

THE
MANAGEMENT
OF
PAKISTAN'S
ECONOMY
1947-82

VIQAR AHMED  RASHID AMJAD

Contents

Preface • v

PART I MACRO FRAMEWORK

CHAPTER 1 Pakistan's Economic Performance: 1947-82 • 3

- 1.1 Basic Economic Indicators • 4
- 1.2 Social Services • 5
- 1.3 Structural Changes • 7
- 1.4 Changes in the Distribution of Ownership and Control of Economic Assets • 9
 - 1.4.1 The Shares of the Private and the Public Sectors • 9
 - 1.4.2 Ownership Pattern in the Agricultural Sector • 10
 - 1.4.3 Ownership Pattern: Large-Scale Manufacturing • 10
 - 1.4.4 Ownership Patterns in other Sectors • 11
- 1.5 Foreign Loans and Debt Repayment • 11
- 1.6 Regional Inequalities • 12
- 1.7 Inter-Country Comparison • 12

CHAPTER 2 Growth and Structural Change: 1947-82 • 14

- 2.1 Population, Labour Force, Employment, and Overseas Migration • 15
 - 2.1.1 Size and Growth of the Labour Force • 15
 - 2.1.2 Overseas Migration—Estimates of the Total Number of Pakistani Workers Overseas • 19
- 2.2 Growth Rates and Sectoral Composition of Output • 20
- 2.3 Sectoral Composition of Output • 21
- 2.4 Investment, Savings, and Foreign Resource Inflows • 22
 - 2.4.1 Definitions and Data Sources • 22
 - 2.4.2 Movements of Investment, Savings, and Foreign Resource Inflows • 23
- 2.5 The Foreign Trade Sector • 25
- 2.6 Foreign Economic Assistance • 27

CHAPTER 3 The Social Services • 29

- 3.1 Education • 30
 - 3.1.1 The Structure of Education • 30
 - 3.1.2 Expansion in Education • 30
 - 3.1.3 Participation Rate • 32
 - 3.1.4 Drop-outs • 32
 - 3.1.5 Education, Employment, and Equity • 33
 - 3.1.6 Conclusion • 35
- 3.2 Health • 35
 - 3.2.1 Expansion in Health Facilities • 35
 - 3.2.2 Some Issues in the Health Sector • 36
- 3.3 Housing • 37
- 3.4 Drinking Water, Sanitation, and Sewerage • 39
- 3.5 Nutrition • 40
- 3.6 Conclusion • 40

PART II ECONOMIC DECISION-MAKING IN A HISTORICAL PERSPECTIVE

CHAPTER 4 Economic Decision-Making • 45

- 4.1 Economic Decision-Making by the State Authorities • 45
 - 4.1.1 Very Short-Run or Day-to-Day Management of the Economy • 46
 - 4.1.2 Short-Run Management • 47

	4.1.3 Medium-Term Development Planning • 50	
	4.1.4 Basic Structural Changes • 53	
4.2	Forces which Influence Economic Decision-Making • 54	
4.3	The Planning Machinery in Pakistan • 56	
4.3.1	The Changing Role of the Planning Commission • 56	
4.3.2	The Structure of Economic Decision-Making in Pakistan • 58	
4.3.3	The Planning Machinery in Pakistan—A Critical Appraisal • 59	
CHAPTER 5	The Initial Phase: 1947-58 • 64	
5.1	A Broad Overview • 64	
5.2	Economic Management during the Fifties—An Analysis of the Key Decisions • 68	
5.2.1	Day-to-Day Decision-Making/Very Short-Run Economic Management • 68	
5.2.2	Short-Term Management and Development Strategy • 71	
5.2.3	Overall Development Priorities: Long-Term • 74	
CHAPTER 6	The Controversial Sixties • 77	
6.1	A Broad Overview • 77	
6.2	Very Short-Run Economic Management in the Ayub Period • 80	
6.3	Pakistan's 'Model' of Economic Development in the Sixties • 82	
6.3.1	The Boom Years (1959-60 to 1964-5) • 84	
6.3.2	Slow-down, Contradictions, and Collapse (1965-70) • 86	
6.4	Conclusion • 90	
CHAPTER 7	The Seventies • 92	
7.1	The People's Party's Economic Performance (1972-7) • 92	
7.1.1	Structural Reforms • 92	
7.1.2	Management of the Economy • 93	
7.1.3	Short-Term Management • 93	
7.1.4	Long-Term Strategy • 95	
7.1.5	A Critical Appraisal of the People's Party's Economic Strategy • 98	
7.2	The 1977-80 Phase • 99	
7.2.1	Short-Term Management • 100	
7.2.2	Long-Term Management • 102	
PART III AGRICULTURE		
CHAPTER 8	Agriculture: An Overview • 107	
8.1	Major Trends • 107	
8.2	The Role of Agriculture in Pakistan's Economy • 108	
8.3	Policy Framework for Agricultural Growth • 109	
8.4	Resource Base • 110	
8.4.1	Land • 100	
8.4.2	Labour • 111	
8.5	Output and Productivity Trends • 111	
8.5.1	Wheat • 112	
8.5.2	Rice • 113	
8.5.3	Cotton • 114	
8.5.4	Sugarcane • 115	
CHAPTER 9	Land Reforms • 117	
9.1	Land-Tenure • 117	
9.1.1	The Concept of Land Reforms • 117	
9.1.2	Pakistan's Land-Tenure System • 118	
9.1.3	Concentration of Land Holdings • 120	
9.2	Land Reforms in Pakistan • 120	
9.2.1	Tenancy Regulation • 120	
9.2.2	The Abolition of <i>Jagirdari</i> • 122	
9.2.3	The Ceiling on Land Ownership • 123	

9.2.4	Implementation • 124
9.2.5	Consolidation of Holdings • 128
CHAPTER 10	Agricultural Inputs • 131
10.1	Water • 131
10.1.1	Surface Water • 132
10.1.2	Ground Water • 135
10.1.3	Conclusion • 140
10.2	Fertilizer • 140
10.3	High Yielding Varieties • 142
10.4	Pesticides • 143
CHAPTER 11	Some Key Issues in Agriculture • 146
11.1	Agricultural Price Policy • 146
11.1.1	Output Price Policy • 147
11.1.2	Input Pricing Policy • 151
11.1.3	Inter-sectoral Terms of Trade • 153
11.1.4	Price Policy and Income Distribution • 153
11.1.5	Conclusion • 154
11.2	Agricultural Taxation • 155
11.3	Agricultural Credit • 159
11.3.1	Classification • 159
11.3.2	Total Credit Needs and Gaps • 160
11.3.3	Non-Institutional Sources of Credit • 161
11.3.4	Institutional Sources • 162
11.3.5	Co-operative Credit Institutions • 163
11.3.6	The Agricultural Development Bank of Pakistan • 164
11.3.7	Commercial Banks • 165
11.3.8	Government Loans • 166
11.3.9	The Role of the State Bank of Pakistan • 166
11.3.10	Rate of Interest • 166
11.3.11	Conclusion • 167
11.4	Agricultural Marketing • 168
11.4.1	The Market System in Operation • 168
11.4.2	Competitive Conditions • 169
11.4.3	Market Intelligence • 170
11.4.4	Price Stability • 170
11.4.5	Product Standardization • 171
11.4.6	Market Regulation • 171
11.4.7	The PASSCO • 171
11.4.8	Co-operative Marketing • 172
11.5	Farm Mechanization • 173
11.5.1	The Mechanization Debate • 173
11.5.2	The Process of Mechanization in Pakistan • 174
11.5.3	Appropriate Farm Technology • 175
11.5.4	The Impact of Mechanization on Employment, Productivity, and Income Distribution • 175
11.6	Agricultural Extension, Research, and Education • 177
11.6.1	Extension • 177
11.6.2	Research • 178
11.6.3	Education • 178
11.6.4	Conclusion • 179
CHAPTER 12	Rural Development: Past Policies and Programmes • 184
12.1	Introduction • 184
12.2	The Village Agricultural and Industrial Development Programme (Village AID) • 184
12.2.1	Progress under the First Plan (1955-60) • 186
12.2.2	End of Village AID Programme • 187
12.3	Rural Works Programme/Basic Democracies (1962-9) • 187

- 12.4 The 'Comilla' Approach to Rural Development • 188
- 12.5 Integrated Rural Development Programme • 190
 - 12.5.1 Institutional Framework • 191
 - 12.5.2 Evaluation of the IRD Programme • 193
- 12.6 People's Works Programme • 193
- 12.7 Agrovilles Development Programme • 193
- 12.8 Rural Development Strategy for the Fifth Five Year Plan (1978-83) • 194
- 12.9 Conclusion • 195

PART IV INDUSTRIAL AND COMMERCIAL POLICIES

- CHAPTER 13 Pakistan's Industrialization Experience • 199
 - 13.1 Introduction • 199
 - 13.2 Important Features of Pakistan's Industrial Development • 200
 - 13.2.1 Growth • 201
 - 13.2.2 Structure of Output • 202
 - 13.2.3 Manufactured Exports • 203
 - 13.2.4 Employment • 203
 - 13.2.5 Capital Intensities • 204
 - 13.2.6 Wages of Production Workers • 205
 - 13.3 Some Important Issues • 205
 - 13.3.1 The Industrial Policy Framework • 206
 - 13.3.2 The Protective System • 206
 - 13.3.3 Tax Incentives • 207
 - 13.3.4 Export Incentives • 207
 - 13.3.5 Other incentives • 208
- CHAPTER 14 Important Issues in Industrial Development • 210
 - 14.1 The Efficiency of Pakistan's Industrial Structure • 210
 - 14.2 Monopoly Power and the Concentration of Industrial Ownership in the Sixties • 213
 - 14.2.1 Monopoly Pricing • 214
 - 14.2.2 The Extent of Concentration of Industrial Economic Power • 216
 - 14.3 Nationalization and the Performance of Public Sector Enterprises • 219
 - 14.3.1 Performance of Public Sector Enterprises between 1972-3 and 1976-7 • 219
 - 14.3.2 The Performance of Public Sector Enterprises: 1977-8 to 1981-2 • 224
 - 14.4 Industrial Relations, Trade Unions, and the Level of Real Wages • 226
 - 14.4.1 The Initial Years (1947-58) • 226
 - 14.4.2 Suppression and Stagnation • 227
 - 14.4.3 Industrial Relations Ordinance, 1969 • 229
 - 14.4.4 New Labour Policy (1972) • 229
 - 14.5 Government and Small-Scale Industries in Pakistan • 231
 - 14.5.1 Role of the Small-Scale Sector in Overall Industrial Strategy • 231
 - 14.5.2 Government Policies • 232
 - 14.5.3 Growth of the Small-Scale Sector in the Seventies • 237
- CHAPTER 15 Commercial Policy and Management of Foreign Trade • 241
 - 15.1 Introduction • 241
 - 15.2 The Objectives and Tools of Commercial Policy • 241
 - 15.3 1947-58: Early Stages—An Uncertain Link with Development Priorities • 243
 - 15.3.1 The Non-Devaluation Decision • 243
 - 15.3.2 The Post-Korean Recession • 243
 - 15.3.3 Export Promotion Policy • 244
 - 15.3.4 The Direction and Composition of Foreign Trade • 245
 - 15.3.5 The Import Licence System • 245
 - 15.4 1958-71: Integration with the Growth Strategy • 246
 - 15.4.1 Export Promotion • 246

- 15.4.2 Import Liberalization and Changes in the Licence System • 248
- 15.4.3 Changes in the Composition and Direction of Foreign Trade • 249
- 15.5 1972-80: New Disequilibria and New Adjustments • 250
- 15.5.1 Export Promotion • 252
- 15.5.2 Changes in the Import Policy and Import Control System • 252
- 15.5.3 The Composition and Direction of Foreign Trade • 253

PART V FINANCING OF ECONOMIC DEVELOPMENT

- CHAPTER 16 Fiscal Management • 259
 - 16.1 The Objectives of Fiscal Policy • 259
 - 16.2 Resource Mobilization • 260
 - 16.2.1 Pakistan's Tax Structure • 261
 - 16.2.2 External Resources • 264
 - 16.2.3 Deficit Financing • 264
 - 16.2.4 Fiscal Relations between the Federal and Provincial Governments • 266
 - 16.3 Resource Allocation • 270
 - 16.4 The Maintenance of Economic Stability • 271
 - 16.5 The Redistribution of Income • 272
- CHAPTER 17 Trends in Monetary Management • 275
 - 17.1 Monetary Policy • 275
 - 17.1.1 The Role of Monetary Policy • 275
 - 17.1.2 The Objectives of Monetary Policy • 275
 - 17.1.3 The Instruments of Monetary Control • 276
 - 17.1.4 The Limitations of Monetary Policy • 277
 - 17.1.5 Money Supply and Monetary Assets • 278
 - 17.1.6 Causative Factors in Monetary Expansion • 278
 - 17.2 Phases in Pakistan's Monetary Policy • 279
 - 17.2.1 Trends During the Fifties • 279
 - 17.2.2 The Sixties • 282
 - 17.2.3 Accelerated Monetary Expansion 1972-80 • 284
 - 17.3 The Safe Limit of Monetary Expansion • 286
- CHAPTER 18 Impact of Foreign Aid on Economic Development • 288
 - 18.1 What is Foreign Aid? • 288
 - 18.1.1 The 'Two-gap' Approach • 288
 - 18.1.2 Concession and Foreign Aid • 289
 - 18.1.3 Towards a Definition of Foreign Aid • 290
 - 18.2 Pakistan's Dependence on Foreign Aid • 290
 - 18.3 The Burden of Aid—Pakistan's Debt Servicing Problem • 292
 - 18.4 Types of Foreign Aid • 296
 - 18.4.1 Project Assistance • 297
 - 18.4.2 Commodity Assistance • 298
 - 18.4.3 PL-480 Commodity Assistance • 298
 - 18.4.4 Technical Assistance • 300
 - 18.5 Pakistan's Principal Sources of Foreign Aid • 301
 - 18.5.1 Pakistan's Major Donor Countries • 302
 - 18.5.2 IMF as a Source of Aid to Pakistan • 303
- Index • 307