

Politics and the economy

BY SHAHWAR JUNAID

The political economy is one thing, the politics of the economy is another, while playing politics with the economy is a variation of both. To create economic conditions that facilitate the achievement of political objectives, global and national economic systems are manipulated

at many levels, through a variety of instruments of official policy that are available to governments. At the global level such instruments can include regulatory regimes and fiscal and trade barriers. They may also include economic sanctions and restrictions on the transfer of technology. Through such means nations are controlled and populations deprived of the fruits of their resources by the international community and individual nations that spearhead such moves. The cases of Iraq and Iran are clear. So far no weapons of mass destruction have been found on Iraqi soil but this has not shamed the international community for the suffering caused to innocent civilians who, after all, were doing little more than surviving within the political system that existed in a sovereign country and which they had limited power to change, it had been so well supported and so well used by the nations that are now trying to shoot it out of existence.

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movement for globalization was at its height. Globalization, the new creed of international trade and industry gave rise to wide ranging adjustments in the rules of business between governments, between governments and the private sector, government and the public and the private sector and the public. Government-to-government and economy-to-economy regulatory regimes can provide an excuse for the political and strategic manipulation of entire sectors of the economy. For instance, it may be in the economic interest of an external power to stunt, or manipulate, the growth of the oil and gas sector of nations in West and Central Asia but this objective cannot be achieved without the cooperation of the leadership in affected countries which may have a vested interest in toeing their line and keeping entire populations on the broad lines of the

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whether it has shifted gear from national interest to self-interest, is a simple review of accountability records. As soon as governments begin to bargain on ethics and strike monetary or political deals with those who should be held accountable for acts of omission and commission while holding public office, or during the conduct of official and private business, the entire process becomes suspect. When accountability becomes a tool of political policy, not a means of strengthening economic culture, it is no longer in the national interest.

Poverty alleviation is another snake pit. There are extremely simple measures whereby the true bias of governments and their policies with regard to poverty alleviation, can be ascertained. Some governments automatically select those policy options that protect weaker sections of society. Others are inclined to disregard the weaker sections of society in the pursuit of national doctrine. Yet others pursue economic policies regardless of their detrimental effect on the economic and social condition of weaker sections of society and the erosion of doctrine. In Pakistan there is a need to scrutinize three economic measures that have had an impact on weaker sections of society in order to determine whether relief can be provided to those in need. Such relief could be provided through policy change or administrative measures.

The systematic lowering of interest rates on government guaranteed saving instruments has weakened sections of the urban population considerably. The loss in income and purchasing power has under-

used by the nations that are now trying to shoot it out of existence.

In much the same way the economy of communities, as well as social and racial groups, is manipulated. At the national level, economic instruments for the achievement of political objectives can take the form of taxes that discriminate against various sections of the population, benefiting some at the cost of others, or other levies and taxes that, more insidiously, are of such a nature that they are bound to have an impact on some sections of society while others remain unaffected. Education, a tool that empowers individuals, communities and nations, can be more expensive for some and provided at concessional rates for other sections of the population. Adequate nutrition, health facilities and a clean environment, all of which create the human condition necessary for productive activity are accessible to some and out of reach of others due to anomalies in the distribution of wealth and national resources. At the international level, and within nations, governments play politics with the economy to create power equations that fulfil their requirements. By impoverishing one social, racial or professional group in society that has the potential to threaten its hold on power, and by closing access to opportunities, governments can consolidate their hold on power. Similarly, by strengthening the financial base of another professional, social, cultural or racial group, systematically providing it with opportunities at the cost of others with equal rights, governments can create a constituency that will help it consolidate power. This is why economic policy and administrative measures that discriminate against some and favor others are a serious human rights concern and an indicator of the political manipulation of nations and communities.

The political and strategic implications of economic policy have often been the subject of discussion in this column. A great deal has happened at the national and international level since 1997, when the

leadership in affected countries which may have a vested interest in toeing their line and keeping entire populations on the bread line and thus under control.

The impact of adjustments in the global economic environment has been transferred down the line to entire sectors within the economy and, thereby, to communities and workforces. The weakest sections of society have suffered the most, just as the weakest sections of the business community have. As a result organized labour and small business reacted violently to emerging patterns of trade and development that have threatened their prosperity and undermined their position in the economic chain: for several years now, every meeting of international agencies, institutions and organizations promoting and regulating globalization, has been disrupted by violent demonstrations against emerging economic phenomenon that are now firmly associated with the economic exploitation of the weaker sections of society. As a result, it has become necessary to examine the social, political and strategic implications of proposed economic policies. While organized labour and civil society in general reject those economic policies that destabilize society and lead to regressive trends in the socio-economic and political condition of weaker sections of society, non-representative governments may continue to follow such policies if they serve to create power equations that perpetuate their tenure external forces with an interest, and investment, in such leadership may help them. In the recent past this has led to the dilution of two important movements in economic management: efforts encourage transparency in government through the application of strict accountability criteria in public dealing and poverty alleviation through a range of measures designed to improve the productivity and income generating capacity of weaker sections of society.

All that is needed in order to determine where the true interest of a government lies, or, to ascertain

the sections of the urban population considerably. The loss in income and purchasing power has undermined small businesses that depend on the custom of this section of the urban population. The lack of alternative, secure investment instruments has led to reduce interest in saving and planning for the future, including projected investment in education and enterprise. The stock market in the country is not an appropriate alternative for the category of investor discussed here, and the need to create officially sponsored options for such investors exists. About 700 companies are listed on the stock market in Pakistan. The number of companies has not increased in proportion to the recent surge in investment in the market.

Small investors cannot absorb losses from periodic corrections in a speculative environment. In any case, the market does not have the kind of steadily expanding manufacturing, production and consumer base that can sustain increases in investment without inflation of the demand price, rather than the real price of shares. If national saving instruments were within reach of and used by 45 per cent of the population the stock market is within reach of, understood and used by a mere one to two percent of the urban population. It merely serves to highlight the bias in a national economic policy that has created opportunities for a few while narrowing them down for the majority. The availability of micro-credit is supposed to help poverty alleviation by encouraging investment and enterprise in the weakest sections of society. Instead, the intermediaries in the provision process, non-governmental agencies, charge a commission for channeling the credit to lower income groups. This commission is added to the mark-up rate and provides them with a steady source of income, which the poorest borrowers struggle to pay.

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