

# SINKING

*Lab. eco.  
Nation  
9.3.03*

## deeper

**MANSOOR AHMAD** says that inequalities in the distribution of income have played havoc with the budgets of low-income families

**E**conomic well-being of a nation always translates into a better life for its citizens. It is very rare that the economy apparently looks healthy, but the common man is unable to reap its fruits. Pakistan unfortunately is one such country.

The economy is booming. All macro-economic indicators are positive. The economic managers proudly display the turn around they has been able to achieve in the last three years. They feel least bothered that the impact of this turn around has not reached the grassroot levels.

The foreign exchange reserves have increased

### Poverty: Head Counts

Percent Year	Total	Rural	Urban
1963-64	40.24	38.94	44.53
1966-67	44.50	45.62	40.96
1969-70	46.53	49.11	38.76
1979	30.68	32.51	25.94
1984-85	24.57	25.87	21.17
1987-88	17.32	18.32	14.99
1990-91	22.11	23.59	18.64
1992-93	22.2	23.91	17.71
1993-94	25.0	29.72	13.58
1996-97	21.8	25.98	12.44
1997-98	28.2	31.95	19.13

**Source: Economic Survey of Pakistan 2002**

**Note: Poverty figures since 1997-98 are not quoted in the Economic Survey, but independent studies, including by the Asian Development Bank, have put poverty in 2002 in the 40 percent-plus range.**

manifold in three years; the tax revenues have enhanced, inflation is low and the exports are rising. Compared with that the unemployment is on the rise, the poverty is increasing and the fresh investment is declining. Above all the inequality is increasing.

The statistics of macro-economic indicator revealed by Shaukat Aziz as correct, but that is only one side of the story. There are other government statistics that reveal a very grim situation.

Prices of essential kitchen items have been constantly increasing since 1947.

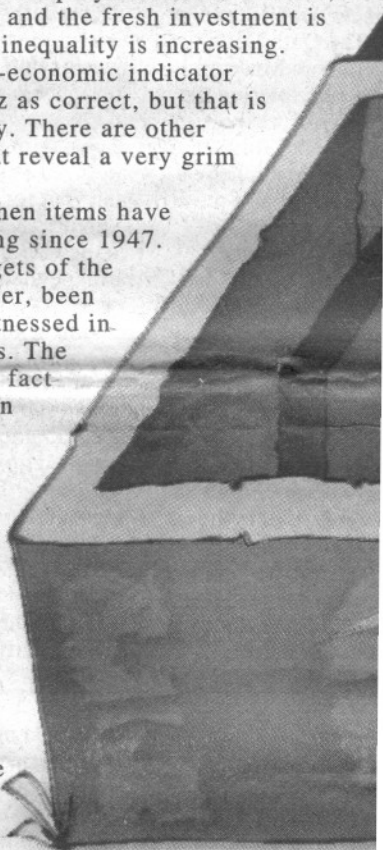
Pressure on kitchen budgets of the common man has, however, been not so pronounced as witnessed in the last four or five years. The

uptake of quality food in fact has constantly declined in the last decade. People

have been forced to divert their resources to cater for other essential daily needs. Fifty years back the cities were small. The workplace

used to be nearer to residence or the mode of transportation was mostly bicycle. The

quality of life has improved since then. The mode of transport is either public transport, car or motorcycle. The



car or motorcycle. The cities have grown bigger. It is usually impossible to reach workplace without proper motorised transport. This has added to the cost of living. Then there are utility charges like electricity and water charges, telephone and natural gas to be paid every month.

The rates of all edible items except sugar have registered increase during the last three years. Wheat flour rates have increased by seven per cent since 2000. Ghee or edible oil rates have increased by 18 per cent. Gram pulse is 30 per cent more expensive now. The rates of mutton are higher by 27 per cent. Petrol rates have increased by 40 per cent, diesel by 100 per cent and kerosene oil by 90 per cent.

Medicine prices have increased by 40 per cent during this period. Hospital charges even in government clinics have jumped by 100 per cent. Electricity rates have increased by 40 per cent for domestic consumers and by 100 per cent for industrial and commercial consumers. This increase is also passed on to the

statistics that give a glimpse of reality. Take, for instance, the household income distribution in different income groups. In 1979, the poorest 20 per cent households in urban areas had access to 8.3 per cent of the national wealth. The share reduced to 6.9 per cent in 1998-99. The economic managers did not reveal the statistics after that year.

Compared with that the richest 20 per cent households had access to 41.3 resources in 1979. This share increased to 46.8 per cent by 1998-99. This clearly indicates that the inequalities have increase in last 25 years. However, the speed with which the inequalities increased in last decade is alarming. The share of the poorest 20 per cent rural families in 1987-88 was 8.8 per cent and that of richest 20 per cent rural families 40 per cent. The fact that the figures after 1998-99 have not been released in the Economic Survey indicates that the inequalities have further increased in the

### Household Income Distribution Rural-Urban

Rural Share Year	Urban Share Lowest 20%	Highest 20%	Gini-Co- efficient	Lowest 20%	Highest 20%	Gini-Co- efficient
1979	8.3	41.3	0.32	6.9	48.0	0.40
1984-85	7.9	42.8	0.34	7.0	47.7	0.38
1985-86	7.9	40.0	0.33	7.5	45.0	0.35
1986-87	8.0	39.0	0.32	7.9	44.0	0.36
1987-88	8.8	40.0	0.31	6.4	48.1	0.37
1990-91	6.0	47.4	0.41	5.7	50.5	0.39
1993	7.0	44.8	0.37	6.1	48.9	0.42
1994	7.4	43.1	0.40	6.7	47.1	0.35
	7.3	49.3	0.41	7.6	47.0	0.38
	6.9	46.8	0.401*	6.0	50.0	0.33*

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ve not increased  
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indicator of the financial  
budgets of the families. Fortu-  
are available that also reveal  
each income group.

Unemployment rate  
statistics was 4.73 per cent  
increased to 6.12 per cent in  
rate had jumped during

Above  
10000  
11.8  
11.2  
7.9  
6.6  
5.1  
4.9

# Structure of Savings and Investment (As Percent of GDP)

Description	1997-98	1998-99	1999-2000	2000-01	2001-02(P)
Total Investment	17.3	15.6	16.0	15.9	13.9
Changes in Stock	2.6	1.6	1.6	1.6	.16
Gross Fixed Investment	14.7	13.9	14.4	14.3	12.3
- Public Investment	5.2	6.0	6.0	6.3	4.7
- Private Investment	9.5	7.9	8.4	8.0	7.6
Foreign Savings	3.0	4.1	1.9	0.9	-1.5*
National Savings	14.3	11.4	14.1	15.0	15.4
Domestic Savings	15.2	12.3	15.6	15.9	15.2

Note: (P) stands for provincial

Source: Economic Adviser's Wing

\*: The current account balance numbers (both including and excluding official transfers) are not comparable with the one presented by IMF because of different treatment accorded to outright purchases from the Kerb market.

the next three years to 7.8 per cent. The unemployment rate would have declined had there been an economic turn around in real terms. The official statistics in this regard cannot be trusted. Actual unemployment rate should be much higher.

Investment in the country is another barometer of a flourishing or stagnant economy. Total investment in Pakistan in 1997-98 as percentage of GDP was 17.3 per cent. The investment reduced gradually to 13.9 per cent of the GDP in 2001-2002. Decreasing invest-

Ruler/year	Atta/kg	Sugar/kg
Liaquat Ali 1947	20 paisa	60 paisa
Nazimuddin 1951-53	25 paisa	75 paisa
Ayub Khan 1958-69	50 paisa	Rs 1.75
Z A Bhutto 1971-77	Rs 1.00	Rs 6.00
Zialul-Haq 1977-88	Rs 2.50	Rs 9.00
Benazir 1988-90	Rs 3.05	Rs 10.00
Nawaz 1990-93	Rs 4.05	Rs 13.00
Benazir 1993-96	Rs 6.60	Rs 21.00
Nawaz 1997-99	Rs 9.00	Rs 20.00
Musharraf 1999-todate	Rs 9.50	Rs 22.00

ment is not a sign of growing economy. It means less employment opportunities.

The situation is so grim that for the first time in Pakistan's history, the banks have reduced the deposit rates to 3.21 per cent that is lower than the prevailing inflation in the country. People have no choice but to accept these low rates. Those depending on income from their savings have seen their incomes

go down by over 100 per cent during past three years.

The most painful aspect of the policies pursued during last six years is that the middle class is slowly being wiped out of the society. It is the middle class that is the backbone of every growing economy. We are strengthening our economy by eliminating the middle class from our society. A society composed predominately of only poor and rich class has historically ended in a bloody revolution. We seem to be heading towards that end.

A family earning Rs 10,000 five years back used to live modestly. Now it is not possible for a family of five to live on monthly earning of Rs 10,000. They are no more in the middle class. They are classified as poor. Ten per cent of their monthly earning is spend on transport, ten per cent on utilities, ten per cent on schooling of their children, 30 per cent on house rent. With remaining 40 per cent, they could hardly afford to buy quality food. They have no money left for clothing, health care, recreation, fruits etc.

Five years back the monthly transport budget of a similar family used to be 7.5 per cent, the utility and education charges were also in the range of 7.5 per cent each of its Rs 10,000 monthly income. Its house rent used to be 25 per cent and it could afford better quality food on his 40 per cent income. The balance amount it could use to fulfil other needs.

A monthly salary of Rs 10,000 or above is considered to be handsome income. The minimum wage in the country is still Rs 2500 per month. Those earning minimum wage are definitely living below poverty line. They could not afford even substandard food for the entire family on this income. The number of people living below poverty line is increasing at an alarming rate. Even Shaukat Aziz has admitted that the poverty could not be reduced until Pakistan achieves an annual growth rate of five per cent. The average growth rate of the country during past three years is stated to be a little over three per cent according to the last Economic Survey of Pakistan. That again proves that the poverty is on the rise.

The growth in current financial year is much better than the last three years. The growth target, however, is still 4.5 per cent that the government hopes to achieve. This is still 0.5 per cent lower than the magic growth rate of five per cent after which the poverty is expected to reduce.

We do not want to



take away the credit of improved macro-economic indicators from the present government. The government, however, should institute measures to remove inequalities from the society. Three years of ruthless reforms have failed to provide level playing field to all. The government instituted those reforms more speedily that directly effected the common man. The public accepted those reforms in the larger interest hope to benefit in the long-term.

However, the economic managers have gone soft

<b>Ghee/kg</b>	<b>Gram Pulse</b>	<b>Mutton/kg</b>
Rs 2.50	25 paisa	Rs 1.25
Rs 3.00	35 paisa	Rs 1.75
Rs 5.00	Rs 1.50	Rs 12.00
Rs 9.00	Rs 2.50	Rs 16.00
Rs 15.00	Rs 9.00	Rs 40.00
Rs 20.0	Rs 10.00	Rs 50.00
Rs 32.0	Rs 18.00	Rs 80.00
Rs 48.0	Rs 18.00	110.0
Rs 45.0	Rs 24.00	Rs 110.0
Rs 54.0	Rs 32.00	Rs 140.0

when the time to deepen these reforms came. The deepening of these reforms would in fact hurt the vested interests. The good governance, if practised, would take away discretionary powers from the bureaucracy and the ruling elite. It would ensure rule of law. These reforms are not being pursued with the same vigour with which the reforms for right sizing of government, banks and companies were pursued.■

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