opaque processes, and inadequate city administrations have heightened rent-seeking activity—stifling city economic growth while accelerating speculation. For example:

City management is an almost part-time activity of the centralized civil service.

Professional and autonomous city management cannot be structured and implemented without civil service reform. The current structure does not allow community participation and catastrophically places cities in the hands of junior civil servants who are generally in their positions only temporarily before transitioning to a higher position in a monolithic federal bureaucracy.

Pakistani cities offer little in the way of entertainment, community, or leisure space.

There are practically no libraries, community centers, theaters, or sporting facilities (except for the elite). Spurred by donors, city management is viewed as providing physical infrastructure, such as sanitation and roads. Yet social, cultural, and learning activities are also important aspects of a city.

Most cities are not administratively cohesive.

Cantonments, federal and provincial governments, and other administrative structures often operate to undermine city functions and even to take over city space, to the detriment of city development. Federal and provincial governments own vast amounts of inner-city land which is arbitrarily developed without consultation with the city. Examples abound: Consider the arbitrary offices, leisure clubs, and training academies that the Punjab provincial government and various federal agencies have built up in Lahore without consultation.

The public service pay and pension system, which relies on perks based on urban land, seriously impedes city development.

City centers are dominated by housing for civil servants, judges, and army officials. Consequently, land that should be available for mixed-use, high-rise development is blocked. Reform that would monetize this perk and instead make this land available for mixed-use, high-rise construction could have an estimated investment potential of 50 percent of gross domestic product over 10 years. This suggests that the opportunity cost of the perks system is huge.

Because of this perk system, real estate development has become a public sector enterprise business and not a commercial activity. Officials are rewarded for government service with gifts of land, and hence prefer to keep land development a public sector activity.

The unintended consequence of this form of city development is a serious lack of public, community, entertainment, and commercial space. This paucity accentuates exclusion—especially of youth and the poor—not only from the city, but from globalization and modernity.

The only form of public space that zoning has favored or is unable to curtail is that devoted to religion.

THE WAY OUT: REFORMS OF THE FRAMEWORK FOR ECONOMIC GROWTH

Following earlier research done at the Pakistan Institute of Development Economics (PIDE), the Framework for Economic Growth (FEG, a 2011 publication of Pakistan's Planning Commission) highlighted urban reform as central to any strategy for sustainable reform in Pakistan. Cities, the FEG argues, become engines of growth and development when they are allowed to function as decentralized, coherent administrative units for the advancement of commerce. To achieve this:

Policy, research, and thinking needs to move away from a spaceless approach to development.

Fiscal federalism needs to be urgently adopted for city growth and to allow cities adequate ownership of their land and resources. This must mean an adequate definition of city limits with exclusive city ownership of its resources. Federal, provincial governments, and defense agencies should not affect city administration.

The zoning paradigm needs to move away from its current emphasis on upper-class housing to one that recognizes the diversity of the functions of a city. It must favor density, high-rise mixed-use, and walkability—and especially in downtown areas. In addition it must favor public and community space while allowing for commerce, culture, and education and other needed city activities. Zoning needs to be based on clear transparent processes that are in turn based on open citizen consultations.

Building regulations must be loosened to allow complex high-rise construction.

City centers need to be developed for dense mixed-use. Government ownership of city-center land needs to be reduced if it is retarding downtown development. Commerce needs to be given priority in city centers.

City management should be professional, consultative, and accountable. Cities must be able to hire out of their budgets without federal hiring restrictions and mandatory positions for the federal civil service. Moreover, decision making must be based on open consultative processes.

Central to this reform process will be much-needed civil service reform, without which cities cannot attain the autonomy, professionalism, and control over their land needed for development. Unless the system of perks and civil service control of cities and their land development is shaken, serious commercial and construction activity will not start. And without this, there will be no serious effort to start unraveling the current system of exclusion of the poor. In turn, enlightened space and culture to counter the prevailing fundamentalist narrative in Pakistan will not emerge.

FEG and its predecessors at the PIDE have initiated the thinking on a simple reform agenda that will reduce the current high level of rent-seeking in Pakistan's cities, and lay the basis of commerce and creativity that will fuel sustainable growth. But is anyone listening?

Published February 2014.



CITIES 1: CITIES ARE AT THE HEART OF DEVELOPMENT

Recent research shows many reasons why city development is at the heart of progress, growth, and development.

- *History and civilization evolved in cities.* All major scientific, social, political, economic, and technological innovations have happened in human agglomerations known as cities. Great civilizations and empires have been developed around cities. It is no accident that the dominant empire of any time had the most important, creative, and productive city of the time.
- *The most advanced cities have been places of learning and idea development.* Cities such as London, Edinburgh, Paris, Los Angeles, and New York have been birthplaces of invention, creativity and most important of all, enlightenment and reformation. Historically, these cities have been for commerce and merchants and have evolved as mixed-use commercial cities.
- *The bulk of the output in any country is produced in cities.* Markets are based in cities and in bigger denser cities these markets can

be highly specialized clusters of information exchange. Innovation and entrepreneurship is often incubated in such cities. Economic activity, innovation, and entrepreneurship tend to cluster and feed off each other, favoring density.

“*The difference between poor and rich countries often lies in the productivity of their cities.*”

- *Cities allow space for everyone and all activities.* All classes live in cities. Often the poor and middle class live in cities while the rich estates move to open suburban environments. Cities offer community and networking infrastructure – libraries, community centers, sporting and conference facilities, and theatres – to all, especially the poor and the middle class.

- *Creative cities enhance individual productivity.* In the post-industrial information age, creativity creates value. Creative cities are multi-ethnic, open to immigration, culturally rich, dense, full of learning and innovation, allowing of eccentricity, and offer many diverse learning experiences. In well-organized societies, productivity increases and energies converge to produce innovation and fresh ideas.
- *City centers are mixed-use and densely populated where private space as well as private transportation are at a premium.* Increasingly, cities are using congestion taxes for cars and putting more emphasis on public transport to make cities more people-friendly. The young, the poor, and the middle class, along with their creative activities, co-exist and interact with businesses in busy 24-hour downtowns. These city centers are the heart of a city and define a city. All development around a city is then relative to this city center. City centers are magnets for ideas and migration. In fact globalization is really the network of ideas generated in city centers.
- *Sprawls that put cars first are less productive, more energy intensive, and wasteful.*
- *City regulation allows change and development.* Cities are dense human settlements and it is no wonder that they accentuate all conflicts. Successful countries and city administrations develop institutions for managing these conflicts, bearing in mind the needs of development and growth. Where conflicts are not properly managed, decline sets in.
- *Building regulations must allow for creative destruction and renewal must be allowed.* One important tension that needs to be managed is that between preservation of legacies and histories and that of accommodating the new and modern. Preservation is costly but necessary. However, without creative destruction, city development may be arrested. Preservation must be cleverly executed, preserving the spirit of the past and not seeking to keep obsolescent culture and functions alive.
- *Incumbents have the first mover advantage in any city occupying the best land and the use of the main amenities of cities like clubs and parks.* Unless city management is looking toward development, these incumbents will use the preservation argument to preserve more than is necessary and most of the preservation will be self-serving.
- *Real estate prices go up where height restrictions are excessive and building process is discouraging of construction.*
- *Rezoning helps development and increases the supply of urban amenities and housing in order to keep prices in check.* Mayor Koch of New York talked of the NIMBY (“not in my backyard”) mentality. Most of us would like a nice spacious mansion set in the middle of nice green meadows with all urban amenities within easy reach. Yet no one wants a busy highway or a shopping mall close to their backyard. But as a city grows, space has to be made for urban conveniences such as highways, hotels, offices and shopping malls. Often, estates and even palaces have to give way to the development of the city. City management must be able to deal with the NIMBY mantra. Palaces, estates, hunting grounds, and leisure parks of the rich have given ground to the needs of the city. There are examples of the supremely entitled, namely kings and dukes and barons, who have seen the importance of yielding such private spaces to the development of more productive cities.

Published November 23, 2013.

CITIES 2:

THE STATE OF PAKISTANI CITIES

While the emerging global consensus is that city development is at the heart of the growth process, Pakistan policy and research remains largely oblivious to it, given the highly donor dependent policy process which eschews domestic thought and debate. The result is that Pakistani cities are the opposite of what conventional policy advice would suggest. Their key characteristics are:

- *Sprawl is actively encouraged by policy.* All Pakistani cities appear to have no downtowns or city centers—dense areas of mixed-use development, concentrating residential, office, commercial and entertainment within an almost walkable district. Many cities are becoming urban sprawls at the expense of valuable agricultural land for which, at various times, expensive irrigation has been put in place.
- *Sprawl development favors roads and housing estates for the rich over other activities.* There is an excess demand for most forms of city activities—education, entertainment, offices, retail, warehousing and even low income and middle class housing. All these activities lack purpose-oriented space and are forced to be conducted in the only kind of city space that planners have been allowing for the last few years—single family homes.
- *High rise, even for flats, is severely discouraged and penalized.* The result is that housing for low income groups, young people starting families, and the middle class, is in an extremely short supply. In addition, there is



no cohesive, mindful construction activity in any city, even though this sector could sharply expand employment and growth.

- *City zoning has been very unfriendly to commercial construction, public spaces, and commercial and community activity.* Zoning, heavily manipulated by influential groups with vested interests, favors single family housing, leaving little space for other activities. Commercialization—anything other than single family homes—is arbitrary, cumbersome, ill-planned and expensive. As a result, zoning and real estate development appears to be a rent-seeking game.
- *Government rather than commerce dominates city functioning.* There is a large presence of government, especially the army, in all cities. Most prime land is government-owned, making the availability of prime land for commercial and mixed-use development very difficult. For example, the Mall Road in Lahore, the main thoroughfare, is completely owned by the government almost all the way from the Provincial Assembly chambers to the Airport.

Published November 23, 2013.

CITIES 3: WHY ARE CITIES SO OVER-REGULATED?

Why are our cities in such poor shape?

The answer lies in the architecture of their governance. Cities have become a major vehicle of rent-seeking and privilege preservation. Zoning and the arbitrary use of public land has become a major vehicle for rent distribution. Laws and institutions—based on open transparent processes and clear property rights—have not been created to deal with this problem. In Pakistan, centralized administration, opaque processes, and inadequate city administrations have heightened rent-seeking activity, stifling economic growth in cities while accelerating speculation. Some issues are:

- *City management is an almost part-time activity of the centralized civil service.* Professional and autonomous city management cannot be structured and implemented without a civil service reform. The current structure does not allow for community participation and catastrophically places cities in the hands of junior civil servants who are in temporary positions, waiting to transition to a higher position, in a monolithic federal bureaucracy. Spurred by donors, city management is viewed as the provision of physical infrastructure, such as sanitation and roads. Social, cultural, and learning activities are an important part of a city. Pakistani cities offer little in the way of entertainment, community or leisure space. There are practically no libraries, community centers, theatres or sporting facilities (except for those for the élite).
- *Most cities are not administratively cohesive.* Cantonments, federal and provincial governments, and other administrative structures often operate to undermine city functions and even take over city spaces to the detriment of city development. Federal and provincial

governments own vast amounts of inner city land which is arbitrarily developed without consultation with the City. Examples abound: arbitrary offices, leisure clubs, and training academies that the Punjab government and various federal agencies have built up in Lahore without consultation.

- *The public service pay and pension system which relies on perks based on urban land seriously impedes city development.* City centers are dominated by housing for civil servants, judges, and army officials. Land that should be available for mixed-use, high rise development is blocked because of this. Reforms that would monetize this perk and make this land available for mixed-use, high-rise construction have an investment potential of 50% of GDP over 10 years (Planning Commission / CDA estimate). This suggests that the opportunity cost of the perk system is huge.
- *Unlike other countries, because of the perk system, real estate development has become a public sector enterprise business and not a commercial activity.* Officials are rewarded for government service by gifts of land and hence like to keep land development as a public sector activity (CDA, DHA).
- *The unintended consequence of this form of city development is the serious lack of public, community, entertainment, and commercial spaces.* This lack accentuates exclusion, especially of the youth and the poor, not only from the city but also from globalization and modernity. The only form of public space that zoning has favored or is unable to curtail is that devoted to religion.

Published November 23, 2013.

CITIES 4: REBUILDING CITIES FOR GROWTH AND DEVELOPMENT

Way out: Reforms of the Framework for Economic Growth (FEG)

Following earlier research done at the Pakistan Institute of Development Economics (PIDE), the Planning Commission Framework for Economic Growth (FEG) highlighted urban reform as central to any strategy for sustainable reform in Pakistan. Cities become engines of growth and development when they are allowed to function as decentralized, coherent administrative units for the advancement of commerce. To achieve this:

- 01 Policy, research, and thinking needs to move away from a spaceless approach to development by integrating the role of cities as engines of growth.
- 02 Fiscal federalism needs to be urgently adopted for city growth and to allow cities adequate ownership of their land and resources. This must mean an adequate definition of city limits with exclusive city ownership of its resources. Federal and provincial governments, and defense agencies should not affect city administration.
- 03 The zoning paradigm needs to move away from its current emphasis on upper class housing to one that recognizes the diversity of the functions of a city. It must favor density, high rise mixed-use development, and walkability, especially in downtown areas. In addition it must favor public and community space while allowing for commerce, culture, education and other needed city activities. Zoning needs to be based on clear transparent processes based on open citizen consultations.
- 04 Building regulations must be loosened to allow complex high rise construction.
- 05 City centers need to be developed in a dense, mixed-use fashion. Government ownership of city-center land needs to be reduced if it is retarding downtown development. Commerce is to be given priority in city centers.
- 06

City management should be professional, consultative, and accountable. Cities must be able to hire out of their budgets without federal hiring restrictions such as the Unified/National Pay Scales and mandatory Central positions for the provinces will be a much needed civil service reform with to be which cities cannot attain the autonomy, professionalism and control over their land that is required to develop. Unless the system of perks and civil service control of cities and their land development is shaken, serious commercial and construction activity will not start. And without this, there will be no serious effort to start unravelling the current system of exclusion of the poor. In turn, enlightened space and culture to counter the prevailing fundamentalist narrative will not emerge.

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Published November 23, 2013.

THE URBAN SPRAWL

Cities are often a reflection of their zoning codes. Unfortunately, in Pakistan, citizens never have any say in how their cities and towns are designed. The width of our streets, height of our homes, size of building lots, amount of space reserved for pedestrians, and even the reasons that we cannot operate a donut store in our garage are all dictated by zoning regulations.

Bad zoning codes result in sprawl – and sprawl make societies worse off. According to urbanist Charles Montgomery, sprawls result in bad health, little trust, and low social capital. Moreover, people living in sprawls are less likely to volunteer, vote, and join political parties. Therefore bad zoning codes result in miserable communities and they are affecting our cities too. But how do our zoning codes and misuse of land result in sprawl?

First of all, our zoning codes discourage mixed-use and high-rise development. There are no apartment buildings with shops and offices near or within the buildings. Most well-designed cities that we appreciate are based on mixed-use.

Our zoning codes also mandate that for new housing, projects developers buy land in hundreds of acres. This results in sprawl primarily because hundreds of acres are usually not available within a city. It also encourages big investors who can afford that much land, thus reducing competition. Additionally, it reduces the availability of fertile agricultural land.

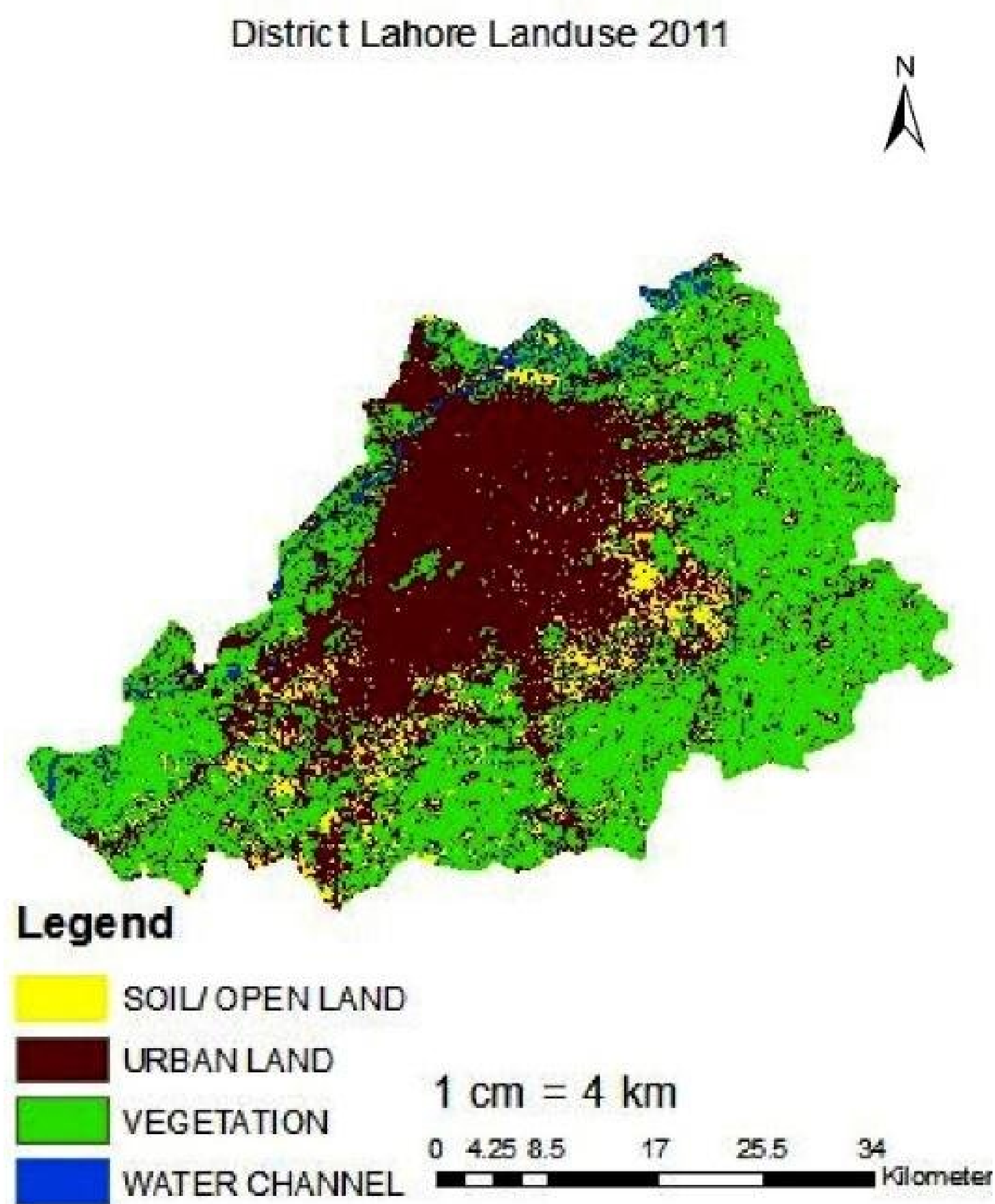
The fact that the government owns large chunks of prime urban land reduces the supply of available land within cities, which in turn also leads to sprawl. There is a huge opportunity cost of the inner city land that the government holds to provide its officials with plush housing and unnecessary offices. A Planning Commission study showed that investment could increase by 50 percent of GDP over 10 years – if this land were made available for mixed-use, high-rise development.

Our traffic management focuses on building roads and corridors for cars. The use of cars has been facilitated at the expense of other forms of transport such as bicycles, walking, taxis, and buses. With cars so subsidised, it is not hard to see why the sprawl is spreading.

In most cities, the planning process often has no zoning for the poor. Apartment buildings are seriously discouraged through planning permissions and high fees for commercialization. For some reason, our planners think of apartments as commercialization, and so poor housing is taxed heavily.

Rich housing – single family homes with highways leading to them – are encouraged. Planners even forget to cost the infrastructure required for such housing. Pipes, electricity, roads, etc. – eventually all this expense is borne by the poor of the city.

Excessive focus on form over function has incentivised the inefficient use of land to attract customers, and this inefficient use of land has led to sprawl. As consumers, we have to pay more attention to function than aesthetically appealing architectures because empirical evidence shows that though we place more weight on physical features, eventually we might be less happier in physically appealing buildings. A study at Harvard by Elizabeth Dunn had students select their houses for their subsequent school years; there was a forecast among students that they would be happier in beautiful houses than less appealing ones. However, after students settled in these houses, their happiness was determined more by social features and the quality of the relationships that they developed in those houses. Students ended up being happier in architecturally miserable houses because they had better social features. Dunn noted: “Participants overestimated how happy they would be in desirable houses and how miserable they would be in undesirable houses. Our results suggest that



forecasters may have erred by focusing on physical features such as location while virtually ignoring the quality of social life in the houses.”

We can try to fix our land use and zoning laws to discourage sprawl and thereby construct more equitable, vibrant, and productive cities.

We need to tweak our zoning codes so we can build high-rise and mixed-use property, in order to create more spaces for people in highly concentrated areas. We need to think more about building vertically rather than horizontally.

Zoning laws should encourage competition and also mandate socially-responsible housing. Large investors who buy the hundreds of kanals mandated are keen to maximise their profits, so their plans price out low-income households. This results in illegal housing and housing schemes deprived of the basic necessities of life. Zoning codes in some developed countries mandate social housing that accommodates people from low-income backgrounds. This helps mitigate sprawl and fosters tolerance, trust, equality and care.

Our zoning codes should encourage urban development with high FARs (Floor Area Ratio). According to a study on urban land and housing markets in Punjab by David Dowall and Peter Ellis, restrictive FARs are constraining urban density in Punjab. The study also notes that low FARs result in high land prices, a reduction in agglomeration benefits, lengthier commutes, limited formal housing (thus pricing out poor), and a disproportionately high impact on low-income groups.

Zoning codes shouldn't incentivize parking. Currently, developers are mandated by law to provide parking spaces – no matter the type of building. Incentivizing parking means we are encouraging developers to create commercial and housing projects further away from urban centers and encouraging people to shop further away from home. Both of these lead to sprawl. In addition, according to economist Donald Shoup, “minimum parking requirements subsidize cars, increase traffic congestion and carbon emissions, pollute the air and water, raise housing costs, exclude poor people, degrade urban design, reduce walkability and damage the economy.” More land for parking also means less land for housing, shops, libraries, schools, and hospitals.

It is important to understand where we are headed. All major cities like Karachi and Lahore have master plans. Though inhabitants should have the largest say in shaping cities, their input is never incorporated in these master plans. Our zoning codes should address senior citizens and persons with disabilities, as well as matters of public bike sharing, low-income households, and the fact that real-estate developers should be mandated to give back to society through the construction of schools, libraries, and hospitals.

Whenever we move into a particular housing society, there is only one zoning law available; there have to be alternatives that prevent or repair sprawl. We need to correct our zoning codes by looking at other poorly-designed modern cities and not repeat their mistakes.

Published June 19, 2016.

1 + 1 + 1

Ever wonder why you can't find a flat in most cities of Pakistan? With a young population and a large housing shortage, counted to be in millions, why are there no flats?

Cities are spreading into large sprawls building 2 storey houses, diligently following the planner's instruction to build 1+1 and no more. And these must be single family homes. Hence 1+1+1. 2 floors and 1 family. The Planner knows best!

When you ask them, they say they are planning an open suburb which to them is the pinnacle of human achievement.

Of course no suburb is complete without wide avenues, underpasses, and bypasses to allow 'cruising' like on Route 46, James Dean and all. That is the image the Planner has in mind.

They also maintain that we are rural people and like to hug the ground and will not live in flats. Needless to say, our weather too is flat unfriendly. Of course our culture is one focused on "Kothis" in suburbs.

They overlook that people in our old walled cities have for centuries lived in apartments and in buildings that were 5 or 6 stories. So is that not our culture? Did they not feel the heat in those "pre-air-conditioner" days?

Moreover, our people very proudly acquire flats in London, Dubai New York at very expensive prices to enjoy the metropolitan life style.

As to culture, our people enjoy everything cosmopolitan, from McDonalds to movies, like all other races. Could it be that the Planner is wrong?

We can all remember the lovely kothas high on a 4 or a 5 story haveli or a building where much community used to take place. Today the Planner has taken that away from us. Why?

My friend Parvez Qureshi points to a huge construction boom that could take place if we could only change the Planner's mind. Could we make him give up 1+1+1? Let him experience some vertigo and let building go up.

“they say they are planning an open suburb which to them is the pinnacle of human achievement.”

If restrictions on heights could be relaxed and apartment living encouraged, there could be a building boom in the country. Let us imagine that each housing unit of 500 yards or more in our cities (say a radius of 10 miles from the center) was to be allowed to go to 6, or in some cases 8 or 10, floors. And these new buildings were allowed to be converted to apartments. Each housing unit could be converted to many flats, allowing millions of new homes to be created. Maybe 1+1+1 could become 6+12 i.e. 6 floors and 12 apartments.

In the conversion, each unit would spend about a couple of crore or more. If millions of such conversions took place across our big cities, we could be looking at an investment potential of Rs. 20 Trillion or \$200 billion. That could easily lead to millions of new accommodations. How wrong is the Planner?

With a construction boom of this kind, we would employ a few million additional workers. The boom would last many years and increase our annual growth rate easily by about 1% annually. In addition, such activity would have large spinoff effects as other industries would be woken up as a result of derived demand.

Such a boom will also drive urban development, broaden the middle class, and develop a demand for consumer goods, entertainment, and other urban services. That, in turn, will create a boom in the further development of services to the new middle class, such as shopping malls, cinemas, etc.

In this manner, this could be the seed of a virtuous cycle that propels the economy into possible sustainable growth over the long term. We could be looking at high growth rates in the realm of 7 to 8 percent for the for the next 10 to 15 years. All we need is a rule change. Little people will do the rest.

It will also be an equalizing reform as it will not be only the rich who benefit. Largely the middle class will be a beneficiary. That the Planner could learn!

At the point, the planner starts behaving like my mother, scaring me away from naughtiness by saying I should be scared of ghosts and monsters. He points to a lack of sanitation, poor quality construction, congestion, safety, etc. to say that

we should not discard 1+1+1. We need to tell him all the positive results we will see alongside the boom. The boom will facilitate the change. Is the Planner scared of working and learning?

The payoff to giving up the suburban 1+1+1 model is so huge that it keeps me awake at night.

Surprisingly, none of our economic analysts supported and nurtured by our benign aid givers see this.

This is the most important way to wake up our construction industry and with it our economy. The construction industry which write now has been smothered by the Planner is operating at way below potential.

If only we could change the Planner's mind! But wait, who is the Planner? In most development authorities, he is a grade 19 official at best with little prospects of improvement. His masters are many DMG officials who only fleetingly think of urban development as an issue. And of course there is the LMC, Cantonment, etc., where I am not sure town planning is even a serious subject.

Alas, Dear Brutus, the fault is in us, in the way we organize ourselves! If we cannot organize our cities, we cannot have this boom. Hence we will continue to look for aid and money when there is gold lying in the streets.

Published February 14, 2014.

WHERE ARE THE TOWER CRANES?

About 17 years ago, I lamented the sorry state of our cities in a series of articles in local newspapers with the title, “where are the Tower cranes?”

As usual, nothing happened. Governments changed and we continued to look for more taxes and more IMF programs.

We have much hope in Imran Khan and wish him success. He has the right slogan. 10 million jobs and 5 million houses. I have some association with this slogan. But then this is not about getting credit.

Let us talk about how to achieve this goal.

Mr. Prime Minister, at your inauguration I had warned you in an article that vested interest will involve you in useless meetings. Please don't engage in this. Fix a big goal and watch the big picture and stop chairing useless meetings.

In meeting this big goal of 5 million houses and 1 million jobs, just say I want to see tower cranes in all major cities and then check every 3 months. It is as simple as that.

Just think! Wherever development is taking place, you see thousands of tower cranes. Why not here?

Our cities are spreading into large sprawls, building two-floor single-family homes. Commissioners and deputy commissioners who run our cities can only see their GORs as cities.

They also maintain that we are rural people and like to hug the ground and will not live in flats.

From their government-awarded mansions, they overlook their servants' quarters where families live in one room and a shared bathroom.

ضلع	پراجیکٹ
فیصل آباد	ڈی سی آفس فیصل آباد
اسلام آباد	نادر ایجنسیز، بیو ایریا اسلام آباد
سوات	ڈی سی آفس، ڈسٹرکٹ کورٹ گل کدو، سید وثر ایف روڈ، بیگورہ سوات
مظفر آباد	ڈی سی آفس اولڈ سیکرٹریٹ مظفر آباد
گلگت	ڈی سی آفس خرقہ گت
کوئٹہ	نادر ایجنسیز، ہسپتال، سرباب روڈ، کوئٹہ
سکسر	ڈی سی آفس مظفر آباد

Ask them, Why can't we build up? Why can't people live in flats? Why can't we have mixed-use development where flats, shops, schools, offices, gyms, entertainment and other amenities are in

the same neighborhoods? Why can't we have proper dense city centers with high rises?

Dear Prime Minister, don't fall for government provided housing to meet your goal. You neither have the fiscal resources to do that. Nor do you have the government machinery to prevent the massive corruption that will emerge in such a venture.

The best way achieve your goal is to unleash the private sector. Every home in every city is an investment opportunity. Let each owner build up and provide apartments, both on rent and otherwise, to others. On each plot, instead of one family, let there be 20, 30 or 40 families.

As described in the previous article, *1+1+1*, such a construction boom would create millions of additional jobs, kick off activity in many related industries, and create long-term sustainable growth over the long term.

Mr. Prime Minister, this is a simple rule change which requires you to simply say: on all plots, high rise and mixed-use development is allowed with no caveats. No need for a meeting or useless task forces or advisory councils. Just sign it and notify it.

But please note city managers (civil servants) will scare you from this by saying the following:

- They will say it can only happen in rich areas like Gulberg or on big plots only. Please ask why should the middle-class owner in Baghbanpura or Sandha with a 3 marla not benefit?
- They will point to lack of sanitation and public services, the possibility of poor-quality construction, costs of congestion, etc. to preserve the current sprawl approach. The provision of public services as well as safety

standards is their job and they should do it. It will take a few years to build and the market will decide where to build. They should be able to see where development is happening and build the required services alongside it.

- They will say not near VIP housing, in order to protect rich people's privacy. With millions of people homeless and unemployment at massive rates, why put the privacy of rich people and governors at a premium? Tell them to go to the suburbs.
- They will point to the need for parking in all buildings. Don't fall for that. We can and must have a car policy. I will write on that next.

“Ask them, Why can't we build up? Why can't people live in flats? Why can't we have mixed-use development where flats, shops, schools, offices, gyms, entertainment and other amenities be in neighborhoods? Why can't we have proper dense city centers with high rises?”

Let the boom happen, it will facilitate the change.

This reform is long overdue. Our city centers too should reach the stars populated by a rising middle class.

Once you put the notification in effect, to monitor performance all you do is to ask in all cities you visit “where are the tower cranes?” If they do not increase exponentially you know city managers should be fired.

Published October 06, 2018.

WHY ARE WE SUBSIDIZING CAR USE?

When I write about going high, everyone responds, “what about parking?” My response, “we don’t need parking!” is met with shock.

We are making cities for cars. There was a time people walked or biked in most of our cities. Since then, an obsession with cars has widened roads to huge urban highways that are impossible to cross, and an abundance of flyovers and underpasses for signal-free corridors has made biking and walking impossible. Not to mention that all sidewalks are eliminated and there are no bike lanes. Even worse, bikers and walkers are required to walk or bike up 3 floors in order to cross a road. Just to walk one mile in the city of Lahore, I had to go up 3 of those overhead road crossings. It was a quite an exercise, which would make it impossible for all but the fittest to use this city for walking or biking.

Yet, our quest in Pakistan remains signal-free corridors, wider and wider roads, flyovers, and underpasses to facilitate faster and faster cars. Bear in mind, in a city like Lahore with a population of over 10 million, there are only about 300,000 cars. And all this effort is for them.

Even the public transport that is being built is on platforms to provide more room for cars. The ugly high-rise public transport that impedes walking and biking while destroying the city skyline is the preferred alternative for our leaders.

For decades, I have been writing that we need to follow the rest of the world and rethink cars in cities.

What we need in cities is mobility without traffic congestion that wastes time and pollutes the environment.

“The largest item in the development budget of all levels of government is road-building.”

Mobility is also for all and not just cars. When cities grow in size and people and their activities crowd into dense neighborhoods, cars hinder mobility rather than enhance it. Space for cars in the form of roads and parking is never enough as density increases.

Large cities have struggled with the growth of people and cars, and have reached the conclusion that the answer cannot be continually making more space for cars. Congestion seems to increase even as roads are expanded and underpasses and overpasses are developed. Efforts to increase traffic flow often come to naught after a while, despite large expenditures on car infrastructure.

Pakistan has some of the largest cities in the world and all of them are struggling to cope with cars even as a huge housing shortage persists. The largest item in the development budget of all levels of government is road-building.

Most large cities have now accepted the idea that for equity in mobility as well as faster mobility

within a city, cars have to be limited. The thinking goes something like this.

In a city, the cheapest and healthiest forms of transport are walking and bicycling. The next cheapest form of transport is the elevator as people move in the neighborhood of high-rise buildings.

Linking walking, biking, and elevators to transit systems that connect dense centers of flats, commerce, work, education, and entertainment is now seen to be the approach to a healthy and nurturing city life.

But then what about cars? Cars are a luxury and not a necessity as our planners seem to think. They take up a huge amount of space that otherwise could be used for human activity. It is estimated that one car takes the space of about 100 pedestrians when you consider the space that must be kept free in the front and the back. In that space, 15–20 bicycles can be operated. A bus with about 80–100 passengers takes about the space of 3 cars.

Most major cities have begun to price the use of cars to curtail their use. This is done as follows:

- Meaningful metered parking charges for the use of appropriately designated parking spaces.
- FASTRACK lanes: In dedicated lanes, cars can go faster but at a price. They can even be charged for every mile that they drive within these dedicated fast lanes.
- Congestion charges to enter and operate in a city center – the denser more commercial parts of the city.

Technology allows such charges to be collected very cheaply through mobile phones. Well-planned use of charges rationalizes car use while

encouraging other forms of transport. Space on roads will easily:

- Be freed up for paths for pedestrians and cyclists.
- Provide more dedicated bus routes without building elevated tracks.
- Provide space for street commerce with kiosks for entrepreneurship by the poor.

With this little tweak in policy, we could have better cities, provide cheaper, more people-friendly metro buses, and provide people with more choices of transport such as walking and bicycling. No need for ugly elevated tracks and flyovers – expensive city dividers.

If done right, this will be a significant source of revenue for cities.

Published October 16, 2018.

BIKES, DENSITY, AND CARS

Lord Keynes in a famous statement said that *“Practical men who believe themselves to be quite exempt from any intellectual influence, are usually the slaves of some defunct economist. Madmen in authority, who hear voices in the air, are distilling their frenzy from some academic scribbler of a few years back.”*

It is not surprising to know that nowhere is this statement more true than in Pakistan. We are really suckers for this so-called “best practice,” never even questioning the possibility that new thinking may have overtaken such “best practice.”

We are currently designing the most expensive public transport system of metro-buses stretching 20+ miles across the city, without thinking of alternate options and without a proper discussion of its feasibility. In a rush to build these, we have generously committed public funds in a plethora of contracts that represent future guarantees and commitments of the exchequer.

Could there have been other approaches? They were never considered.

Before metro-buses, our leaders were enamored by underpasses and flyovers to facilitate cars to move across the suburban sprawls that we are developing. Once again, you can see that these are ideas were in vogue in the U.S. and other advanced countries in the 60s. We did this 30 years later still listening to old ideas.

The urban sprawl and the huge road network of wide avenues, flyovers, and underpasses through

the generous use of public funds is a subsidy to cars and a tax on the poor. To see how, note that before policy started favoring sprawl and cars, the poor used bikes and walked. Now they cannot.

“Densifying will begin with a discontinuation of the current sprawl model where single family homes spread into the countryside, destroying agriculture and the environment.”

Enrique Penelosa, the famous mayor of Bogota, has shown that mobility is an important right for all in a city and that public transport is an important part of it. Our leaders have started to appreciate this lesson. But again, not the whole lesson.

Increasingly, cities are learning that mobility is more than cars and metro-buses. Walking and bicycling are also mobility choices. But this transition will happen if a) cities are allowed to densify and b) the current policy of subsidizing cars and taxing bicycling and walking is discontinued.

Densifying will begin with a discontinuation of the current sprawl model where single-family homes spread into the countryside, destroying agriculture and the environment. It means allowing for mixed-use, commercial development of offices, shopping malls, and flat-based living. It means a liberal building code that does not disfavor high rise and commercial development. It means a city development administration friendly to construction.

The current model favors the car as a mode of transport in our cities. The expense of the new metro-bus routes has been raised because of the need to provide space to cars. Otherwise, it was easy to simply ban cars from Ferozpur Road in Lahore and use it only for buses. No big pillars or construction.

With densification, a lot of people can choose walking and bicycles as a mode of transport. But not if we keep the current car-favoring model in place. City administration's 50 year romance with the car has to give.



I have argued for long now that we need a complete paradigm shift in our approach to city management. Along with densification, we need a car policy. Such policy would be based on pricing the use of the car to discourage use especially in denser, more congested parts of the city. The following principles would be used in making this car policy:

- Congestion fee over the most dense, mixed-use area which should be attracting the most traffic.
- The elimination of free or cheap parking in a big city like Lahore. Instead, a graduated (based on distance from the center) metered electronic parking system should be developed.

- Traffic flow should be studied for one-way systems to reduce congestion and also to find space for sidewalks and bicycle lanes.
- Sidewalks and bicycle lanes should be given priority everywhere to induce people to take these healthy alternatives. Motorists crossing over into those areas would be heavily penalized.
- With densification, zoning laws should allow more neighborhood commerce for increased use of walking and bicycles.
- Technology should be used for fee and fine collection and cameras should be used for enforcement. This could be a reasonable source of revenue for the city.

The sprawl from Kasur to Sialkot is wasteful in every way. The Lahore smog has robbed us of our lovely winter sun and jammed our airports and our streets. Jobs and output are lost, as is agricultural land, while we build in the most energy-intensive manner. Yet, the old mindset remains fixated on cars, leaving little room for people and community.

If we change the paradigm, as suggested here, urban renewal will start. The construction industry will get a huge boost and we may even begin to see that symbol of development—the tower crane—in our cities. It will also lead to a more inclusive growth as the poor will find space in our cities in flats. And they will be able to walk and use bicycles as cars are priced right.

More than likely, new services—such as delivery, carpooling, and taxis—will develop, providing much needed employment to that worrisome youth bulge.

The Chief Minister of Punjab agreed with the vision but could not persuade his officials to implement it. Can the media?

Published February 08, 2015.

MAKE WAY FOR CARS: NO ROOM FOR KHOKHAS

When I grew up, there were small kiosks (*khokhas*) all over Lahore. Vendors on bicycles and on foot used to hang around our houses and schools. As kids, they offered us many delights from spicy concoctions (chooran, Chaat) to puzzles and other toys. Craftsmanship was on offer. A spirit of entrepreneurship was displayed.

This was when the city was compact and most of us walked or biked and, as a result, were somewhat lean. Roads and sidewalks were lined with khokhas. The sidewalk indeed was a public space where community interaction happened; people walked, haggled, and interacted.

Then came our romance with garden city suburbia. Bureaucrats, both civilian and military, learnt that plotting was profitable and began a horizontal expansion of the city. To them, distance did not matter since their car expense was picked up by the public sector. Besides, downtown development was theirs to stifle so that suburban values would go up. And they got those suburban plots for a song. So they could pocket huge capital gains. And tax-free too!

Suburban expansion and stifled downtown development eventually fueled the demand for cars. A rent-seeking domestic industry developed to provide cars with yesterday's technology. But the people were forced to buy them as policy gave them no choice.

But cars are such a necessity in this suburban model of development that any one who can afford one has to keep one no matter how old or beat up. Or they at least need a motorbike.

As cars grew in number and suburbs spread, more and more money was spent on making roads and broadening them.

This resulted in 3 negatives for Pakistan.

1. Valuable agricultural land developed through harnessing rivers at a huge price is being converted to housing colonies.
2. The spread of the city has increased our car-dependence. In turn, our car dependence has increased our oil bills and is rapidly increasing our environmental cost.
3. Most importantly, the car has displaced the sidewalk and the khokha.



In addition, since all policymakers have free cars with chauffeurs, they have absolutely no incentive to develop public transport. Only a political leader like Shahbaz Sharif forced the

issue and developed Pakistan's first post-independence public transport system in Lahore (we used to have public transport in colonial days).

Through three governments, I have tried to put together a policy for khokhas and sidewalks but with little success. The bureaucrats are totally opposed to this. Unless perk/plot/protocol culture is removed, they will remain wedded to cars and plots. After all, they benefit directly from these.

Whenever I go overseas, I am amazed at the opportunities that khokhas offer. Constitution avenue, the heart of Washington DC has khokhas, some of them operated by Pakistanis. Indeed, right next to the White House, there are khokhas. Manhattan is full of them and Wall Streeters frequent some of these for a quick lunch on a nice, sunny day.

The far eastern cities are littered with khokhas everywhere, and shopping and eating at them is a tourist attraction. They even have dedicated building with khokhas in small stalls where poor entrepreneurs work hard to climb up the social ladder.

None of these khokhas are unattractive or filthy. The government has a regulatory and licensing framework that ensures certain quality standards. This makes visiting khokhas attractive and offers the poor opportunities for entrepreneurship.

All governments give us the usual youth and poor incentive schemes based on handouts or loans. Microcredit has mushroomed. But no one has given thought to entrepreneurship opportunities for the poor. Without space to invest, what will these people do with an incentive or a loan?

Cities become inclusive and humane when policies like this are adopted. This is why the Framework of Economic Growth (FEG) of the Planning Commission of 2011 highlighted city development.

However, this reform is quite unlikely to happen unless our city planning paradigm based on plots/perks/protocol is changed. Following the FEG, we must discontinue our suburban garden city approach to city development. But unless the system of rewarding through plots is discontinued, this will not happen. This is one of the reasons that the FEG linked civil service reform with city development.

Politicians see the vision because they know that this is a vote-getter. However, they are unable to push this bureaucracy into making the change. Now do you see why change must begin with the elimination of perks/plots/protocol?

Published January 25, 2014.

WHY NOT *KHOKHAS* EVERYWHERE?

Street-vending through kiosks (khokhas or dhabas) or mobile vendors (chabri wallahs, truck, bicycles or motor cycles) are all legitimate activities which allow the poor opportunities. All societies through history have had these activities. An unemployed person can, with a small amount of money, buy some fruit and serve it on a small platform or a cart.

There used to be a time when we would see these vendors all over Pakistani cities selling all manner of things. There was the guy selling the most awesome wire puzzles that I wish had kept. There was the guy on the bicycle who used to be the only supplier of used Marvel comics and science fiction books.

As teenagers, we used to walk or bike to local khokhas to pick up all manners of goods as they were conveniently located and often cheaper than they were at bigger stores. The street vendors were also willing to do things like give you one cigarette from a pack or one biscuit from a pack as opposed to buying a whole packet.

Then, somewhere in the 80s, when we seriously adopted the suburban DHA model, all roads were widened to make way for the cars. Many of my favorite khokhas were taken away. I wondered where the owners had gone till one day I found one of the vendors in dire straits forced to beg.

Later, our pristine suburban neighborhoods got very exclusive and the mobile vendor who used to visit us earlier was now diligently stopped by the police, as well as private security. Various forms of hawkers

(the guy with the *churun* (a spicy paste or powder), or the vendor carrying the rubbery candy with which he made bicycles or figures, or the kulfi wallah) disappeared. I wonder where they are begging now.

Meanwhile, bureaucrats who ran cities became increasingly wedded to the American suburban model with endless single-family homes and broad avenues for cars. Of course, they kept prime areas for their government-owned housing and government-subsidized leisure clubs, as well as plots for themselves. The poor did not fit into this scheme. The masters of the city with their perks and plots therefore got even more strict with the street vendors. Police were told to vigorously eradicate all forms of poverty—poor housing and street vendors—from the line of sight of speeding cars.

Occasionally, a street vendor shows up on a side street but in a matter of hours you will find some policemen throwing him out. YouTube even has videos of policemen in Karachi upsetting carts of street vendors and destroying their inventory. DHA, the pinnacle of good estate management, will not allow any street vendors.

Meanwhile, we in policy circles began to measure poverty and continually talk of poverty eradication.

Donors forced us to initiate many poverty alleviation projects. We have BISP where we are giving them conditional and unconditional cash transfers. We have skill development agencies in every province and at the federal level and we also have funds to

foster skill development. We also have several large microcredit-providing agencies and several banks that these agencies finance.

So, what is it that people do with the few thousand rupees that these programs give them? There are no studies on this question. Mostly people ad lib, “they start their own business.” And most frequently, the business is thought to be a sewing machine. One wonders, how many sewing machine businesses can the poor run?

So, the next question is “where can they set up this business?” Here, the consultants have no answer. Weakly they say “at home?” But the homes of the poor are small and their families large. Do they have space to operate? Besides, would their clientele be the neighborhood? Or will they spend time peddling their wares? And how, when no such activity is allowed?

I have personally pushed for the liberalization of street vending business for the last 15 years. I have presented this proposal to prime ministers and chief ministers. They liked the idea until the bureaucrats shot it down. “Why?” you would ask. I can think of no reason other than power and hubris.

Unlike Pakistan, the rest of the world has a huge number of street vendors in their cities. Scanning some recent research on the subject I found these estimates of the number of street vendors in some major cities in the world:

City	Street Vendors
Manhattan	50,000
Mexico City	185,000
Seoul	800,000
Manila	50,000
Kuala Lumpur	47,000
Bangkok	100,000
Dhaka	100,000

Street vending is a legitimate entrepreneurial activity for the poor. It also adds to city life as many of us have felt when we go to Manhattan, London, Singapore or Bangkok. It adds vitality and vibrancy to the community, promoting mingling opportunities among the most diverse segments of society. It also extends the range of goods available and promotes price competition, which serves the community with both more goods and services and at lower prices. It also promotes street safety as it puts more ‘eyes on the street.’

Many well-known entrepreneurs took their first steps as street vendors to grow large businesses. Vienna Beef, a large company that makes hot dogs, sausages and other food items started out as a street vending company. A heartwarming story from India is making the rounds about a blind man, Bavesh Bhatia, who has developed a multi-million dollar business starting off as a street vendor.

Is it not time that we allowed street vendors everywhere in our cities? Every street and street corner should be allowed to have a street vendor. Cars must be made to give space to the poor. And there is no reason to associate street vending with poor sanitation and aesthetics. A careful and good policy can be developed to develop street vending cleanly and aesthetically. We can work out a good policy for street vending.

I find it strange that there are street vendors within a stone’s throw of the White house, the Congress, and Washington DC landmarks and none on Constitution Avenue Islamabad. If hawkers hang out near Buckingham Palace and the Parliament, why can’t there be khokhas next to the Governor’s house, Gymkhana, Punjab Club and the Corps Commander house in Lahore?

So, let us not give the poor mere handouts without the space to grow. Street vending is a legitimate right of the poor to claim their share of entrepreneurship. Accept it and allow them to grow.

Published February 28, 2017.

WHERE ARE *THE OPPORTUNITIES* FOR THE POOR?

The Prime Minister has announced an EHSAS program for poverty alleviation – an admirable step. But more than government aid, the poor need to be included in cities of opportunity. Handouts, credit, and online opportunities are not a substitute for opportunity.

Think about how many of our poor have climbed into the middle class thanks to the opportunity of migration, which they grasped eagerly despite having to incur huge costs.

Contrary to what Pakistani analysts put out, poverty is always caused by exclusion from opportunity. Give the poor a chance and they will lift themselves out of poverty.

A starting point could be an attempt to look into the apartheid social regime we have created. Could the extreme degree of exclusion of the poor (basically the non-elite) be at the heart of our troubles? Ask yourself the following questions and see if you agree with the answers, and you will see for yourself how the poor are excluded:

01 *Where do the poor live?*

The poor are totally excluded from elite space; they are seen only as servants and the only places allocated to them in cities are servant quarters.

Most of the population needs small – one- to two-room – flats. But where can they be put? Zoning laws in our cities do not allow such development except on the outer reaches of cities. Council houses in London exist side by side with expensive housing. It is not so in Pakistan. The rich and the poor cannot mix. We cannot have high rises looking into the residences of the rich.

The rich want conveniently located polo grounds and golf courses, giant parks to jog in, and, of course, nice big lawns for their parties. They want sleek, low-rise cities where their cars can move easily from their estates to their leisure activities – golf and polo. The rich want zoning laws so that there is no high-rise construction or congestion in their park-like setting.

02 *What do the poor do?*

The elite policymaker, who is often an industrialist, looks to industrial parks and subsidies for employment of the non-elite; no matter that factory employment lags way behind employment in the services sector.

With technological advancement, giant factories are no longer employing millions of workers. Large numbers are now employed in construction, shopping malls, hotels, and the leisure

industry. But that is anathema to planners and zoners, who are from the elite civil service. All retail, warehousing, leisure, and community enterprises, as well as the non-elite, are regarded as non-essential. These then expand informally on residential property. Limited development of these activities means less employment for the non-elite.

03 *How do the poor work their way out of poverty?*

Traditionally, education has been an equalizer. However, in the Pakistani apartheid system, this is not happening. The rich educate their kids overseas, leaving the local education system in a permanent state of disrepair. Many years ago, Majeed, a driver, declared quite openly his intention not to educate his son because Urdu-medium public schools do not offer children upward mobility even after years of education. Only a few months ago, while a 26-year-old driver in Dubai was talking to me, he cursed his over twelve years of Urdu-medium education from Pakistan that qualified him only for menial jobs – a waste.

04 *So, what about entrepreneurship by the poor?*

The poor have traditionally helped themselves by running street-hawking businesses and khokhas (kiosks). These were widespread a few years ago. But, administrations have become vigilant and do not allow these in rich areas. And, of course, there can be no zoning for them.

Where is the space for entrepreneurship by the poor? We need wide avenues for the Porsches and the BMWs! We also need large urban tracts for golf courses, polo grounds, and giant parks (the lungs of the city). So, let these people go to shantytowns in the outskirts of our cities.

05 *Does the state not help the poor?*

Every now and then, politicians set aside a large amount of funding and give it a donor-inspired name like Income Support Fund or Social Protection. After much bureaucracy, and many land cruisers, consultants, and plush offices, the poor get some minor rationing subsidy. Most often, it is some form of food coupons, cash transfers, a yellow cab scheme, or micro-credit. How strange: give them food and capital but no place for entrepreneurship.

Interestingly enough, the state subsidy to industry is way more than the state has ever spent on the poor. And the subsidy to industry goes directly into the pockets of the rich.

06 *What about enlightened self-interest and noblesse oblige?*

In history, enlightened self-interest has led the rich to invest in some social mobility. Philanthropies have set up universities and community infrastructure to level the playing field for the poor. Royalty has always patronized intellect. Unfortunately, in Pakistan, philanthropy means building for the rich – country clubs, polo grounds, LUMS and Aitchison College: places for elite-use that, for the most part, do nothing for the excluded.

As a footnote, the rich do not even visit the campuses of the poor to mentor and interact with the underprivileged. They have no time for these trivialities.

07 *What about leisure and community for the poor?*

Leisure and community are only for the rich. City zoning provides fully subsidized space for the elite to play golf, tennis, and polo, and even build schools for the rich, but there is not an

inch of space for community and leisure for the poor. No public libraries, no community centers, no publicly provided football fields or even a basketball court for the poor. Even competitive sports as a vehicle for social mobility are completely ruled out as a result.

08 *Who offers the poor hope?*

Certainly not the government! Certainly not the donors with their minor employees! The liberal elite made big promises and delivered nothing. The promise of globalization and liberalization has rightly lost its luster in the minds of the poor.

Theatre, cinema, or any form of intellectual activity that will offer an alternative vision has been zoned out. Where should the poor look for a vision? Who offers them hope? Who offers them community? who gives them some opportunity? Who gives them the vision of a just society?

But there is hope for them! Think about it. Their hope is the mosque and the maulvi. Mosques remain totally unregulated, need no zoning permission, and have been actively encouraged by the state. Not surprisingly, the mosque is the only community center for the excluded poor, the unregulated maulvi the only visionary. This is the unintended consequence of the greedy, unenlightened behavior of our elite.

More than handouts, the poor need space in cities. Include them.

Published July 10, 2019.

WHY DOES THE MYTH OF *RURAL PAKISTAN* PERSIST?

Why do Pakistani official circles still like to maintain that Pakistan is a rural country? In every pronouncement by the government, at the cabinet table and even in donor dialogs, this myth is maintained. Yet, data shows otherwise.

Reza Ali, an indigenous urban researcher, has been studying this use for some time. For decades, he has argued that censuses are underestimating the extent of urbanization.

His most recent work using satellite imaging estimated that about 70% of Pakistan is non-rural. He hesitated to say that 70% was urban because, despite showing concentration of population, several areas lacked city functionality.

He found large areas where density was at levels that were, by international definitions, accepted as urban. Yet, he hedged and called them 'urbanizing' because he found that, despite density they really were satellites of some urban core.

The new category of 'urbanizing' that Ali used is that of newly emerging suburbia. As we all know, there is a push for housing colonies and strip urbanization along roads because of the repressed demand for housing in cities. This demand for housing and urban space is growing and leading to a rapid development of housing colonies that are spreading cities far and wide.

Moreover, Ali is right: the world has been confused about suburbia for a long time. Only recently has it started waking up to how suburbia is a netherworld between rural areas and cities, and is perhaps neither. The negative consequences of suburban development are now being spelt out.

But, Ali's research does show that Pakistan is largely an urban country and is urbanizing at a rapid rate. Admittedly, it is happening badly because of bureaucratic failure. But that is another story.

Why this pressure in official circles to keep Pakistan an agricultural country? USAID continues to characterize Pakistan as an agricultural country and the economic growth component of its aid is based mainly on agriculture.

When I was in charge of the Planning Commission, I told them many times that Pakistan was now largely urban and that we wanted an urban-based growth policy. The Pakistan Framework of Economic Growth accepted by the NEC and Cabinet was an urban-based growth strategy. The bureaucracy, EAD and USAID however remain rural-focused. Perhaps John Perkins (Confessions of an Economic Hitman) is right: USAID does not want Pakistan to develop. Maybe USAID wants to keep us as a farming hinterland!

We cannot even have a debate on this subject as Ali's work, despite it being five years old, is still not recognized by donors.

The Department for International Development (DFID) commissioned a study on urban areas by a young assistant professor at one of our prestigious universities. The study cited no work by Ali or any other urban researcher. The researcher told me that donors did not know any Pakistani work (such as that done by PIDE or the Planning Commission) on urban areas and more importantly, they did not even want to recognize such work.

Yet, DFID published the report. Then, why should the young researcher know more than what the donor has contracted? Thus, we have the myth of rural Pakistan.

I remember at an ECC meeting, one minister made a very eloquent speech to counter the pro-market, urban voices by saying, in a nice modulated voice, "Finance Minister, we can continue our conversation on markets and policy, but one issue is settled. We are a rural country and the poor farmers deserve subsidy."

Of course, if we are a rural country:

- Agriculture incomes must not be taxed.
- Subsidies must be given on inputs such as water, electricity, and fertilizer.
- Farm to market roads (mainly to havelis) must be made.
- Support prices can be kept well above the market.

I was also surprised by the number of bureaucrats and politicians in meetings who professed to be farmers and speak on behalf of agriculture, of course to increase some form of subsidy to agriculture. Recall that the government has, on occasion, given agricultural land as a gift to senior officials, judges, and generals. These

people and their children, now in official positions, maintain the myth of rural Pakistan.

I asked some bureaucrats why so many of them are farmers. The answer was that having a DMG job is a considerable advantage to farming. State resources can easily be used to help manage and even increase some productivity. Timely and abundant supplies of water, seed, fertilizer, and electricity are available to those with political or bureaucratic muscle.

So our policy continues to remain distorted because of the nexus of landlords and donors. Interestingly, local intellectuals like Ali remain invisible even when they do great work.

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COMMERCIAL PROPERTY DEVELOPMENT NOT ALLOWED

Ever wonder why our cities in Pakistan do not have an abundance of commercial, retail, office and dense, residential (flats) development? The answer, as always, lies in poor uninformed governance.

For too long now our planning paradigm has favored the kothis. Even now the planner thinks only of elite housing – single-family stand alone construction – one floor plus one. Unlike the rest of the world – even the old Lahore townhouses have 4 stories and density is allowed for in the shape of adjoined houses – the norm in Pakistan is one plus one. We continue to plan for stand alone houses with setbacks.

Should you wish to build any thing different from a 1+1 kothi, you need to get your plot “commercialized.” Even if you want to build a block of flats, you still need to commercialize your plot. What is this commercialization?

The most important fact that I have learnt about commercialization, is that it is totally arbitrary, varying from locality to locality. It can be especially difficult in cantonment areas which are now a substantial proportion of our cities.

Commercialization happens on a plot-by-plot basis. Your neighborhood may be entirely commercial; yet your plot has to be commercialized for you to build on it. And there is no guarantee that your plot will be commercialized even though your neighbor’s plot is commercial.

The process can be lengthy. On the way, there is a lot of room for extraction of rents and bribes. There is no one window of opportunity here. In cantonments, it can involve the GHQ, corps commanders, etc.

Commercialization fees are heavy and arbitrary, varying all over the country. I have found them to be as much as Rs. 3-4 million per Marla. In some cases, they are higher than the value of the land. The reason that is given for such high fees is that the city will build infrastructure for the increased density that is proposed in the new commercialized project.

“The result of this strange unthinking policy is that our cities have remained stunted and feudal.”

The process of commercialization also gives your neighbor the right of veto, thereby slowing the process further. Why the neighbor should have a right on your property is neither debated nor understood.

When one puts one’s mind to it, the implications of this anti-commercialization policy are large.

The result of this strange, unthinking policy is that our cities have remained stunted and feudal. There is no good commercial space available anywhere. There is a huge excess demand for nonresidential space such as offices,

education, community, school, leisure, entertainment, and retail space.

Most importantly, mixed-use space where offices, flats, retail, and community mix is not available at all. Even our old cities had large amounts of mixed-use space. It is in this space that the middle and the poorer classes thrive. Without a change in this policy, these classes will continue to be excluded from our cities.

Without apartment blocks, we will never have manageable and modern cities. In the current kothi paradigm, even if we could house everybody, urban sprawl would kill much of Punjab's agriculture. We simply do not have the land or the management capacity to allow that to happen.

The look of our cities, as well as the mindset they generate, remains feudal and rural. We continue to conduct all our ceremonies – weddings, functions, and entertainment – in a very rural and feudal manner because our cities have not yet developed an urban culture. How can you have an urban culture without an urban mix and density?

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WHERE ARE THE LIBRARIES?

At a couple of recent conferences in the U.S., I raised the issue of the Pakistani government's lack of sensitivity to developing community goods.

My example was the lack of public libraries in Pakistan. I said that there are no public libraries in our cities. In fact, provocatively, I often say that "Lahore has 5 polo fields (each 10 acres in size) and 3 golf courses (an average size of a golf course is about 200 acres). Yet, there are only 2 public libraries, one left by the colonial masters and one in Bagh-I-jinnah resident in a converted colonial building!" With the population growing more than tenfold, no libraries or community spaces have been created.

I might also add that the government did provide city center land and a subsidy to develop golf and polo fields – 2 games exceedingly important for community and societal development. More on that some other time!



When I pointed to the lack of public libraries in Pakistan, some very well-known Pakistani intellectuals started saying "Not true! Not true!" Some even contended there are many libraries. The American audience was perplexed and rightly so.

Well, let me give these people a list of libraries in the country of 180+ million people.

My first source: The National Book Foundation this is what we get.

Libraries

- National Library of Pakistan
- Liaquat National Memorial Library
- Khaliq Deena Hall
- Iqbal Cyber Library
- Punjab Public Library Lahore

University Libraries

- Aga Khan University (*Karachi, Pakistan*)
- Akhter Hameed Khan Resource Center (*Islamabad, Pakistan*)
- Bahauddin Zakariya University (*Multan, Pakistan*)
- COMSATS Institute of Information Technology (*Islamabad, Pakistan*)
- Goethe Insitute of Karachi (*Karachi, Pakistan*)
- Government College University (*Lahore, Pakistan*)
- Hamdard University (*Karachi, Pakistan*)
- Institute for Development Sudies and Practices (*Quetta, Pakistan*)
- Institute of Sindhology (*Jamshoro, Pakistan*)
- International Islamic University (*Islamabad, Pakistan*)
- Islamic Research Institute (*Islamabad, Pakistan*)
- Lahore School of Economics (*Lahore, Pakistan*)
- Lahore University of Management Sciences (*Lahore, Pakistan*)
- Liaquat Memorial Library (*Karachi, Pakistan*)
- NGO Resource Centre (*Karachi, Pakistan*)
- Pakistan Library Network (*Karachi, Pakistan*)
- Punjab University (*Lahore, Pakistan*)
- Quaid-i-Azam University (*Islamabad, Pakistan*)
- Shaheed Zulfikar Ali Bhutto Institute of Science and Technology (*Islamabad, Pakistan*)
- University of Central Punjab (*Lahore, Pakistan*)
- University of Peshawar (*Peshawar, Pakistan*)
- University of Verterinary and Animal Sciences (*Lahore, Pakistan*)

Similar information can be found on:

- Pakistan Library Network
(<http://www.planwel.edu/pln.htm>)
- Libraries in Pakistan
(<https://www.lib-web.org/asia/pakistan/>)

Some notes on these lists:

1. Most of these are university or official libraries. They are private, only available to members, students, and officials. They are certainly not "walk-in" public libraries.
2. Public libraries are significantly unavailable, with the exception of the Punjab Public Library and the National Library of Pakistan.
3. Most of the public grew up using the British Council and American Libraries.
4. Now that aid bureaucracies have grown to shun such long-term and low-margin community commitments in favor of more lucrative long-term consulting contracts, these libraries have decreased.
5. We have said nothing about the quality of the libraries on these lists.

Where does a poor kid read? Books are unaffordable. Maybe Madrassahs!

I wonder whether my well-known Pakistani intellectual friends who yelled "not true! not true!" will now learn about Pakistan.

Before they point to the tiny libraries of DHA and Model Town or Sindh Club and Punjab Club, let me remind them that these are libraries meant for the elite associated with these organizations. Moreover, book collections and spaces allocated to housing them are more often than not less than adequate!

“ *What is needed are public libraries to introduce youth to global knowledge.* ”

Published March 05, 2010.

BEGGING TO PRESERVE **'DEAD CAPITAL?'**

Budget time is approaching! The usual demands of the government will hit newspapers!

It surprises me that after 64 years of poor economic management, failed policies of bankers and bureaucrats, and failed budgets, we continue to expect wonders from our budget.

I say forget the budget! It is only a speech full of promises that are forgotten the day after the speech has been delivered. In our history, no budget has been adhered to for more than a few weeks. The budget document has no sanctity.

But the economy is in a deep recession—per capita income is by all estimates going to decline. Poverty is on the rise. When per capita incomes go down, poverty will increase! There is going to be pain among the dispossessed.

What should we do? Well the policymakers—bankers and bureaucrats—are going to do what they do best: beg some more and follow the master's (donor's) advice.

But as for the rest of us, we should think some more and raise our voices for change. Those who have the privilege (not the skill) of making policy, keep intact the system of rentseeking, privilege, and corruption.

The rest of us, who are ashamed of our continual begging, must look to alternatives. Surely a nation of 200 million with a nuclear bomb can have a little more self respect and be turned off by our policymakers panting for aid in every corner of the world. They even beg from tiny U.A.E. and Qatar!

History and economics (skills considered useless in government) show that we can use our 'dead capital' to generate growth, revenues and jobs at home. 'Dead capital' can be defined as potentially valuable assets that are currently not being used productively. Some examples:

1. Governor houses (I can count about ten around the country) are now occupying city center space tax-free and at huge budgetary costs. We can convert the governor's mansions to high-end hotels and make some money while using their extensive grounds for commercial development. I can envisage at least 1 billion dollars and 3000 jobs if we were to allow better utilization of these properties.
 2. City center government property should be immediately privatized and made available for big time, mixed-use development ranging from hotels to shopping malls to apartment blocks. Areas such as Mayo gardens and the 3 GORs in Lahore (government housing), parts of F 6/3, and the whole sector above the Marriott in Islamabad could be developed into expensive, revenue-yielding, high-class commercial developments. To this, we should add the land that army VIPs are enjoying, such as their various houses and messes in the middle of the city. Many of the provincial cities too have considerable land that the government is occupying for non-commercial purposes such as housing bureaucrats, both civilian and military. My crude estimate is that sales of these properties could fetch upwards of 4 billion dollars and 8000 jobs.
 3. Then, there are large tracts occupied by government training institutions. NDC, Staff College, Naval War College, NIPA, and the Civil Service Academy in Lahore all come to mind. Why can they not be moved to
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Quetta or Kohat and this land freed once again for serious development? I can easily see this generate about half a billion dollars and 2000 jobs.

4. Then, of course, there are the stadiums which occupy huge tracts and are not used for entertainment. Instead, their walls are being used for shops. Neither a stadium, nor a shopping mall, this is a most egregious waste of resources. If we were to merely demolish fortress stadium in Lahore and make a multipurpose facility to include hotels, shopping malls, and a convention center, the exchequer could gain a few hundred million dollars and 3000 jobs could be created. Better utilization of our other stadiums as well as the convention center in Islamabad could generate revenues of about 50 million dollars annually and 2000 jobs.
5. A large part of city center land is given to the elite for their entertainment at subsidized rates. This includes polo grounds, golf courses, and clubs such as Sindh Club and the Punjab Club. If the peasant's land can be acquired for DHA, why not take over these rich-man facilities for serious commercial development that relieves our debt burden? This could be a large bonanza, yielding many jobs. We could even build libraries and community centers on this land.
6. Creative destruction could yield a huge bonanza too. Take Gulberg Market, Liberty in Lahore, or Jinnah Super Market in Islamabad! If we merely find a way to turn these relics of another time into modern assets, dead capital can be converted into gold. For example, Liberty is a huge area which could house a beautiful, modern, multi-level shopping mall, as well as hotels, apartments, offices, and parking. I can easily see about a hundred million dollars increase in our GDP over 2 to 3 years plus the creation of 5000 jobs from this project alone. The use of this concept in other places could mean more output, revenue, and jobs.
7. Strangely enough, we still have anachronisms like the CSD on the Mall Road of Lahore in an age when we have hypermarkets coming into town.
8. Still more creative destruction! Our cities look dated and decrepit because our silly bureaucracy does not allow renewal. Housing stock normally has an average age of 20 to 30 years. Zoning also needs renewal each generation. Yesterday's suburb or housing could be today's commercial hub, leading to large valuation gains. As I have been arguing for many years, our zoning laws are antiquated and anti-development. Allowing our housing stock to be renewed from low-slung kothis to high-rise flats, and facilitating commerce in all our cities from Karachi to Kohat could be a big bonanza. I think this could lead to an acceleration of growth of about 2 percent per annum for about 20 years.

There is more, but I am limited in space. With so much dead capital lying around, why do we beg with dishonor? My calculations suggest, with these simple changes, GDP could double in about 15 years or less! Not to mention the growth of construction, hospitality, retail, and ancillary industries. Of course, our rich and famous would be a little uncomfortable!

Let us be clear: to keep the party going for our rich and famous, including our policy makers, bankers, and bureaucrats, we are forgoing billions of dollars and hundreds of thousands of jobs. Poverty persists because of their failed policies which do not address dead capital.

Indeed, not only are we forgoing earnings, we are shamelessly begging for more debt! Will someone educate our policymakers, bankers, and bureaucrats? Or could it be that we do need some learning and research in policymaking?

The media could give this demand for reform the headline instead of announcements of the alms that we get!

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THE OPPORTUNITY OF DEAD CAPITAL

Economics has become a science of the loudmouth with numbers. Economists come on TV to show off that they have numbers and predictions. They will invent all kinds of estimates and terms that no one has heard of to prove how erudite they are. But never will they submit themselves to peer review which is the international yardstick of quality work.

Whenever I hear them speak, I worry that this is not the economics I learnt – and I worked with about 10 Nobel laureates. These speakers and commentators always talk macro numbers – fiscal and BOP – and always discuss simple accounting numbers with great aplomb. For example, “we must increase revenues because the government is losing money.” Never, “why is government losing money like there is no tomorrow?” Then someone will yell “we have money to repay and import bills that must be met, so look for aid or borrowing.” Why did we borrow so much? Why are our import bills what they are? Why is the government borrowing at a faster rate than the economy is growing? These questions are never asked by our economists and therefore never debated.

Adam Smith, the father of economics authored the “Wealth of Nations” to initiate the worldwide study of economics. Since then, understanding the forces of growth, development, and income distribution have been the most important areas of study in economics. Individual behavior – consumption, savings and investment decisions – are studied to understand how they can be tweaked for increased welfare. At the heart of economics is the quest for increasing human welfare through expanding opportunity for self-actualization through innovation, entrepreneurship, and risk-taking.

Is all government expenditure for public good?

Seldom will you hear our economists talk of the Smithian Grand Quest of growth, development and welfare. Led by international donors, their quest is to malign Pakistan as a nation of tax cheats and a den of corruption. Revenues must be increased without telling us what, if anything, the government will do for us. They remain unaware that a large majority of Pakistanis are paying income tax on a withholding basis on many transactions. It is well known that this tax is never returned.

The mantra is that the government needs revenue and it must be increased. My fellow economists think that all revenues collected by the government will be utilized productively for the welfare of the country. They never review the waste in the government: the numerous houses made for officials; the real estate developments made to provide plots to favorites; the wasteful and needless road-widening for the cars of the rich; the expansion of Sui Gas pipelines even though we have run out of gas; whimsical projects that MNAs are allowed to direct for vanity reasons; wasteful expenditures on the PM or CM directives that are unproductive or too expensive; and poorly thought out subsidies to the rich or political favorites.

The government is full of waste and no one wants to discuss this issue. Instead, we are all ready to give it more money through a bad tax policy. The government has no money or time for clever research to promote economic transactions. The government has lost more than 3 trillion rupees in energy over the last 10 years. Without thinking, this government is signing sovereign guarantees or planning to build more and more energy.

As a result, both the circular debt and energy cost are increasing to impose a huge cost on the economy. Yet, my fellow economists think that a wasteful, inefficient, and thoughtless government's mistakes must be covered by increased, oppressive, and senseless taxation.

Where is growth and development?

The biggest issue I take with my fellow economists is that they never focus on growth and productivity. At most, there will be the usual plea for industrialization and export promotion, for both of which the only instrument seems to be more subsidies in one form or another. For over five decades, these economists have pushed the flawed strategy of promoting the government-coddled industry and exports. Despite a lackluster performance and a considerable subsidy, as well as many tax concessions and much tariff protection, industry grows sporadically and exports as a percentage of GDP remain virtually static. Yet the mantra is maintained.

Economics in Pakistan has indeed become a set of mantras. They even go to the extent of saying, "we know what is to be done. We have all the solutions." Basically, what they are saying is that no new research is required. The old mantras of more taxation for more subsidy to industry and exports is enough. Mind you, this has been firmly drilled into us through a series of large advocacy programs organized by very expensive donor funding. Why do donors fund advocacy? Why do we allow expensive propaganda against ourselves? I will never understand.

For the last 50 years or so, we have been running on these mantras with committees, task forces, and many, many donor consultants. Yet, our long-run growth seems to be declining, as is our productivity. Few new industrial sectors have opened up while the old industry remains largely uncompetitive and cartelized, if the competition commission is to be believed. The economy has grown thanks to the orphan sector that economists don't talk of – service or domestic commerce.

Einstein said that doing the same thing again and again and expecting different results is insanity. Back then, there was no donor funding!

But now failed policies are repeated without much rethinking and it is not insanity. We merely call it "bad implementation."

Our economists also have little to say about the mess that is the public sector. Another mantra prevails here: "just privatize." No matter that our previous thoughtless privatizations were not as successful as we thought – badly priced, facing accusations of insider transactions, and some still not fully paid for. Is the purpose of privatization merely to rid the government of a bad asset? Why would someone buy a failing asset? Can government monopolies be privatized? Is a private monopoly better than a public monopoly? Should privatization not improve the market and consumer welfare? Mantras don't consider these possibilities.

Think city-markets-governance

How would I like economists to think differently? In my book, "Looking Back: How Pakistan Became an Asian Tiger in 2050," I have outlined a different approach. We must look at the economy as a complex system in which humans interact individually or in groups to learn, innovate, and transact for their collective and individual welfare. Spatially, much of this interaction happens in cities where markets, institutions, and the mass of people are located. Much of this activity is guided by laws and regulations that define markets, both physical and virtual. Economic growth is driven by technology that people in cities strive to develop to increase the exchange of goods and services in the market place. Discovery through exchange lies at the heart of the human enterprise.

Conceptualizing the economy properly in this fashion immediately suggests that, at the heart of the economy is the city, its markets, and how they are governed. My fellow economists must ask themselves, do we have this nexus of city-market-governance configured for the requirements of the 21st century?

The answer is immediately obvious. We do not.

The Pakistani state can probably best be described as an attempt at the preservation of the colonial structures for continued 'control and extraction,' now

for the brown elite instead of the empire. Much of the legal system, the judicial system, and the executive and regulatory agencies continue to function as inherited. If any innovation was made in these, it was to introduce politicization and corruption. The shortfalls of this system are often measured in the Ease of Doing Business indicators of the World Bank. Sadly, these measures distract from the main point: the need to modernize the state – reform it into the 21st century.

How can you expect the city and the market that is organized by a state that is not only stuck in past practices but has also been distorted for personal gain, to provide for the needs of progress and discovery? Our cities lack modernity and hotly contested spaces for various mafias, one of which is officialdom that enriches itself through controlling city land. Similarly, the colonial state so used to ‘control and extraction’ gives huge advantages to vested interests such as large industry and powerful landlords. Antiquated legal laws and judicial systems make transactions and businesses extremely complicated, at the cost of growth and welfare.

Is it possible to expect this state to deliver the kind of institutions, laws, and governance system that the 21st century requires? If not, how do we expect good things like exports and taxes to increase?

The colonial state chokes investment

This state imposes a huge regulatory burden on the economy which does not seem to concern my friends. We estimated in the ‘Framework for Economic Growth’ that I developed in the Planning Commission that this regulatory burden may be as high as 70% of GDP. It is clear that the economy is laboring under the yoke of an obsolete, unreformed, and distorted colonial governance structure. Yet, this issue is not of central importance to the economist at large.

Frequently, commentator economists lament the lack of investment in the economy – the investment-GDP ratio remains at 15% of GDP whereas it is over 30% in India and 40% in China. Because these numbers are pronounced upon without understanding the structure of the economy, analysts seldom ask “where is the room for

investment?” Dig deeper and you will find that the colonial enterprise is holding back investment in more ways than one.

As shown in “Looking Back: How Pakistan Became an Asian Tiger in 2050,” the state controls over 70% of the market. With that large a footprint, market competition, which is the premier driver of investment, is crowded out by the state. In addition, crony capitalism, which has captured the colonial state, is able to erect barriers to entry in the form of SROs (selective tax exemptions), protective tariffs, as well as exceptional access to inputs. In such an environment, investors correctly find limited opportunity.

As if this were not enough, the colonial state lacks specialized skills to manage the requirements of modern public goods provision. Complex areas like energy and water management, city design and development, and market regulation are clearly of a later era and far beyond the competence of the ‘control and extraction’ civil service. The accumulated losses resulting from the poor management of the economy has led to repeated fiscal and balance of payments crises. IMF adjustment programs have frequently been requested but have had little success in managing a policy coherence for sustainable growth. This policy uncertainty, which once again arises from the lack of professional management of the economy, is a deterrent to investment.

Sprawls without commerce and investment space

Physically too, space for investment has been severely restricted by the colonial hangover state. Modern city development was never a part of the colonial enterprise. They wanted people to continue living in old cities while the masters enjoyed airy suburbs. Natives had no need for serious enterprise. They would have small shops, limited schooling, and limited space for modern activities. They needed to be controlled and the only enterprise necessary was extraction for the welfare of empire.

The bureaucracy and the army took over the role of the colonial state, immediately occupied the colonial habitations, and proceeded to keep the colonial traditions alive. At first, they tried to keep everyone

where they were in order to maintain the divide between the brown sahib and the natives. With the relentless population pressure, they had to reluctantly give ground. They protected their colonial habitats, which by then had become the center of cities and were interfering with commercial development as well as with city mobility plans.

Tight controls on buildings were kept, preventing the development of organized density, commerce, leisure, and even education. For decades, city demand for space for commerce, storage and warehousing, offices, education, leisure, mobility, and many other functions increased. All these developments were forced into the informal sector through encroachments or violations of poorly conceptualized colonial zoning. Even today, we are going through a cycle of litigation and demolishing encroachments which arose because of poor city zoning that sought to prevent the natural growth of cities.

The poor, commerce, and other constituencies counted for little in the colonial model. But the growing elite, of which the bureaucracy, army and the judiciary were now a part, had to be accommodated. Responding to this demand and the availability of the car, the colonial state allowed for suburban development beyond the areas they had inherited from colonialism. As a result, cities have expanded to giant unmanageable sprawls with the centers being occupied by elite mansions and clubs instead of mixed-use, high-rise development as in other cities of the world.

Choked up engines of growth

Early development advice suited the colonial bureaucracies for it prioritized industrial growth which policymakers conveniently put outside the city in industrial estates. They also derived further power since the development policy advice of the time emphasized the planning of industrial development through licenses, subsidies, cheap credit, protection, etc. – all of which were dispensed by the colonial bureaucracy.

The country has remained beset with this early development model, refusing to see fresh developments in economics. Our PhD economists

remain rooted in the past of the planning models, vacillating between prioritizing between agriculture and industry and looking for exports. Domestic commerce, services, and construction were deliberately repressed in an effort to develop what were thought to be leading sectors – industry and agriculture.

In 1996, the Nobel Prize was awarded to Robert Lucas and in 2018, to his student Paul Romer. Both of them pointed to the engine of growth being the city, a place where people converge to exchange and share ideas, goods, money, services, space, and activities. Many thinkers have pointed to the importance of the city in history as a crucible of innovation, entrepreneurship, knowledge, and creativity. It has also been shown empirically that cities are engines of growth that are dense and walkable, with mixed-use, high-rise city centers. Unfortunately, our cities are sprawls with estates for colonial officials and polo grounds in the middle. And sadly, this research has not reached our policy economists who sit on task forces.

Construction always leads development. Even today, markets are continuously watching leading indicators, many of which are based on construction activity. Go to any city in the world and you will see tower cranes everywhere, many of them. A rapidly growing economy like China has sites that look like forests of tower cranes. Yet, most Pakistani cities have hardly seen a tower crane. Look around you and you will see no tower cranes.

As analyzed above, in Pakistan, the continuation of the colonial enterprise has preserved colonial estates in the center of the city while also maintaining the colonial bias against enterprise in the middle of the city. To preserve this model, the colonial bureaucracy which controls the city has archaic zoning and building laws that are biased against density, walkability, mixed-use and high-rise development. Is it any wonder that the construction industry is not a growth industry in this environment? Can we expect to accelerate our growth without the strong growth of construction that is based on real city development and not this colonial sprawl development?

Unlocking Dead Capital

There is an opportunity for real and sustained growth acceleration and for huge improvements in welfare if Prime Minister Imran Khan takes up the challenge of changing the city paradigm. He must uproot the colonial centers that are located in busy downtowns and allow high-rise, mixed-use construction.

In most cities, city center land for urban regeneration is hard to get. The colonial enterprise has kept this precious capital inert for their private use and held back city development, along with employment and growth possibilities. It is time to make this dead capital work for us.

There is tremendous opportunity that is possible. The key challenge is going to be how to do it right for maximum public benefit. As an example, consider Lahore, which has more than 10,000 acres of prime commercial land held by the public sector in various areas. We must use this land for maximum value creation and employment gains. My tentative calculations show the following possibilities for only the 5 GORs which represent about 4000 acres.

- We can make about 35 buildings of high-rise mixed-use buildings like Centaurus leaving more than half empty for greenery. Each will cost say about \$500 million.
- Total investment: \$17.5 billion.
- Employment in construction: 5000 per building and similar indirect employment.
- Total employment bang will be about 350,000–500,000 during construction.
- Each building will employ similar amounts or more when completed.
- At an average height of 35 floors, this will be 225 million square feet of construction for all uses.

It should not be made a speculative play for trading. It should not be hijacked by qabza mafias. This land represents a huge part of city wealth.

My suggestion would be for all cities to allow City Wealth Funds to own this land and professionally manage these funds. Professional managers can develop projects and sell these as public-private

partnerships on a build, own, operate, and transfer basis. This could be a way for cities to earn maximum revenue over a longer period of time. The time-bound nature of these contracts would force quick construction and returns.

Sadly, the Framework of Economic Growth (FEG) of the Planning Commission did present this approach to developing growth acceleration to the Cabinet and Parliament in 2011 and 2012. Although the FEG was approved, it was never implemented due to the opposition of the colonial bureaucracy, which wished to preserve its estates. It will require a strong government to do this and good process to make this happen professionally, protected from politics.

If we want to progress, we must truly end vestiges of colonialism and move into the 21st century.

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