

BOOK REVIEWS

Leading Issues in the Economy of Pakistan: Agenda for Reforms, by Hafiz A. Pasha, Published by Friedrich-Ebert-Stiftung, 2023, 225 pages.

Pakistan, since its inception, first time has faced such a chronic economic condition. Everyone, from non-specialists to economists, politicians, and even the defence minister, voiced that the country is on the verge of default, as happened in Sri Lanka recently. This situation has been of great concern. Professor Dr Hafiz A Pasha, a renowned economist, felt the need to streamline the factual situation of the economy and to find the economic solution, to take the economy out of this chronic state and direct it to the road to development. His book 'Leading Issues in the Economy of Pakistan: Agenda for Reforms' has recently been launched. The book is divided into four parts, containing eighteen chapters. The book is simple to understand for students and interested non-economist readers. The first three parts are used to analyse the Performance of the Economy and Outlook by evaluating the Performance of three governments, SBP's Performance since 2018, Annual Economic Review and Economic outlook in 2022-23.

The first four chapters exhibit the factual condition of the economy during the time of three governments from 2008-9 to 2021-22. This era didn't show good numbers in economic development. The growth rate was on the lower side, whereas the inflation trend was relatively high. Two important events took place during this period. The first 18th amendment bill was successfully passed in the Parliament, and the Second much-awaited NFC Award was awarded. The launching of the CPEC program, another great success of the PML (N) government, in 2017-18 witnessed an all-time current account deficit crisis.

During the COVID-19 pandemic, Imran Khan's government adopted the right policies to cope with it. They did exceptionally well and were appreciated around the globe. The exports are rising, with other numbers also reflecting positive signs. This era was widely appreciated around the world, including by the WHO, which praised the PTI government for its efforts. Suddenly, a regime change operation took place for no obvious reason. Things worsened after the new government took over.

The low reserve position urged/warned SBP to adopt a rather aggressive monetary policy, but depleting reserves stressed harsh monetary policy measures in the following years. These steps were taken in order to stabilise the Balance of Payment position.

The annual economic review looks closely into all significant factors such as GDP growth rate, inflation investment, balance of payments, and public finance situation. A

special section of the book is reserved for natural calamities. The flood situation was compared prior to and afterwards, as well as the impact of floods. Without hesitation, it is inferred that floods were devastating. The aftermath of the disastrous floods has pushed 20 million more people below the poverty line. It is estimated that 33 million people were affected and lost their property, and animals and crops were destroyed. The economic impact was very severe.

The book also discusses the impact of IMF Targets and Conditionalities and the economic impact of implementing IMF conditions. Importantly, it focuses mainly on the IMF program resumed last year—this discusses an important aspect: the factors responsible for delays.

Further, some major issues that require urgent attention from policymakers and the government are also discussed in detail. First, it analyses the economic situation, how much it is near to default, and to what extent the rupee may be depreciated. Studies have undertaken great depth to find the causes of the high inflation rate, and the trend reveals all-time high numbers, the resulting impact of which is of great concern. The aftermath of this to an average man is undoubtedly very negative.

Most importantly, the book offers the Agenda for Reforms to be carried out for the future development of the economy. In order to make corrections where they are inevitable, the study has been undertaken. Research here addresses the topics of dire need like sustaining trade and balance of payments, managing the public finances, removing the impediments to growth, and improving economic governance. With the fragile state of the economy today, the country has taken the average public into a state of uncertainty, fear and sadness. People with low incomes are experiencing depression attacks, and few are reported to have taken their lives as well.

On the contrary, the economic loss estimated is about \$ 30 billion. From the perspective of the analysis undertaken of three governments of PPP, PML(N) and PTI. The study identifies the wrong policies adopted during the period of their governments. The greater objective of the book is to streamline the Reform Agenda in light of the failed policies. These could help put the economy on the road to development and save the country, God forbid, from default.

A few days ago, a renowned banker, Sirajuddin Aziz, stated in a TV interview that he is certain the country will not default. The payments may be delayed, which normally happens but is not a default. His positive statement at a time when even the defence minister was saying that the country may default is quite surprising but served the purpose of good news and reviving an investor's confidence to an average man.

In the wake of the prevailing situation, the author suggests that it is time to adopt some strong, unpopular policies to keep the economy going in a positive direction—for example, the sustaining trade and the balance of payment condition. The trade has mostly been import-oriented. Export-orientated trade lacks emphasis as well as support. With the devaluation of the rupee and high exchange rate, the suggestion is to draw an effective plan for the development of export-oriented industries that become all-time expensive.

In this regard, commercial banks must come forward to play a role in providing loans to industrialists/SMEs in both industrial and agricultural sectors.

Here, the main hurdle is when the government borrow from commercial banks at a reasonable rate, and the return of the loan is guaranteed at an agreed time, the question arises: why would banks on their risk lend loans to an individual investor where payback of loans not guaranteed at an agreed time make sense.

Now, it's time for the government to plan accordingly and provide the required space to investors. The following chapter highlights the management of the public finances. To bring more individuals into the tax net, a practical incentive suggested is that an individual who files a tax return for the first time will be exempted from the audit for the first three years. Recommendations are separately given for indirect and provincial tax reforms. It is evident that the tax system in Pakistan has been biased towards the industrial sector. The research findings, comparing the sector's share in GDP and tax revenue generation, reveal that 62 per cent is from the industry where, in agriculture, it is as low as 7 per cent and in the service sector, it is much more than 31 per cent. This needs to be addressed with care.

Pakistan has noted a fall in human development in the year 2021-22. It ranked 161 out of 191 countries according to the latest UNDP Global Human Development Report. The final chapter of the report is debate over Economic Governance. It seems unbelievable when witnessing the boom and bust cycle since the start of the 21st century. Dr Pasha has diligently pointed out the problem with fairly accurate projections and suggested solutions to improve these from a broader perspective to improve economic governance.

To conclude, the book presents a valuable commentary on the progress and working of the three governments. Each topic addressed in the book has been supported well by the data, pie, and flow charts. Wherever the need arose, mathematical models were developed and run. Technical Annexure gives complete insight into the working. A list of variables, equations of models, lists of tables, and acronyms help the reader to find the required topic without any tedious search. This is a comprehensive document prepared, and each aspect of the economy is taken care of. I would recommend that this book be shelved in every university/ institute library. It will be a readily available document to the teachers, researchers, policymakers and students in their research and teaching. This document of economic history was prepared with extensive research and hard work.

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