

Economic fallout

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What ails Pakistan's economy? It won't be an exaggeration to say that this question requires a doctoral-level thesis even to summarise the argument. Economic experts have varying views on it, and they come up with different sets of rationale. The country's economic crisis is multipronged, and if we solve one problem, another pops up.

Issues such as a debate on a civil or military government, policy continuity, conflicts between the public and private sectors, development and non-development expenditures, political instability, class conflict, infrastructure, poverty, etc, have a big impact on the economy. But if we delimit this question, we may shortlist a few pivotal causes which branch out to other related issues.

Pakistan's economic history can be divided into two periods – the 1947-1977 period and the other one from 1978 to date. In the first phase of our history, our state prioritised socio-economic development and it reflected in the development of infrastructure, industry and other projects. In the 1970s, the country saw an unprecedented growth rate touching 21 percent. We built two mega dams and various state institutions – including the Pakistan Steel Mills, and all economic indicators were positive.

It didn't matter whether the government was civil or military, the economic approach and objective were the same. The question is: what went wrong? In the post-1978 scenario, the state suddenly changed its outlook and became a security state, and it is following this course to date. The outcome of this shift was that the state stopped spending on socio-economic development, and its non-development expenditures increased manifold.

Pakistan's economic output continued to lag behind, and, consequently, we had to rely on foreign debts to make ends meet. The ever-increasing foreign debt and non-development expenditure strangled our economic indicators, and now we seem to have hit the rock bottom.

This shift from a development state to a security state has other repercussions as well. A thriving economy needs scientific and technological development which relies on a modern and progressive education system. Just like many other social and economic sectors, the education sector was also sacrificed at the altar of the country's security. Our education institutions lack the capacity to produce market-oriented skilled individuals who can cope with the ever-shifting socio-economic trends. If we compare ourselves with our neighbouring countries like India and Bangladesh, the difference is quite evident.

Despite the fact that India inherited better infrastructure and institutions as compared with us, we were faring better till 1977. Bangladesh began its journey in 1971, and its economic growth is way ahead than ours. We still have better resources and less population as compared to these two countries, but our priorities are different. These two countries invested in human capital and modernised their

educational system. Indians are at the helm of technological innovations at the global scale. Until we change the nature of our state, we will continue to suffer.

Another important factor is that we have undermined our industrial sector at every level. Instead of giving incentives to investors, we discourage industrialists through different regulations. The outcome is that investors invest in non-productive ventures like stock exchange speculations, real-estate, etc, and are not ready to risk their capital when it comes to the establishment of industries.

In the absence of a thriving industrial sector, we do not have any worthwhile commodities to export and have to import even the smallest articles of use. This export/import imbalance is hurting our economy. We need a comprehensive and efficient industrial policy to encourage investors and increase our exports.

There are three important reasons for this formidable performance of the economy. First, the quality of education and the quality of low human capital resulted in research-less indigenous policies. We borrow policies from donor countries and end up with the same results. The second reason the deterioration of state institutions, and the third one is our failed market, The country's regulated market is stopping various economic transactions. Undoubtedly, higher and easier transactions are the source of production and economic growth.

It is clear that all these issues are interconnected. The first step is to change the nature of our state apparatus and shift back to a socio-economic developmental model. This shift in the outlook is likely to lead to better policymaking in other relevant sectors like education and industry. The country is in a dire need of structural reforms. The sooner we make this switch the better it will be. Otherwise, we will continue our downward trend in the socio-economic sector.

The views expressed by the writer are his own.

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