

Book Review

Ishrat Hussain, *Pakistan - The Economy of An Elitist State*, Oxford University Press, Karachi. 1999 pp 451, Price: Rs. 550/-

Ishrat Hussain, a former Pakistani civil servant and currently a World Bank official, has been writing on Pakistan's economy for the national print media. Much like the professional economist that he is, his views reflect an objective approach to a vast range of economic issues. It was now time for him to correlate his analysis of individual problems and sectors to a macroeconomic framework and make some sense out of Pakistan's baffling styles of economic management. How could a compact economy with a rich resource endowment be reduced to the position of a basket case?

Hussain's hypothesis: a small group of elites managed to "hijack the state" and "rig the market" for its own exclusive benefit. The "Elitist State" now controls both the private and public sector. No matter which way the economy turns ___ market mechanism or state control ___, the goodies will inevitably land, and are actually landing, in the hands of the controlling elites.

It is no surprise thus that the regimes, whether relying on state or market, are characterised by a similar lack of integrity and the same type of management lapses.

Hussain adopts a somewhat unorthodox arrangement of his material in support of this hypothesis. The study looks first at the 'Production Base' (commodity sectors), followed by 'Macroeconomic Foundation' (Fiscal and monetary issues), 'Investing in People' (social sectors), 'Physical Capital' (infrastructure), and Foreign Trade, External Debt and Resource Flows.

The author then takes the readers, in chapter 7, to an appraisal of the overall economic performance. This arrangement facilitates a better understanding of the paradoxes, which marked "the economic and social outcomes in Pakistan over the last 50 years". It reminds one of Alfred Hitchcock films, guiding the viewer frame-by-frame and scene-by-scene through different stages of the story, building up suspense, unraveling the mystery only in the last scene. In this book the climax comes in chapter 7. Ishrat Hussain's analysis and conclusions are intellectually stimulating.

The pattern of growth, the author says, is as important as the speed of growth. Greater equality in wealth, human capital and political power is likely to promote broad and deep markets, and technological change. He looks at Pakistan's performance in the light of domestic variables (which also

include policy and institutional factors) and also external shocks and resource flows, which, he says, have played a more favorable role in the case of Pakistan. He mentions foreign aid in the 1960's, remittances in the 1970's (and the 1980's), and the Afghan war in the 1980's. (Why, the reader is tempted to ask did we land in fiscal deficits, the financing of which domestic debt increased by almost five times, besides a 50 per cent increase in foreign debt during 1980-88, sending Pakistan into the debt trap?

Ishrat Hussain also raises the question of the roles of the state and the market. Ideally, any failures in the market mechanism should be corrected by cautious and judicious interventions by the state. Thus there should be a complementary relationship between the two, and not an adversarial one.

But in Pakistan rent earning classes in the form of tax-exempt big landowners and subsidies - rich large-scale industrial owners were given all the opportunities to multiply their gains. Landlords received the benefits of Green Revolution technologies and liberal input subsidies. Industrialists were protected by import substitution policies. While Bhutto hurt private sector interests by nationalising key sectors (with disastrous results), Zia tried to appease them by offering liberal loans, and his own political cronies, by way of patronage. Income distribution remained a matter of little importance. Small farmers and small businessmen were ignored by the financial sector and the government. In a non-competitive market, a pattern of maldistribution was set and supervised by the arbitrary exercise of political power. The Elitist State had arrived.

Social sectors? Poverty alleviation? Well! Elitist states tend to flourish under conditions of low literacy, inequalities, monopolies and paternalistic politics. That such situations also create social tensions, suspicions, lack of trust between classes and regions is a matter of little concern for the elites. Foresight is not a defining feature of the thoughts of the elites.

The last two chapters, *An Economic and Social Agenda for the 21st century* and 'The Epilogue', to this reviewer, appear to represent an anti-climax. With the current socio-economic situation dominated by the crushing burden of national debt and economic sanctions, the outlook is hazy; any perceptions, therefore, of the future course of events is as difficult as, say, playing cricket under foggy conditions.

The 21st century agenda is long, drawn as it is from the failure of the last 50 years. But the author selects three key areas for the revival of institutions: the judiciary, education and the financial sector.

Two more points merit attention. Hussain refers to "excessive dependence of the people of Pakistan on the government", which is a legacy of the colonial heritage. He cites the example of the Edhi Trust which "illustrates the enormous potential of private initiative in social and other services". Not so simple. The colonial era is dead. But the colonial practices have been remodeled to serve the elitist state. One wishes the author had checked with Edhi or read his excellent biography by Tehmina Durrani to gain some insight into the stresses and strains suffered by him and the risks he has had to face. At the time of writing, I understand, Edhi was in London.

Hakim Said built the largest network of non-profit social service institutions in this country purely on "private initiative". Where is Hakim Said now? The corrupt establishment, whatever its composition at any given point of time, cannot let the private initiative survive unless their dues are paid.

Hussain's optimism about privatisation also seems to be misplaced. What dynamism could privatisation of banks and DFIs introduce in the economy? Already 96 units including three banks, DFIs, a power unit, and industrial and commercial concerns, mostly during 1991-93, have been privatised. What dynamism has the new management generated in these five years? What exceptional financing has been generated in the form of their sale proceeds to ease the debt situation or the fiscal deficit?

Written in a flowing, easy style, this book is bound to provoke much discussion and should open new vistas of thought. The fresh approach that Hussain brings to the study of the economy of Pakistan should enable us to know ourselves better. Also, this is not a book for economists alone. It is meant for a much wider readership.

OUP, the publishers, need to be complimented for their ability to find authors of high quality for very challenging themes. Like their earlier publications, this book also is well edited and aesthetically presented.