

Macroeconomic Research and Policy Making Processes and Agenda

- The paper is focusing on the epistemology and the constraints faced by the process of policymaking in Pakistan. It suggests the correct macroeconomic approach for Pakistan.
 - First of all, we need to end austerity, which is a primary condition of the IMF adjustment program. It remained in practice to cut expenditures and raise taxes on account of austerity regardless of its harmful impacts on growth. Austerity in Pakistan has created an economy of shortages and is choking growth and employment.
 - Secondly, growth must be central to any policy going forward unless adjustment programs which do not frame the growth issue. Unfortunately, Pakistan is a slave of redundant and obsolete economics where megaprojects and aid if end up in a 5 percent growth rate our policymakers start congratulating each other. However, reality shows that Pakistan needs a growth rate of 8% for the next 30 years, according to its demography. Global experience has shown that for sustained growth, there is a need to bring systematic reforms in government and institutions.
 - Thirdly an excellent macroeconomic approach should not overlook the significance of governance system. In Pakistan, reform and renewal have been postponed for decades. Resultantly, the governance system has suffered not only natural depreciation but also is weighed under with huge new responsibilities that it was not designed for. The thinking community of Pakistan must take up the impact of poor governance in its every detail in an extensive research program to develop serious reform and policy choices and plans.
 - Lastly, there is a dire need to clarify the difference between reform, policy, and project. Academia must help to develop a better understanding of reform and policy and guide the government to move beyond projects and aid. Reform must go beyond price adjustments, increased taxation, and privatization. It must seek to change institutional, organizational, human resource management, and decision-making processes where necessary. At the same time, a policy should follow thorough research and consultation to set up a coherent set of principles for guiding individual and group decision-making and interaction. Both policy and reform must be based on local context and cannot be mere aping the west as in the best practice thesis.
- Nadeem ul Haque suggests that we must learn from Mahbub ul Haq and challenge ourselves to be relevant and use our knowledge and research to inform policy. In order to get here, the economist/public policy community must take a few important steps. These include a focus on building knowledge, dare to question, funders must listen, and develop more forums.