

An economic collapse?

Shahid Mehmood

LADIES and gentlemen, before the headline makes you uneasy, hold onto your horses. There is no harm in asking a question.

Someone put this question to me: will our economy survive or will it collapse? I am just forwarding the reader some probable answers and thoughts.

Let's begin with a quote.

“Although Pakistan’s exports have increased in recent years, the country continues to suffer from chronic balance of trade deficits. Pakistan remains dependent on imported petroleum products. Remittances from Pakistani workers abroad have reduced somewhat the growth in the current account deficit, but it is uncertain that rapid annual increases in remittances would be sustained... Pakistan’s agriculture sector continues to be plagued with serious problems of low cropping intensity and low productivity...because of existing policy constraints”.

Sounds familiar and present-day, right? Except that this is from a 1982 USAID report (Pakistan Agricultural Commodities and Equipment)!

Ironically, the firefighting that passes for economic management in Pakistan is couched either in terms of ‘welfare’ or ‘incentives’.

I can share innumerable quotes that will sound recent but are actually old. For example, I can share a 1971 report on the government being urged to ask international creditors for extending the payment period for loans (we also got extension on our paybacks post Covid-19).

Point of the argument is that we are travelling in a circle, without trying to understand why. The examples are endless. Every government wants to build universities in every nook and corner of the country despite graduates having the highest unemployment rate in Pakistan, while 23 per cent of the ‘employed’ often work without a salary (read [Opportunity to Excel: Now and the Future](#)). What are we getting out of around 230 universities, most of whom don’t even have full-time faculty? We want to expand the welfare dole but don’t want to create an entrepreneurial, enabling environment that could nurture self-employment and ambition. Our public ‘development’ programmes (PSDP) are centered on big-ticket, brick-and-mortar projects only (especially roads) because the probability of rent-seeking is larger. Taxes are forcefully extracted out of people for others’ failures (Neelum-Jhelum, IPPs, etc). Unchecked horizontal expansion of cities has made them ungovernable, but our system (especially the courts) is averse to mixed-use and vertical expansion. And the same colonial, rent-seeking edifice still stifles our lives. It ends up creating more liabilities that everyone has to pay for.

Priority areas like population control and productivity are given short shrift. Finance ministers seem to be so out of sync with realities that it’s hard to fathom (one claimed tomatoes were selling for Rs17 per kg when the price had reached

Rs300, while another believes that a [mini-budget](#) and [hike](#) in petrol prices won't push inflation!).

And we have the same faces in terms of economic management that we've had for the last two decades or so. How barren are Pakistan's intellectual reserves!

In all this, which is basically firefighting devoid of any vision, it's the home-based Pakistanis who always end up paying an excruciating price. The irony, though, is that this firefighting is couched either in terms of 'welfare' or 'incentives'. Does anybody remember the wholesale nationalisation of the early 1970s touted as 'welfare', for which we are still paying a price? The trend continues!

The latest craze to '[incentivise](#)' overseas Pakistanis is another example, undertaken in the vain hope that dollars would rain down upon us. As the coffers of the banks fatten further with peoples' deposits, courtesy partly of devaluation and 'incentives' for overseas Pakistanis, the financial elite have never had it as good before. More than half these deposits end up being 'invested' in riskless government treasuries that pay a handsome return.

But what about the 'underseas' Pakistani who toils in this land? What good does he realise? We see the government's repayments to creditors have already crossed Rs2 trillion and will rise further as the leviathan keeps spreading its unproductive footprint (since the major portion of tax collection remains indirect, it's the middle and poor classes that have to bear the brunt). He does not get anything by parking his money in banks like the 'incentivised' (besides having pathetic service levels, they give peanuts on saving accounts while enjoying outsized returns by investing their money), and neither from different government departments whose service levels have either stagnated or declined. Just look, for example, at your current electricity bills that don't make any sense. But what's the service level? Zero! When will we be incentivised?

What's the use of such incentives if our PM has to dash to Riyadh to get an [emergency credit line](#)?

The circle, though, does not move endlessly. At some point, it will stop. Our debts and liabilities now stand above Rs50tr, of which Rs40tr is public debt (meaning you and I, the hoi polloi, will have to repay that). Foreign debt is nearing \$130 billion. Despite our exports and remittances (FDI is negligible), we have to contract around \$15bn of new debt every year to stave off a default. This is notwithstanding our leaders frequently dashing to Beijing, Washington or Riyadh, which keeps the circle moving precariously.

It might just take one 'NO'! What if our dollar creditors refuse to play along anymore? Briefly put, a simple headline in an international paper will set the ball rolling and become a juggernaut of fear and uncertainty (abroad and at home), evolving into a chain reaction.

For those who want to brush this away as fearmongering, read Venezuela or Zimbabwe. For those who doubt, Bear Stearns and Lehman Brothers were just two financial firms in a corner of New York that brought the whole global economic machine to its knees within days in 2008. In comparison, where does our international credibility stand?

Or do we still want to cling to the fancy that we are special (this fancy should have

seen its end after 1971).

I love my country like you all do. So let us all pray that I am wrong (amen). But then let us also try to figure out what we have, and where (and how) are we headed?

Frankly, I can't come up with much.

*The writer is an economist and research fellow at PIDE.
shahid.mohmand@gmail.com*

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