Economic vision and solid foundation for real growth

By M. Sharif

Pakistan's economic landscape is blurred by three visible and conspicuous dichotomies. They are, (i) macro-economic stability and low growth, (ii) increasing population and poverty versus low investment in public and social sector, and (iii) too much dependence on external factors i.e., good will of IFIs, Washington, remittances and Nature, (good weather for high economic growth).

How does one go to make out an economic vision for the future in midst of these dichotomies and political environments which at best are settled on the edge of precipice because of uncertainty and un-sustainability that are inherent in them? It is a difficult question to answer with any degree of certainty. Yet, those who are in the business of managing national economy and have the will power to scale the blurred walls surrounding the economy, have always played their cards well to foretell what they consider desirable. In a nutshell, they envision what is desirable even if it conflicts with hard economic realities and the constraints faced.

Financial advisor to the PM on economy and finance minister in waiting is a person who is least deterred by hard economic realities to envision a better economic future for Pakistan that might not necessarily mean a better economic future for all those Pakistanis who face economic hardships. Economic vision that he has put across for next five years is good for the country and people, provided it materialises. One must pray and desire that the expressed vision will materialise but economics is a discipline that hardly works within the framework of prayers and desires. It needs much more. Conspicuous among what is needed includes sound planning, policies and their execution, anticipating economic shocks, uncertainties and preparing to face them squarely and finally winning the confidence of majority of the stakeholders.

By stating these broad outlines, it should be possible to objectively look at the economic vision that is essentially required to keep national focus in tact and spell out if there would be any gap between economic vision and economic achievements. A narrow gap is desirable but is not achievable always for understandable reasons.

Targets

Financial Advisor to the PM has envisioned to achieve six per cent growth rate of GDP by the end of FY2004 from this year's target of 4.5 per cent reduce poverty from existing level of more than 30 per cent of population to 22.5 per cent, reduce public debt from existing level of 97 per cent to 76 per cent of GDP, keep inflation under five per cent, increase investment from existing level of 13-14 per cent to 18 per cent of GDP, reduce fiscal deficit from 4.4 per cent to 3 per cent of GDP. All these macro-economic indicators are to be achieved during next five years. He also stated that poverty alleviation will be addressed through higher investment in social sector and will be the cornerstone of government's economic vision.

Economic vision expressed by the Financial Advisor in macro-economic indicators - specific. It is understandable. Ironically, people count little in the endgame of macro-economic indicators as experience of past three years has very clearly demonstrated. A vision which hardly focuses on the people practically lacks the vision it should have. It would have been better to state, hoe economic vision would ultimately increase income per capita from existing level of $420 per head, how poverty would be alleviated from existing level of around 40 per cent (non-official count) to 22.5 per cent, how unemployment particularly among the educated youth will be curtailed without giving boost to LSM and exports and so on.

A world of caution is imperative to state at this stage. Macro-economic targets to be achieved during next five years such fiscal deficit, public debt reduction, savings and investment might be within achievable range but their existing figures are subject to controversy. For example, the ficial ures of 4.4 of GDP about fisca ficit the FY2002 is not acceptable. las 7 cent of GDP. The governmen inta that real fiscal deficit was 4.4 cent GDP which increased by 1.6 ent cause of one-time subsidy ded WAPDA, KESC and National ank Have WAPDA and KESC in ed something better during curren y Will they not run into deficit t need public money once again ultimately add to fiscal deficit?

These are important questi nee to answered by the governm re i fixes lower targets for fiscal de r the years. Reducing fiscal deficit IMF standard of 3 per cent of GDP matic even for the EU Countries w com mitted and tuned to observing standard of fiscal discipline. India e he manifold commitments made li sta to IMF to reduce fiscal deficit, runs a fiscal deficit each year to the disapp ment of IMF and its people. Keepi view these facts in view one is tempt remark that economic vision is simpl ing the crest at her own and is unmind the trough and perhaps hard econom alities faced by the people and countr

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Requisites

Economic activity does not pick vacuum and it either stagnates or decre if there is no political and regional sta consistency and continuity in econ policies and finally there are no pea environments in the country. There ex 'real deficit' on all these accounts i country. The need to take an account 'real deficit' is quintessential in case to talk about economic vision of n years.

The ongoing political system is