

*East and West Pakistan: A Problem in the Political Economy of Regional Planning* by Md. Anisur Rahman. Occasional Papers in International Affairs, Number 20. Harvard University Center for International Affairs, July 1968. Pp. 38.

In this short essay Professor Rahman attempts two things. One, he surveys the various facets of the regional disparity existing between East and West Pakistan and traces the genesis of some of them. In doing so, he improves upon the analysis of others writing on the issue, yet essentially the information and the treatment are not new. Two, he suggests "an approach to a policy for dealing with the problem of regional disparity in the country, one which would impose the least sacrifice to the national objective". Here he applies his model for "Regional Allocation of Investment" which was published in the February 1963 issue of the *Quarterly Journal of Economics*. This review will mainly deal with this second part of the essay.

The principal argument of Professor Rahman's model runs as follows: In a short-term plan, investment should be concentrated in the region where productivity of capital, as depicted by a lower marginal capital-output ratio (MCOR), is higher. But in a long-term plan, one should also consider the marginal reinvestment coefficient (MRC) which is the product of marginal rate of saving (MRS) and the reciprocal of MCOR. This is because a region with a higher MCOR may yet have a higher MRC due to a sufficiently higher MRS. In such a case, earlier investment allocation should be concentrated in the region with higher MRC, since the immediate loss of output will be more than offset by the future growth in output from higher reinvestment. But as the terminal date of the plan horizon draws nearer investment has to be shifted towards the region with higher productivity, *i.e.*, lower MCOR, because, after a break-even point, there will not be enough time left for the higher MRC to recover the loss due to lower productivity. Other side conditions of the programming model, such as employment objectives, removal of regional disparity, may prevent full exploitation of the advantage of higher MRC of a region.

Depending upon the relative ranking of the two regions, East and West Pakistan, on the basis of the two criteria, MRC and MCOR, Professor Rahman specifies four possible strategies for the optimal time-phasing of investment allocation between the two regions of the country for removal of disparity in a constrained model of maximizing national income. For instance, his case (2) is, "if East Pakistan has a lower MCOR and a higher MRC, . . . , it would be both in the interest of West and East Pakistan to plan for the elimination of regional disparity as fast as possible, without waiting until the end of the period of the Perspective Plan, and thence to have the two regions grow at the same rate in terms of per-capita income". Later on, he points out that the assumptions of the Third Five-Year Plan would make this strategy appropriate

for Pakistan, though the Plan allocations do not conform to this logical conclusion of its assumptions.

The trouble with the model seems to be manifold. First, can we take the MRS's and MCOR's of the two regions as data for the long-term plan? If so, after the attainment of parity the region with higher MRC and lower MCOR has always to be allocated less investment per capita in order "to have the two regions grow at the same rate in terms of per-capita income". The side condition with respect to parity becomes the dominant objective and the main objective of maximizing national income goes with the wind. So why bother about it prior to removal of disparity? Second, if the MRS's and MCOR's are not parameters of the model, but are themselves policy variables, it becomes a matter of value judgement, *i.e.*, which ones should be fixed where. Suppose, the MRC of the richer region is higher because of a very favourable MCOR (which may itself be a result of past discrimination in its favour in the allocation of social overheads, *etc.*), can this make an aggravation of initial regional disparity acceptable? What is the guarantee that the eventual shift of investment in favour of the poorer region will not be defaulted? Again suppose that it is possible to keep the MRS in the poorer region very high, there is no reason why this should be desirable. On the contrary, one can plead for lesser squeeze on the consumption of the poorer region. Even the assumed objective of becoming independent of foreign aid, on which the relevance of the model is predicated, may be said to be against the interest of the poorer region. It may entail greater belt-tightening on the part of the poorer region in order to finance its development and to catch up with the richer region.

While Professor Rahman's model is beset with so many problems, we can offer a more ethically acceptable strategy for removing disparity with the following features:

- a) MRS in the richer region should be kept higher.
- b) Reducing dependence on foreign aid should be the objective of the richer region alone.
- c) Parity should be achieved as soon as possible, irrespective of the MRC's of the two regions. In fact, if we value the benefits received by the poorer region sufficiently high in keeping with the social welfare function expressed in the constitutional requirement, the MRC of the poorer region will necessarily be high.
- d) After the attainment of parity, the MRC's of the two regions must be kept equal and investment should be allocated equally on per-capita basis. This strategy makes the value judgements explicit, treats the MRS's and MCOR's as policy variables and is free from the objections noted above.

We conclude this review with some remarks on Professor Rahman's assessment of the political economy of disparity. First, we cannot share his optimism that Pakistan "is at least one step nearer to solving this problem than are other countries", simply because it has been accepted as a constitutional obligation in this country. To assert as much, one must have knowledge about the importance attached to the constitutional provisions and the relative position of different countries with respect to other obstacles to removing disparity. These other hurdles, for example the bias of the administration in favour of West Pakistan that Professor Rahman notes, may be more insuperable in Pakistan and the constitutional provision may not be regarded as more than a pious wish. Second, in sharp contrast to the optimism expressed in the quotation, Professor Rahman admits that forces currently at work may be inadequate to remove disparity "unless a more balanced regional representation is obtained in the various units administering the country's scarce resources". This appears to be an impossible prerequisite to be fulfilled by a disadvantaged region like East Pakistan prior to removal of disparity in regional income. In fact, removal of disparity in administrative services may be more intractable than removal of disparity in income.

But why can we not think of another strategy where the bias of "an overwhelmingly West Pakistan-manned planning and administrative machinery and the advantage of having the seat of central government in West Pakistan are made ineffective in matters of resource allocation by removing central controls and allowing decentralized market allocation with general legislations favouring East Pakistan". If East Pakistan is politically vocal enough to have obtained constitutional recognition of its demand for parity, it has better chance for using the same political power to realize this new strategy where machinations of biased administrators cannot beat the constitutional intent. The clamouring for regional autonomy in East Pakistan shows that many politicians see the way to removing disparity in such a strategy. There is no reason why economists must take a 'centrally controlled economy' as a datum in their analysis. The problem of regional disparity is a difficult one and naturally defies non-controversial analysis as well as easy solutions. Political considerations, rather than mathematical constructs, have greater bearing in this area. However, in spite of our disagreement and uneasiness about certain aspects of Professor Rahman's analysis, it is a frank and knowledgeable discussion on a complex topic of vital interest to Pakistani economists and policy-makers. It is unfortunate that at \$ 2 for 38 pages, it may have been priced out of the reach of many interested persons in this country.