

Book Reviews

Omar Noman. *The Political Economy of Pakistan: 1947–85.* London: KPI Ltd. 1988. xiii + 218 pages.

While both economic development and political change in Pakistan have been analysed in a number of studies, the inter-dependence of the two has rarely been analysed. The author's promise in the preface to present 'an integrated analysis of Pakistan's development' in the book under review, therefore, excites great interest. However, the reader is badly disappointed because the book fails to analyse this inter-dependence. Only scattered references to it have been made here and there. Even worse, the book fails to link the policy changes made in one period with those in the other periods.

The book consists of ten chapters and has been divided into three parts. These parts discuss economic and political developments in three different periods, viz., 1947–71, 1971–77, and 1977–85. Politics, religion and economic development in each period is discussed in separate chapters.

Chapter 1 (part I) is entitled 'Disenchantment with Freedom'. The basic thesis of the author is that the Muslim League was never interested in the Islamic principles and referred to Islam only with a view to arousing hatred against the non-muslim communities and winning over the people by promising a better future by creating an egalitarian structure of society. The author further asserts that because the Muslim League leaders had no clear Islamic perception, Islam cannot be the basis of Pakistan's creation; and that the Objectives Resolution was vague on Islam. However, no evidence is presented to substantiate these claims. That the Muslim League leaders had a secular outlook is not inconsistent with creating Pakistan in the name of Islam; the people voted for the Muslim League and Pakistan to create an Islamic State which will provide social justice. The claim that the egalitarian bias in the manifesto of the Muslim League was only a ploy to get votes is belied by the fact that the Muslim League government in the early 1950s did propose major land reforms, an aspect which the author has conveniently chosen to overlook. Similarly, the claim that the Objectives Resolution is vague on Islam is at variance with the contents of the Resolution.

The chapter also highlights ethnic conflicts between Punjabis, Mohajirs, and

Bengalis. The claim by the author that elections were not held by the Muslim League because of the fear that Bengalis would have ruled is ludicrous because if the Muslim League was to win the election, as has been suggested by the author, such a consideration would have been secondary. Moreover, there had been three Bengali Prime Ministers during the period, which runs counter to the assertion.

The second part of the chapter examines economic development during the 1947–58 period. The import substitution strategy which led to resource transfer from agriculture to industry has been highlighted. However, the fact that implicit transfers bred inefficiencies in the 1950s has been completely ignored, while the inefficiencies in the 1960s have been overstated in the next chapter. It is also argued that the strategy of economic development that was adopted led to resource transfers from East Pakistan to West Pakistan. While one tends to agree with the author that such resource transfers did take place, both the mechanism as well as the magnitude of the transfers have not been explained in the study. Slow growth of per capita incomes in the 1950s has been highlighted, but there has been virtually no discussion on the low levels of investment arising from low savings and meagre capital inflows, which were the causes of the low growth rates of per capita incomes. Moreover, it is suggested that wages fell over the 1950s and the 1960s, a conclusion that was reached by A. R. Khan and reversed by Guisinger and Irfan who, using refined methodology by including non-cash benefits in addition to cash benefits, showed an increase in real wages. Unfortunately, the author seems to have had very limited exposure to the literature on the Pakistani economy, a limitation which led him to draw erroneous conclusions.

Chapter 2 relates to the military rule of Ayub Khan and Yahya Khan and to the civil war leading to the separation of East Pakistan. Three causes have been enumerated for the downfall of Ayub: ethnic conflict (i.e., Bengali opposition), class tension, and resentment by the smaller provinces. It is argued by the author that Ayub's desire for personal dominance, the reliance on the bureaucracy, and the centralization of power led to increased Bengali alienation. This, in turn, set in motion a process of violent confrontation, which led to Mujib's Six Points programme culminating in the separation of East Pakistan. Even though economic issues have also been discussed, the author feels that the "Bengali struggle was essentially political".

Economic development during the period is characterized by efficient implementation of policies resulting in high growth rates of per capita income (with a focus on growth in the manufacturing sector upto 1965 and on agriculture in the subsequent period); rising income inequalities; and increasing income disparities between East and West Pakistan.

High growth rates of per capita income in the 1960s have been attributed to trade liberalization. No doubt, there had been considerable import liberalization during this period but to suggest that 90 percent of the imports were freed from direct administrative controls cannot be substantiated. Moreover, contrary to the suggestions of the author,

the Export Bonus Scheme, and not the so-called Free List was the main policy instrument through which imports were liberalized. Furthermore, to suggest that the Export Bonus Scheme was abandoned because it was cumbersome only shows the author's lack of awareness of the scheme; it was abandoned because it was equivalent to a partial and selective devaluation, which was not required any longer when the Pakistani rupee was devalued.

That import substitution led to inefficient industrialization in the Sixties is a valid observation. However, the author's reliance on Soligo and Stern has led him to drawing an erroneous conclusion. While Soligo and Stern did find negative value added in 23 out of 42 industries, their methodology, unfortunately, suffered from many problems. The subsequent studies of Lewis and Guisinger and Kemal, based on improved methodologies, showed that negative value added existed in only three industries.

As regards income distribution, the author asserts that 22 families in Pakistan had accumulated enormous wealth; of course he has quoted Mahbub-ul-Haq. But was income distribution really so bad? Income distribution data did not show the increase in income inequalities. Moreover, Haq's claim has not been substantiated in other studies. The author also fails to discuss the changes in levels of poverty. Similarly, while wages have been shown to be falling, Irfan and Guisinger do not show any such trends.

The author correctly points out that the big industrialists, big land-holders, and senior bureaucrats were the main beneficiaries of economic development. But why others could not derive this benefit has not been examined. Such an analysis should form the core of political economy, but the author does not include it in the book.

The discussion of political changes in Yahya's regime is all too familiar.

The second part of the book relates to the Bhutto government, covering the 1971–77 period. The first chapter of this part relates to political development under the People's Party government. It is argued that Bhutto converted a mandate for democracy into a charter for a civilian dictatorship, and that in order to promote his dictatorship and keep the army away, Bhutto took three measures: constitutional safeguards, creation of a para-military force, and appeasement of the army. As correctly pointed out by the author, the fact is that constitutional safeguards are meaningless to forces which can abrogate the constitution. Para-military forces were created only with a view to avoiding the use of the military but it played havoc with the civilian population. That the increase in defence expenditure depicts appeasement of the army is far from convincing. As a matter of fact, defence expenditure, as a percentage of both the GNP and the total public expenditure, has declined since 1972. Data on the concessions to military personnel would have been useful to substantiate the claim, but the author does not explore this area.

Economic development and its consequences are discussed in Chapter 2 of the second part of the book. The chapter focuses on three main issues, namely, nationalization, stagnant growth, and income distribution.

The author's suggestion that nationalization was motivated by the efficacy with

which it could extend economic benefits and political patronage to those whom the regime favoured, probably, has some merit. However, to suggest that it was the primary motive for nationalization is overstating the case. It has been pointed out that the uncertainty over nationalization policies shattered the confidence of investors, who reacted by sending their money abroad. Nevertheless, the data presented hardly substantiates the claim, since nationalization led to a loss of only 14 percent of the assets held by the 22 families; while the share of two families, in fact, had increased.

That public enterprises were not commercially run and were inefficient in the Seventies – and as such only 7 percent of the investment was internally financed – is true. However, the discussion of public enterprises is confusing and, at times, even misleading. It is suggested that 20 percent of value added in the large-scale manufacturing sector originated in public enterprises, while actually it never exceeded 10 percent during the Seventies. It has also been suggested that nationalization led to borrowing by the public enterprises from the government and, in turn, to regressive taxation. It should be noted that public enterprises directly borrow from the banks and the government generally holds the equity. Moreover, to the extent that the government financed the investment in public enterprises – and for this purpose the government had to mobilize resources through indirect taxation – it is emphasized that indirect taxes are not necessarily regressive and, in Pakistan, they have not been so. The basic theme of Chapter 2 of part 2, entitled “Populism and Ideology”, is that the People’s Party dropped its left-wing orientation. The left-wing leaders were purged from the Party and the Punjabi aristocracy was brought in. This is well documented: 50 of the Pakistan People’s Party leaders were large landholders.

It has been pointed out that Bhutto used religion to promote his own ambitions. While that may well be true, the author’s tendency to omit reference to religion – which promotes an egalitarian society – is hardly tenable. As a matter of fact, the author has commented on religion on various occasions without any credentials to do so. Perhaps nowhere else does the author’s ignorance of Islam become more apparent than on his utterance that Friday is the Muslim Sabbath (p. 110).

Part III of the book relates to the 1977–85 period. Chapter 1 of the third part traces out the events which helped Zia to perpetuate his rule: first, he removed Bhutto by implicating him in a murder case; second, the Afghanistan war won him the blessings of the American administration, resulting in very large amounts of economic and military aid; third, inculcating fear amongst the masses; fourth, making references to Islam; and fifth, holding of non-party elections.

The author devotes a complete chapter to military theocracy. Zia’s Islamization process has been examined by relating it to the social, political, and economic spheres. In the social sphere, he calls Islamic punishment rules as “barbaric measures derived from the seventh century Arab[ic] Penal Code”. Although Zia may have exploited Islam for his own purposes, yet to claim that the Quranic injunctions are outdated, barbaric, and

only Arab[ic] is, to say the least, ridiculous.

The author claims that in abolishing interest, the Quran relates to only social damage and exploitation through usuary. This is the author's interpretation only because the Quran does not say so; it forbids interest (without giving any reason) but, in comparison, encourages trade. Interestingly enough, the author blames Islamization for low savings and the black economy. Were savings any higher in the absence of Islamization? Was there no black money prior to Islamization?

Chapter 3 (part III) is devoted to economic development in the 1977–85 period. Remittances by Pakistani workers overseas are singled out as the most important economic development in the period. They have financed the growing debt servicing as well as the balance-of-payments deficits. It is argued that this prosperity was a stumbling block to the Movement for the Restoration of Democracy. While higher wages were a result of outmigration, to suggest that the remittances led to improvements in the distribution of income is incorrect. There has not only been an increase in income inequalities over the period, but also the income inequalities in 1979 turn out to be higher if the remittances are included than otherwise. Similarly, to argue that 37 percent of the remittances were not consumed and imply no savings is an unwarranted conclusion, since the expenditure incurred in the purchase of real estate is investment. Moreover, the author has based his analysis on domestic savings rather than national savings. This approach is incomprehensible.

The growth of the manufacturing sector played a pivotal role in the rising prosperity in the Eighties. The book contains a rather superficial analysis of the growth process. Similarly, while it is true that social services remained poor, yet to suggest that they remained poor only because of defence expenditure is unwarranted. Is there a trade-off between the two?

Chapter Four of Part III focuses on ethnic conflict. It is asserted that the army take-over accentuated ethnic conflict in the country. The Sindhis felt deprived and came up with their demands. Nevertheless, the author rightly observes that such demands are unrealistic. It is alleged that the narcotics dealers in Sindh and the Afghan crisis played havoc in the country. He has argued that ethnic and linguistic diversity, economic disparity among the regions, and unrepresentative authoritarian central governments have been responsible for ethnic problems.

The final chapter relates to the role of the state. Since the development process breaks the society's traditional equilibrium, the state may accommodate or repress the aspirant's share in political power and material benefit. The author claims that the martial law government took away the element of judicial review. He explains the distribution of benefits as conflicts in the interests of different classes of various regions and rejects Alavi's hypothesis that this is fooling the poor by the rich.

The book contains useful information but fails to come upto the expectations inspired by the title. A more careful analysis, a comprehensive review of the literature,

and an examination of the inter-relationships between politics, religion, and economics would have enhanced the utility of the book.

A. R. Kemal

**Pakistan Institute of
Development Economics,
Islamabad.**