**Perpetual crisis**

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Saturday, May 20, 2023

Negotiating with the IMF is not a new experience for Pakistan. The country has been approaching the IMF since 1958 when General Ayub Khan first pushed the nation down that road. So, historically, Pakistan has been plagued by economic crises since its inception.

While economists provide a list of economic issues and their remedies, they ignore the underlying source of the problem – the proverbial elephant in the room.

Pakistan has been in a state of economic chaos from its inception owing to a lack of structural, institutional, and development planning. Famous economists Daron Acemoglu and James A Robinson say in their famous book ‘Why Nations Fail’ that no amount of donations, aid or other financial help can maintain, much alone transform, a country. Contrary to this, Pakistan has been reliant on geopolitical rents for many years, and this dependency syndrome, especially economically, has infiltrated our nation’s essential foundations.

Beginning with the SEATO and CENTO treaties in the 1960s, continuing through the Afghan war in the 1980s, and concluding with the ‘war on terror’ at the turn of the century, the US has frequently used Pakistan for its national interests. As a result of this reliance syndrome and being used as a geopolitical outsourcing destination, the government has been unable to implement long-term economic projects. In a nutshell, the nation is not structured as a development polity.

Another fundamental problem wreaking havoc on Pakistan’s economy is the predominance of strong elite capture, which leads to corruption and rent-seeking when powerful people or organizations strive to preserve control over resources and decision-making authority. This may lead resources to be redirected away from economic endeavours and towards rent-seeking activities such as bribes and kickbacks.

The governing elite typically extracts rents; it either collects geopolitical rents or extracts domestic rents. It is not interested in creating a viable industrial base or in export-led economic initiatives, which is why we are now at semi-development or below.

Collectively, reliance syndrome and elite capture have had an enormously detrimental effect on Pakistan’s economic structure throughout the years. The twin gap – the fiscal and current account deficits – is widening over time. The fiscal deficit was around 50 per cent of the GDP a decade ago and is now 75 per cent. As a consequence, the country’s national debt is mounting.

Pakistan lost out on the benefits connected with the first and second waves of globalization due to its failure to focus on an export-led economic strategy. Exports account for just 10 per cent of Pakistan’s GDP. In Bangladesh, their exports make up 19 per cent of the GDP; India’s stand at 20 per cent of the GDP, and Vietnam’s exports account for more than 80 per cent of its GDP. These issues make the economy go through several boom-bust cycles, which cause macroeconomic imbalances including currency depreciation and exchange rate fluctuations, among other things.

With successive civilian and military governments residing beyond their means – reluctant to mobilize domestic resources and opposed to economic reforms – Pakistan has been engulfed in a perpetual financial crisis, with virtually every government over the last seven decades leaving the economy in far worse shape for its successors to navigate. The 2021 National Human Development Report (NHDR) for Pakistan estimates that economic privileges granted to Pakistan’s elite groups – including the corporate sector, feudal landlords, the political class, and the military – amount to an estimated $17.4 billion, or about 6.0 per cent of the country’s economy.

The elite dominates politics and the economy at the cost of people’s welfare and national growth, and it maintains its position by maintaining inequality in the country. In all, the wealthiest 20 per cent of Pakistanis hold 49.6 per cent of the country’s income, while the poorest 20 per cent own just 7.0 per cent.

The problem is that experienced elites have grabbed economic and political power, while the rest of the people are separated from power and economic structure. As a result, bringing about change is difficult. Besides, expecting system insiders who have either invested in or benefited from the system to modify themselves may be unrealistic. No matter what kind of reform is proposed – land reforms, tax reforms, or governance reforms – the power elite has always rejected it.

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