Book Reviews


Pakistan's economic history has seen many turnarounds since independence. The country emerged on the world-map with few manufacturing industries, very little educated and skilled labour, a limited endowment of financial resources, and the enormous problem of resettlement of refugees. In addition to this, political conflicts with India caused two wars and resulted in the separation of East Pakistan. However, the country's economic performance has been remarkable. This book reviews Pakistan's economic performance over a period of 47 years, from 1947 to 1993, and traces the history and development of various sectors of Pakistan's economy with the help of time-series data on key variables. Trends in these variables are depicted in graphs. The background data are provided in the 58 appendix tables at the end of the book. In each chapter, Pakistan's position in the world economy is judged by a comparative analysis in relation to other countries.

The ten chapters of this book are grouped in six parts. Part I and Part VI present an overview of the book and a summary of the analysis, respectively. Part II presents a historical overview of Pakistan's development. Demand management policies are described in Part III. Details about the sectoral growth are given in Part IV, and the dependence on foreign aid is discussed in Part V.

Chapter 1, in Part I, gives the plan of the book. Some outcomes of the development process are presented in Chapter 2. Results of various empirical studies done in different time-periods are provided to explain the trends in poverty. These studies show that the growth in private incomes in Pakistan has helped to reduce the incidence of poverty. The trends in education, health, nutrition, water supply, and sanitation that are presented in this chapter help the reader in assessing the gains in social well-being. The implications of high population growth rates for the labour force and employment are also pointed out.

Chapter 3 discusses trends in national income, its growth, the share of major sectors in the GDP and the GNP, and the savings and investment situation in Pakistan. It is apparent from this chapter that firm empirical evidence on Pakistan's growth experience is lacking. According to the growth theory, growth in an economy's potential GNP is determined by the growth in labour and capital productivity and the adoption of modern technology. Factor productivity growth can be increased
by investing in education and in research and development. No empirical evidence on this point is presented, although such evidence would have strengthened the analysis further and would likely have provided guidelines to the policy-makers and government agencies on the allocation of funds.

Both fiscal and monetary policies are required to manage aggregate demand. The fiscal policy is discussed in Chapter 4, and the monetary policy in Chapter 5. In their discussion of the fiscal policy, the authors have criticised the tax structure and suggested a need for reforms in the prevailing fiscal system. Chapter 5 discusses the trends in money supply, the rate of inflation, the role of commercial banks in disbursing credit, and the role of the State Bank of Pakistan. The chapter reports that the correlation coefficient between money supply and inflation is 0.97, which is rather high. The authors should have analysed at some length the role of the State Bank in controlling the money supply over the study period.

The economic growth of an economy is the weighted average of the growth in its major sectors. Agriculture is the second-largest sector of Pakistan’s economy and accounts for 23 percent of the GDP. The performance of this sector is discussed in Chapter 6. The details include the share of sub-sectors in the total; the area, production, and yield of major crops; agricultural pricing and taxation; land reforms; and the use of agricultural credit. Chapter 7 focuses on the manufacturing sector and describes how Pakistan’s economy is shifting from agriculture to industry. The foreign trade is not only a source of foreign exchange but also allows nations to exploit their comparative advantage through trade with other countries. Chapter 8 describes the contribution of foreign trade to Pakistan’s economic development by examining the trends in the balance of payments, direction of trade, terms of trade, and growth of exports and imports. Although this chapter provides details about the volume of important export items, it would have been even more useful if the authors had also given information on the respective shares of the agricultural and industrial sectors in total exports and total employment. The respective shares of these sectors in total exports reveal their contribution in earning foreign exchange. Such information would likely help the policy-makers in promoting the exports of the respective sectors by providing additional incentives. The share of a sector in total employment allows the reader to calculate the average and marginal labour productivity and labour concentration, i.e., labour mobility across the sectors, and this determines the demand for labour. Analysis of this kind can help government agencies in designing a suitable labour policy, keeping in mind the capacity of these sectors to absorb labour.

A developing country like Pakistan suffers from financial constraints due to the shortage of capital. Thus foreign aid becomes necessary to sustain the development process at the risk of dependence. Chapter 9 in Part V throws light on the merits and demerits of Pakistan’s dependence on foreign aid.
As the development of economy also depends on the development of the physical infrastructure and on balancing the demand and supply of energy, it is a hot topic in Pakistan today. Despite being endowed with various sources of energy, Pakistan has been facing an energy crisis. The reasons for this are, however, largely ignored in the book. The authors should have presented a detailed history of the (non)development of these sectors.

In spite of these limitations, this book is an important contribution to the scarce literature on Pakistan’s economic performance. The effects of the reformulation of economic policies by each successive government on the trends in key economic variables are described in detail. In other words, economic performance is evaluated in the political context with the help of consistent time-series data for 47 years. Where it is deemed essential, data are translated into diagrams, charts, and graphs. This book is concisely written in simple language, and high competency in the subject is visible throughout the book. A subject index would have made the book even more readily usable.

A useful addition to the reading lists of teachers of the subject, the volume should be equally beneficial to students at the undergraduate and graduate levels as it narrates the story of Pakistan’s economy over such a long period. The availability of consistent time-series data on different economic indicators with one base year would help researchers in testing the hypotheses and drawing policy implications. The loopholes pointed out in the existing policies may possibly lead to reviewing and modifying these policies. One final point needs to be made. An extremely useful book that it is, perhaps it is overpriced for its intended audience.

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