

# No Economic Dissent but Plenty of Contest

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For over two decades there has been neoliberal consensus on economic policy in Pakistan, with dissent being marginalised to a few individuals and fringe political groupings. Economic contest, however, has remained and has sharpened around the allocation of rents. While the new government is unlikely to break from the established neoliberal consensus, it is expected to redress some simmering inequities.

As Pakistan's elected government gets ready to present its first federal budget, expectations are dampened by the weight of the problems faced by the economy and a long backlog of thinking about economic alternatives. Two decades is a long time for the absence of dissent on economic policy, but that is precisely what Pakistan has experienced.

While the country lurched from one political crisis to the next, with periods of relative calm in between, there was remarkable agreement among key political players on the direction of economic policy. A neoliberal consensus claimed Pakistan under the stewardship of general Zia-ul-Haq's military regime in the 1980s and vestiges of resistance from sections of the bureaucracy were flushed out by the elected civilian governments of the 1990s. By the time general Pervez Musharraf took over in 1999, liberalisation, privatisation and market orientation were the established orthodoxy. There was agreement too that fiscal prudence rather than counter-cyclical policy should guide macroeconomic policy and that monetary policy must be correspondingly conservative.

Pakistanis took easily to the idea that government must not interfere with market forces. The fact that many governments were politically unpopular meant that it was popular to want to take things away from their hands. In any case, the state's capacity to bend the market had weakened progressively through the 1980s due to a number of factors – institutional and political. Zia-ul-Haq's martial law regime toughened up the repressive arm while at the same time downgrading the capacity of the bureaucracy for economic governance. Massive resource inflows through non-formal channels – due to large-scale labour migration to west Asia, foreign funding for the Afghan jihad and

big returns to heroin traffickers – rapidly expanded the space and legitimacy of the unregulated economy.

With the post-Keynesian counter-revolution in full swing in rich countries, the subsequent collapse of the Soviet Union convinced most Pakistani economic thinkers of the futility of opposing the International Monetary Fund/World Bank barrage. In fact, the dreaded duo played a minor role in persuading Pakistan's leaders of the absence of viable alternative economic models. The argument was won and the discourse had changed even if reformist zeal was partial.

The Pakistan People's Party (PPP) with its left-of-centre lineage was watchful of the distrust it evoked in the business community. Zulfikar Ali Bhutto, for all his other foibles, was despised by the bourgeoisie for his programme of nationalisation in the 1970s. His daughter had to work overtime to persuade the capitalists and the "international community" that the economy was safe in PPP's hands. Its nemesis the Pakistan Muslim League of the industrialist-turned-politician Nawaz Sharif (PML-N) was hailed by many as the harbinger of a capitalist revolution that would rid Pakistan not only of the "feudals" but also of a stultifying bureaucracy. In actual fact, there was little difference between the economic programmes of the two parties and hardly any difference between them and their military predecessors and successors.

## The Political Business Cycle

But there is many a slip. Zia-ul-Haq's economic managers did not dare initiate large-scale privatisations. The political cost was going to be high, and the unpopular regime needed to keep in hand all of the sources of patronage that it could wield. Major moves for trade and financial liberalisation were also to come after the end of the Zia regime. All talk of fiscal prudence was thrown to the wind once the Afghan jihad money started flowing in and Zia's teetotaling binge of the 1980s left a massive debt hangover that paralysed the economy for the best part of the next decade. The civilian governments of the 1990s did little other than fire-fighting

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even while they vied with one another for the badge of market-friendliness.

There was much fanfare in the initial pre-9/11 period of the Musharraf government about fiscal prudence and an independent central bank. The first few years did see strict adherence to a stabilisation programme that brought inflation under control at the expense of growth, employment and poverty. The medicine was bitter, but there is no way of telling if it worked. Events intervened in the form of 9/11 and us-led rescue package in return for cooperation in the war against the Taliban.

The external debt service burden was reduced at a stroke by over 2 percentage points of the gross national product and the World Bank and the Asian Development Bank which blushed away from Pakistan after the 1998 nuclear tests were now tripping over themselves offering budgetary support. Other inflows followed and jump-started economic growth. Not that there was much visible erosion of unemployment or poverty. While the rigours of competition emaciated the already lean farmers and workers, bankers fattened themselves with cosy relationships with each other and the regulators and plentiful cash sloshed around in stock, real estate and commodity markets giving rise to ever new speculative bubbles including those in basic foods.

The bill for Musharraf's party is also post-dated. The regime ended with a stagnant tax-gross domestic product (GDP) ratio, a rapidly rising budget deficit-GDP ratio, and a doubling of subsidies and tax breaks mostly for lumbering public sector giants and private oil marketing companies trebled (rising from 2.2 to 7.2 per cent of government spending). A Rs 500 billion overdraft from the central bank to finance the budget deficit more than doubled the stock of public debt in just the last year.

Pakistan seems to have its own version of the "political business cycle" that is impervious to the choice of economic model. The imbalance between the relative powers of representative and non-representative organs of the state leads to periods of economic uncertainty, lack of direction and low growth. Military adventurers take advantage of economic drift,

take over and hitch Pakistan onto whatever happens to be America's geostrategic bandwagon at the time in return for economic pay-offs. Growth accelerates largely due to the easing of external and fiscal constraints, but it proves unsustainable, macroeconomic imbalances go out of control and the "bloody civilians" are invited back to pick up the pieces and the next round begins. Each side blames the other for fiscal profligacy, unabashed use of political patronage and irresponsible economic governance. These mutual recriminations conceal a basic agreement that the neoliberal prescription is the only one available. Despite its dubious record, the disagreement is not about the medicine itself, but about who should administer it.

### Division of Spoils

This consensus on the economic paradigm does not mean that the economy is not an important area of contest. On the contrary much of the political strife in the country can be explained with reference to economic interest. Popular resentment of military rule is premised on the highly visible and conspicuous claims made by the military and its personnel not only on the exchequer, but a range of economic assets and rents, including state land and concessions within the civil economy. Local class struggles, such as those of the Okara tenant farmers in Punjab against their army landlords, and the Sindh fisherfolks' movement against the military-run contract system, are not about wages but rent.

The PPP-MQM (Muttahida Quami Movement) jostling in Sindh which has been pacified through a painstaking choreography of reconciliation is substantially about the division of rents, public investment and jobs between Karachi and the rest of Sindh. Within Karachi the working-class ethnic Pashtun, Sindhi and Baloch vote of the suburbs consolidated against the MQM on the fear that the latter was pursuing a policy of eviction and land-grab against their communities. The main demands of the Baloch nationalist struggle are around rival claims to rents from natural resources and the use of land. There are clear distributive dimensions too of the tension between the PPP and the PML-N in terms of federal fiscal priorities

– the latter is thought to be a strong champion of Punjab over other provinces. Within Punjab, the poor southerners vote for PPP as a way of gaining some leverage vis-à-vis their Muslim League-voting prosperous northern neighbours, in the hope that they too might benefit from public investment and government jobs.

Economic rents – either in the form of royalties and payments for natural resources, land allotments, changes of land use, location of public investment and even access to government jobs – have emerged as key issues of economic contestation. And these contests have sharpened like never before during the Musharraf period which saw spiralling increases in land prices, high-pitch rhetoric about converting Pakistan into an economic corridor through investment in physical infrastructure and dwindling job opportunities. The salience of contest over rents is a sign of the discursive success of neoliberal orthodoxy regardless of its actual performance. The theory, after all, has no problems with contest over rents. There are no efficiency issues here, only distributive ones.

While the new government struggles to deal with the hangover of the Musharraf years it is not expected to depart far from the neoliberal script. Yes, there will be new social protection measures for victims of the generals' and bankers' ball, such as a targeted cash grant scheme for some five million poor families. These measures fall within the existing paradigm. The government is expected, however, to renegotiate the allocation of rents in the favour of many who have been left behind or made vulnerable over the last seven or eight years. There will be important departures on provincial allocations and on non-budgetary issues such as rents and royalties on natural resources and land allotments and land use policies.

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