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Pakistan

Moving the Economy Forward

Edited by

Rashid Amjad

Shahid Javed Burki



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Preface

Today, well into the seventh decade of its existence as an independent state, Pakistan is passing through a critical period. It is navigating a perfect storm and faces not one but several daunting challenges. Extremist forces continue to challenge the state and the Constitution. The economy remains under stress and depends on large external flows to remain solvent. The rate of population growth remains relatively high; every year, the country adds close to four million people to its large population. Its human resources are poorly developed. There are severe power shortages; apportioning the limited supply of power means plunging large areas into complete darkness several times a day and for several hours at a time.

While fully aware of the depth and spread of such problems, we were equally convinced that there were enough “positives” in Pakistan’s economic and social systems to think in terms of a better future for the country. It is difficult to practice development economics without a tinge of optimism. Pakistan is richly endowed with resources that could be deployed to produce a higher rate of growth. It has the world’s largest contiguous irrigated area, for instance, and if it were to move toward the production of higher value-added crops, agriculture could become an even more significant part of the economy. The country has rich, if largely unexplored, mineral resources and traditional engineering skills that could be developed into supply chains to feed some of the large industrial production systems in the neighborhood. There is also Pakistan’s proximity to Asia’s two mega-economies, China and India—not only could it develop strong and beneficial economic relations with these two economic powerhouses, but it could also provide land routes for commerce, linking China and India with energy-rich Central Asia and the Middle East.

Supportive public policies are required to make these and other “positives” work for the country. We felt that a collection of essays by a group of development scholars and practitioners was needed—one that policymakers could use in making public policy choices. In asking writers to contribute to this volume, we agreed that the following three criteria would be kept in view. First,

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the discussion should be about the future. One could analyze the past, but only if it informed one's thinking about the future. Second, the book would deal with a variety of topics but not venture into disciplines that were very far from economics. In other words, the proposed volume would be a book by economists on economics, but written to evoke interest among and be understood easily by a general readership. By focusing on many subjects within the broad discipline of economics, we wanted to emphasize the “micro” without neglecting the “micro”. Third, we would invite authors to present their recipes for the future, keeping in mind that Islamabad is searching for solutions to the country's many problems.

As its title suggests, this is a forward-looking book. It is also a collection of essays that discards the notion that Pakistan is inexplicably condemned to being the “sick man” of South Asia. As the volume's coeditors, we have enough international experience between us to know that there are no permanent trends in the lives of individuals or nations. Countries have their ups and downs; Pakistan is passing through a “down”. It has enough inherent strength, however—in its people and its endowments—to pull itself out of this difficult situation.

As a politician said not too long ago, a crisis is too precious a thing to waste. Pakistan is, undeniably, in a deep crisis—a fact that all its citizens recognize. What is needed at this juncture is a development paradigm that seeks to “go over” the number of obstacles that have slowed down the pace of the country's economic and social advance. To carry the metaphor forward, these are not “speed bumps” that we need to cross by slowing down; these are real walls that block our way. We need to pull them down, not skirt around them as we have tended to do in the past. Bringing the walls down involves something economists call structural change. Policymakers in Pakistan have shied away from this, taking the easy route ahead and avoiding the economic reforms so badly needed to make the economy more productive and efficient. This structuralist approach is the main theme of this collection of essays. Reading them together—as they should be read—there are enough ideas present to help policymakers move the country forward and onto a trajectory of high, sustained, and inclusive growth.

In putting this volume together, we must acknowledge a number of people and institutions that have made this book possible. First and foremost are the authors of the different chapters, who set aside their precious time to contribute to the volume and have done so purely as a labor of love and because of their commitment to improving the lives of the people of Pakistan. We must also

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Rashid Amjad
Shahid Javed Burki