

POLITICAL ECONOMY OF DEVELOPMENT IN PAKISTAN

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Abstract

The focus of this research is to discuss Pakistan's economic development and major impediment to it. Despite increase in regional economic growth, Pakistan's economy is turning down wards. The roller coaster economy of Pakistan sometimes got boom due to foreign aid however, the overall situation of the economy is disappointing. In this article different indexes are used to evaluate economic and developmental situation of Pakistan as Reports of State Bank of Pakistan, , Sustainable Development Indicators, , Financial Development Report 2012 And Economic Surveys Of Pakistan 2014-15-16 and 17. In this research article deficit financing in the country is discussed; due to mismanagement of economic resources, institutional inefficiency, imbalance between the expenditure and revenue, corruption and bad governance in the country the economy of Pakistan could not keep a breast with the regional and international economic system. Even it lagged behind smaller regional states like Bangladesh and Sri Lanka.

Keywords: *Economic Development, Sustainable Development Indicators, Roller Coaster Economy, Institutional Inefficiency & International Economic System.*

Introduction

In this research article an in-depth history of political and economic perspective was given. The research methodology that is used to justify the research findings is based on the economic survey of Pakistan 2001, 2013, 2014, and 2016, failed state indexes, and financial development report 2016, governance and state fragility index 2016, human development index 2014, and the reports of international crisis group 2001 and 2011. The findings of the research are based on secondary sources like books, research articles and internet sources. The data is mostly collected from the international indexes and analyzed critically to provide real picture of economic development of Pakistan. The research also highlighted

the current economic development of state of Pakistan and the role of democratic governments after 2008. The mismanagement of the state affairs, economic corruption and failed system of governance has aid insult to the injury of over all state performance.

Over the course of seven decades the political scenario of Pakistan has shown the declining trends; democratic deficit, perpetual military interventions, and economic tum down. No stabilized norms of governments emerged since the independence (1947). It is question of great scrutiny; who is responsible for the political mess inflicted on the future course of politics of Pakistan? Many analysts gave different reasons about Pakistan as a failing state. Some perceive it was failure of democracy, many viewed it was military intervention; others blamed foreign influence into the domestic politics of Pakistan as cogent factor of Pakistan's failure. Like other third world countries Pakistan faced grueling challenges at the initial stage. But irony of the fact is that after passing seven decades of its independence Pakistan is still in the vicious cycle of same crisis which were at the time of independence.

Pakistan's economic issues are mixed up of internal and external factors. The comparative study of the state economy with the regional countries suggests that sluggish economic growth is outcome of political instability in the country, ongoing war against terrorism, low taxation, high defense expenditures, lavishness of political leadership, external and internal debt, and energy crisis. Since last five years economic performance of Pakistan's economy is too weak even to compare it with the sub Saharan states and Bangladesh.

The most daunting challenges to economy of Pakistan are fiscal deficit, macro-economic instability, energy crisis, lack of trade, lack of direct investment and low taxation. Pakistan's economic performance is considerably affected by the increase in international oil prices from 2008 to 2013, flood of 2010, war against terrorism and international economic crisis since 2008-2013. The bad performance of the democratic government of People's Party from 2008 to 2013 has deteriorated the economic conditions of the country, all public sector departments during the era were in desperate conditions PIA, Railways, Steel Milles and other were on the mercy of the subsidies of the government. It seemed as if these beneficial institutions were on the verge of collapse. The previous government for filling the fiscal deficit has printed more currency notes rather concentrating on trade. Tills had created unflinching inflation, unemployment and burdenized economy.

Political instability has also diminished economic prospects of Pakistan. Economic development of a country is directly proportional to the political

stability. "Political stability and economy are so much interlinked that one cannot exist without the other. Stable political conditions encouraged economic development and prosperity without liberal democratic institutions cannot work. It has been amply shown by the research democracy is closely related to the state of economic development the better to do nation have great chance of democracy (Rizvi: 2000) Unstable politics condition in Pakistan has always considerably impeded economic growth. Indeed, the fruit of economic growth could not be transferred to the common people of Pakistan the ultimate result projected economic deprivation, extreme poverty, inflation and unemployment in the country.

"An index of socio-political instability is empirically found to have negative effects on growth, more instability reduced investment. A plausible interpretation is that political instability creates uncertainty and undermines investor's confidence for two reasons; first, frequent governmental change may make the policy environment instable leading policy uncertain. Second, signs of even more extreme of the stability may threaten property rights, leading to more acute loss of investor's confidence (Husain: 1997)

Historical Overview of Political And Economic Development of Pakistan

Political history of Pakistan is full of crisis and upheavals. Since independence, Pakistan has been facing military coups and failure of civilian governments. There are two historic reasons which derailed democratic process economic turn down of Pakistan; First, early demise of Quaid-e-Azam, Mohammad Ali Jinnah after the independence of the country; Second, the postponement of election of 1958. Since the very inception of the state of Pakistan economy grow in the military regimes notable during 1958 to 1970; 1977 to 1988 and 1999 to 2008. "Pakistan experienced military government for almost 33 years and other 30 years practiced different forms of government including democracy, which is approximately always dissolved before time. In these 30 years the early 9 years was without any defined political system (1947-1956) (Qureshi:2010)

The reason behind the economic growth during these military eras is due to the changes in geo-politics in the world and South Asian region in particular terms. Pakistan got independence while cold war was going on between the Soviet Union and the US. Pakistan was to have joined the either camp, the administration of the newly born state went to join the US camp which is unambiguous from the visit of Pakistan's first Prime Minister to US.

The following are the different civil, military regimes in Pakistan:

1. Post-Independence era (1947-1958)

2. Military-led government era (1958-1971)
3. Elected governments era (1971-1977)
4. Military-led government era (1977-1988)
5. Elected governments era (1988- 1999)
6. Military-led government era (1999- 2008)
7. Elected government era (2008 to 2013)
8. Elected government era (2013 to present)

Critical evaluation of all these regimes in Pakistan unleashed the fact that political instability remain the major factor that has not only affected the economy of Pakistan but also the innervated the foreign policy of the country. According to the failed state index 2011 Pakistan is second unstable state after the Mghanistan. It has been observed that economic stability of state is directly proportional to the political stability of the state. Indeed, economic growth is related with the stable political conditions of the state.

Political instability has spate of definitions and stages as international wars, internal conflicts or civil wars, revolutions, coups and the change of governments. There is great deal of literature available on the "political instability and economic growth" however the case of Pakistan is quite peculiar one. Since the country remain under the military rule more than the civilian governments throughout 70 years of the history.

The Era during 1947-1956

Free and fair and continuous process of election is essential for democracy. It is very unfortunate that the free and fair elections in Pakistan were held after twenty four years in (1971) after the independence. The suspension of 1958 elections had left far reaching consequences on the future course of democracy in Pakistan. Delaying of elections provided chance to military into the politics. It also hampered the growth of political parties which are cardinal for democracy.

Muslim League the only political force which represented Muslims of Sub-continent and earned and independent state of Pakistan; became a weak political institution after independence. It is rightly projected that since its existence the party had remained under the elite class. Lack of participation of common people into active politics gave birth to authoritarian rules either military or civilian.

The military of Pakistan manipulated Indian factor to get perfidious advantages. Perception of external enemy had established a dilemma of national security. The term of national security was exploited by the Army for the two reasons; first,

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getting more economic resources to build military invincible against India. Secondly, on domestic front it made army more powerful than the fragile state institutions.

The Ayub (1958- 69) Yahiya (1969-71) Eras

In the era of 1960's military controlled the political power. Ayub Khan set the precedent for the military to rule the country for long time. First, he introduced the Basic democracy to elect himself as the first military president of Pakistan. Secondly, his constitution of 1962 subverted the parliamentary form of government into presidential one. Thirdly he introduced economic reformation rather than reforming the fragile political culture.

The economic performance of the era seemed very pragmatic. The economic indicators of the Ayub era were very impressive. President Ayub introduced some crucial steps to give significant boost up to the economy. First, step was rapid industrialization in the country. For achieving this goal in the Second five years plan (1960-65) it was decided to remove administrative control and to maintain monetary policy and made macroeconomic atmosphere favorable for the direct investment. Ayub's industrial policy was hallmark of his rule. The key development was that the policy making was tailored exclusively to promote industrial investment" (Noorul: 1981) Furthermore Industrial Development Corporation was established to enhance more industrialization in the country. The average growth rate of the era was 8.52 percent, where Agriculture grew at the percentage of 4.1; manufacture sector achieved 9.1 percent and trade was 7.3 percent; the growth rate of export jumped to 7 percent a year.

The elements introduced by Ayub Khan were adopted by the other generals after their successful coups. The era of 1970 was an era of revival of democracy and disintegration of Pakistan into Bangladesh. Much debate has been done by different scholars regarding disintegration of Pakistan. "The general elections held in 1970, were the first opportunity the people ever had of free expressing their will, however qualified' the freedom to will was, in an emotionally charged atmosphere in East Pakistan. To attribute the disintegration of the country to the results of those fateful polls would be a misleading conclusion to draw (Husain: 1993)

The Zulfikar Bhutto's Era (1971-1977)

The era of Zulfikar Ali Bhutto interims of economic development was disappointing in many aspects. Bhutto's policy of Islamic socialism was to introduce to fulfill two prong objectives. First, was to mitigate the influence of the elitist in Pakistan. Second economic policy based on nationalization of private

industries. Bhutto united the Islamic countries to show India that Pakistan after the defeat in the Eastern part still a power to counter Indian hegemony in the region.

The economic performance of the era was disappointing the policy of nationalization of the private industries had produced negative effects on economic growth and shattered the confidence of investors in the country. "In many respects, the performance of the economy during these years was the worst in Pakistan's history" (Husain: 1999) Pakistan got disintegration and its Eastern wing became Bangladesh, Pakistan lost a major source of export and import sources. In beginning of 1970s oil crisis occurred the great deal of increase in the oil prices in the world market left adverse impact on Pakistani's import. In the era of 1970's there was fluctuation in the prices of Pakistan's export goods as rice, cotton, and sugarcane market. Indeed in the era of 1970s Pakistan was hit by heavy flood of its history that left spillover effect on the agriculture production of the country.

Z.A Bhutto tried almost every imaginable strategy to stay in Power over six and half years. "He had come to Power by virtue of the fact that he was the only Pakistani politician of stature remaining after the country was divided in 1971 even he was partly responsible for creating that division (International Crisis Group: 2002) Prime Minister Bhutto's failure to strengthen democratic institutions and respect democratic norms undermined his domestic support while he attacked military for intervention behavior.

For reducing military supremacy Bhutto adopted two prong strategies. First he launched structural changes in military as reorganized military higher command, subverted the role of army chief; created "joint chief" a brigade between army and Prime Minister. Secondly, he started nuclear program for two purposes; First, to counter Indian threat; Second reducing defense burden on the economy of Pakistan.

The Zia ulHaque's Era (1977-1988)

General Zia banned the political parties. Zia had adopted divide and rule strategies for the prolonging military power by weakening the civilian opposition. "The military's political manipulation, however, also widened international division along ethnic, regional and sectarian lines (Husain: 1993)

He conducted non party based elections in 1985 under American pressure. The process of Islamisation introduced by General Zia gave birth to internal disorder and human right abuses especially in the shape of the "Hudood Ordinance". On the other hand, General Zia made constitutional amendments to consolidate his

power in politics. He introduced the amendment of (58 2b) made imbalance of power between the president and the Prime Minister. On the other hand, the amendment proved vulnerable through the President Ghulam Ishaq Khan who suspended the elected governments of Benazir Bhutto and Nawaz Sharif during the decade of democracy in 1990s. General Zia tried to institutionalized military's role in the politics by establishing (National Security Council). He set quota for the military in foreign services, in district management group and in police service.

On the external front, General Zia was supported by the American for the war against Russian in Afghanistan in 1979. Thus war in Afghanistan made Pakistan "front line state". "As the Zia regime militarized the state structure, its isolation from the people was matched by its acute external dependence. In the absence of domestic political popularity it sought political, economic and military support from U.S.A (International Crisis Group: p8)

The Afghan war had criminalized the Politics of Pakistan. Drug money was used for political purposes. The kashmiri cultures became vibrant in Pakistan; the dacoit culture emerged in Sindh backed by feudal lords, Peoples were kidnapped for the ransom. Yet another element of the Zia government was the manipulation of intelligence agencies for the political purposes. Like the ISI (Inter Service Intelligence), the MI (Military Intelligence) and CIA (Central Intelligence Agencies) brought drastic impacts on the future course of Pakistan.

Sudden death of General Zia in (1988) brought an opportunity for the democratic forces to consolidate their democratic agenda. The era of (1990- 1999) was revival of democratic process; however, the critics believe that it was controlled democracy. Pakistan's democratic transition was marred from the very start by the legacy of military rule. This legacy includes deliberate destruction of political institutions that sustains or promotes democracy a culture of conformity, political intolerance, erosion of rule of law and pervasive culture of immorality and illegality.

The legacy of General Zia didn't give fair deal to the political forces. The army possessed uncompromising attitude on Kashmir, Afghanistan, Pakistan's nuclear program and especially foreign policy relating issues. The political forces during the period were indulged in the political confrontation in the country that caused unstable political scenario in Pakistan. Yet another significant development of the era was polarization, factionalism and ethnic tensions in the country.

The Revival of Democracy (1988-1999)

At the end of Cold war in (1990) the America's withdrew their support to Mghanistan and Pakistan. The U.S withdrawal left two significant impacts on the politics of Pakistan. First, the new democratic governments had to face economic problems because of withdraw of U.S economic aid to Pakistan. Second, the U.S imposed unusual military Sanctions as "Pressler" and others due to Pakistan's suspicious nuclear program. Keeping in view the economic condition military decided to rule indirectly. The army played the "Divide and Rule" game with the politicians .Both Benazir Bhutto and Nawaz Sharif become the victim of article (582b) that General Zia articulated to control civilian authority .Indeed, the article proved the most destabilizing factor to the politics of Pakistan during the era.

The era of 1990 proved a tug of war for power between the two leaders Benazir Bhutto and Nawaz Sharif. It is imperative to note that intelligence agencies vibrantly manipulated the election of 1990. The dismissal of Benazir Bhutto was a case of great investigation. Political analysts are of the view that Benazir Bhutto's government was dismissed on the grounds of corruption, mismanagement and threat to national security.

But in fact pretending above allegations military wanted to make a balance to the **P.P.P** for getting their political mileage. After each dismissal shadow military governments supported the military's political allies and worked against its political opponents in the election that followed. While the top generals was continued to opt for indirect control perceived as most conducive to their personal and institutional interests civilians rulers willingly entered into implicit pacts with them for crumb of power. Another significant fact of transitional democracy during 1990 was the war of attrition between the office of President and Prime Minister on different issues. Institutional clash between President and Prime Minister, between judiciary and Prime Minister, Prime Minister and Military became cogent factor of political destabilization in Pakistan.

The judicial activism in the era was yet another political reality. Whereas tussle between Justice Sajjad Ali Shah the for new Chief Justice of Supreme Court and the Prime Minister Nawaz Sharif had destabilize institutional strength of Parliamentary democracy. "Had Sharif governed democratically the military wouldn't have been deprived of either the opportunity or the justification to intervene.

The Musharraf Era (1999-2008)

The coup of (1999) of Musharraf produced fatal consequences for the politics of Pakistan. Ostensibly secular in approach General Musharraf adopted same

methods of political maneuvering like his predecessors; banning political parties, introducing unconstitutional amendments and creating new local government to consolidate his power. Regarding General Musharraf devolution of power the independent Human Rights commission of Pakistan says that the purpose seems to be depoliticized governance and to earn a lease of life for the military government behind a sort of democratic facade.

It is irony of the fact that like General Zia-ul-Haque Pervaiz Musharraf got international support from America after 9/11. Pakistan again became "front line state" for U.S war on terror." External support has strengthened the military government against its civilian opponent. Lacking domestic legitimacy and facing international economic and diplomatic pressure in October 1999, Musharraf had pledged to restore democracy and government. These pledges have been incrementally water down after 11 September 2001.

Musharraf lost his strength at the eve of judicial crisis and assassination of Benazir Bhutto (2007) in the country. Confrontation between General Musharraf and higher judiciary proved nail in to the coffin for Musharraf era. The judicial activism gives birth to new phenomenon first time in the history of Pakistan. At the arrest of chief Justice of Supreme Court Iftikhar Mohammed Chudhri by Musharraf the civil society first time supported judicial restoration. The assassination of Benazir Bhutto in 2007 and elections of 2008 forced Musharraf to resign from his office in August 2008.

People's Party in Power (2008-2013)

The new coalition government of People's party came into power after the assassination of Benazir Bhutto in 2008. It was new era of democratization in Pakistan. However the new government miserably failed to deliver public expectations. There was rampant corruption mismanagement of economic resources and lamentable lack of delivery of services to the common people. Economic performance of the government was bleak in sense despite foreign aid other assistance from America and friends of Pakistan the government's performance was ironic.

After coming into power the People's party government under the then president Asif Ali Zardari however performs some significant changes into the politics of Pakistan. First, the government introduces Eighteenth amendment that drastically reduced the powers of the federal government and empowers the provinces and establishes one new province in Pakistan that was the need of the hour. Second, President Zardari's idea of reconciliation has not only united its coalition partners but also it proved conducive to counter military and secret agencies who always tried to derail the democratic orders in Pakistan.

Third the government of people's party faced friendly opposition that was Muslim league Nawaz. However the government faced plausible criticism of its newly vibrant electronic media and the judicial activism in the country that put a cogent check and balance on the policies of the government. The successful story of the democratic government was its completion of five years term in power and the transition of power for the first time in the history of Pakistan.

The overall economic performances of the coalition government lead by the people's party were very disappointing. Owing to acute shortage of electric city industries were shut down, more unemployment and unflinching inflation in the country emerged as fait comply.

Nawaz Shariff in Power (2013 - 2017)

When Nawaz Sharif came into power after the election of the 2013 as the Prime Minister he has to face facets of new challenges. The economic conditions of the country were extremely deteriorated the state bank reserves remained very low in the history of the country. The country has been facing the crucial challenge of war against the internal extremism and external terrorism and historic archrival India on the other front. And power shortage in the country. The most favorable conditions for the new government of Nawaz Sharif were friendly opposition, judicial activism and awareness of the media and civil society. All these conditions were conducive for the new government of Pakistan Muslim league Nawaz because it hindered the emerging military coup.

It has been observed that whenever the Muslim league Nawaz come into power economic conditions of the country get boost up because of the amicable economic policies of the government. Once again the PML government emphasized on the privatization of those government sectors which are burden on the budget and the economy of the country. Uke Pakistan steel water and power OGDCL oil and gas Production Company and Pakistan state oil.

However, the government has great deal of economic challenges as

1. A sluggish economy
2. Investment plummeting to the lowest rising unemployment and poverty
3. Large fiscal deficit
4. Unsustainable Debt
5. Foreign investment drying up
6. Foreign Exchange reserves declining rapidly to dangerous level
7. Looming debt crisis

8. Persisting energy crisis
9. Crumbling infrastructure
10. A nervous private sector
11. Dwindling state authority

These and other political problems like war against internal and external terrorist organizations are a grueling challenge to the new government of Nawaz Sahrif. The government in its initial period faces politics of strikes by the opposition parties like PTI of Imran Khan and Tahirul Qadri. The political strikes in the past toppled down many democratic governments in the past in Pakistan.

Current Development Indicators of Pakistan

The slow economic performance of Pakistan shows that the country's socio economic condition is even worse than the African states. Empirical study of politics of the state suggests that the country's economic performance by comparing the regional countries is better than Afghanistan only. Pakistan's development is in dismal condition; Global Competitive Index show very bleak picture Pakistan is ranked on 133 in economic performance while Bangladesh is on 110 India is on rank 60. By overhauling the economic conditions of the country there seems to have a bleak picture of overall performance as the poverty, Education, health, unemployment, inflation and security conditions..

Figure 1: Real Per Capita Income Growths of South Asian Countries



Source Balkanization of economy of Pakistan: www.nnagency.com

Political Economy of Deficit Financing in Pakistan

The focus of this research is to evaluate fiscal deficit in the country due to two major factors; first for high current expenditures including (Defense, salaries of the officials and the lavish spending of the politicians) which has created huge financial deficit in the country. This deficit is either filled through the external assistance or domestic borrowing that cause high burden of the debt. The situation created unusual implications on economy of the country and its spill over impacts

established difficult logjam for economic growth and lethargic development in the country. Second, due to higher current expenditure development of the state largely affected the socio-economic performance of Pakistan.

Political Economy of fiscal policy making is pivotal for the underdeveloped economies. For economic growth not only economic policies are important but also political decision making is very crucial. Since Pakistan remained largely under military rule, so the political decision making and economic policies of the country is considerably influenced by the military and feudal semi democratic elite in the country. "According to Ichimura (1989) in developing economies, economic elements are not important in economic decision making but non economic factors are also crucial for economic growth.

There is great deal of important issues regarding political economy of fiscal problems in Pakistan. The political economy of Pakistan is complex in many dimensions. Pakistan is a nuclear state but fails to consolidate its economic growth, the economy has remained largely dependent on external assistance rather concentrating on indigenous resources and industrial growth, the country is rich in natural resource but its 50% population is living under extreme poverty.

The economic history of Pakistan is observed as high non public expenditure caused fiscal deficit. High military spending, corruption, mismanagement of resources, and inter provincial disharmony cause budget deficit in Pakistan. The politico-economic structure of Pakistan is reflecting the Lockwood (2002) model that evaluates the ascendancy of one province on the other provinces of Federation in terms of population. Historically, the role of Punjab remained critical regarding resource allocation. The governments, where political system is such that role of military in politics is high, bureaucratic quality is low and stability conditions are not good, may face constraints in implementing the fiscal policies. This reduces the government ability to respond to economic shocks in timely manner and effect is instability in the budget deficit.

The political economy of Pakistan is mix of all ethnic, religious and elites. Taking into account the ethnic factor each province and ethnic group in the country tried to grab resources to its own pocket. While during the democratic government the province got more resources due its majority seats in the National Assembly; however, during the dictatorial regime the province is getting supremacy over the other province in terms of resource allocation owing to, maximum number of military personals in the armed forces.

Another, factor of budget deficit in Pakistan is whenever democratic governments come in to power the budget deficit increase. This is because the sizes of the cabinet, higher allocation of resources towards luxuries life style of the ministers

and colossal corruption have largely damage the development expenditures in the country. Alesina and Tabilleni (1990) political economy model evaluates that public expenditure and budget deficit remained high during the civilian governments. Indeed Pakistan's budget deficit remains very high during the civilian rules as compare to the military governments in power. Because the civilian governments come into power by the vote of people they spend more on public projects without cutting the unproductive spending on as defense and cause budget deficit.

The budget deficit during the civilian government that is during the 90s it 5.5 percent on average and however during the military regime the budget deficit remained 3.5 percent on average again from 2008 during the civilian government the budget deficit 5 to 6 percent on average. There is lavish spending of the civilian government that is also one of the major causes of budget deficit in Pakistan. "What is really wrong is the Cabinet Division of Pakistan spending Rs 80 million a day, the President House Rs 1.3 million a day and PM Secretariat Rs 1.5 million a day" (Farrukh:2013)

While comparing the GDP ratio of democratic and dictatorial regimes in Pakistan the performance of democratic governments seems disappointing. General Ziaul Haq's regime recorded GDP growth that is 5.88 percent General Ayub Khan's GDP recorded 8.52 and Pervaiz Musharraf's rule from 1999 to 2008 recorded 5.14 percent . On the other hand the performance of democratic governments of Benazir Bhutto has recorded 5.08 percent per annum 4.06 percent and Asif Ali Zardari's 2.5 percent lowest of all. People's party's worst performance from 2008 to 2013 has deteriorated the economic conditions of Pakistan. The government broke all the records of corruption and mismanagement; during the period the then President of Pakistan Asif Ali Zardari demanded Rs 10 lacs per day or RS 36 crore per year for staff allowances and house hold; The president also demanded six lacs per day or Rs 22 crore per year for his foreign Junket. The then Prime Minister of Pakistan Yousif Raza Gilani demanded Rs. 33 Lacs per day or Rs 10 crore per month 120 crore per year. It is estimated in one of the survey of government of Pakistan in 2007 that there are 4011 public sector intuitions working under the government of Pakistan. The performance of all these institutions is deplorable which lose 3 to 4 percent of GDP. The capacity of public sector institutions in Peoples party's rule from 2008 to 2013 has remained miserable. The collective loss of Public sector institutions like PIA, Pakistan Railways , Pakistan Steel Mills , PAPCO(Pakistan Electric Power Company, Pakistan Agriculture and Storage and Service Corporations are Rs. 360 billion a year or Rs. 100 crore a day; this amount can finance thousand hospitals and Ten

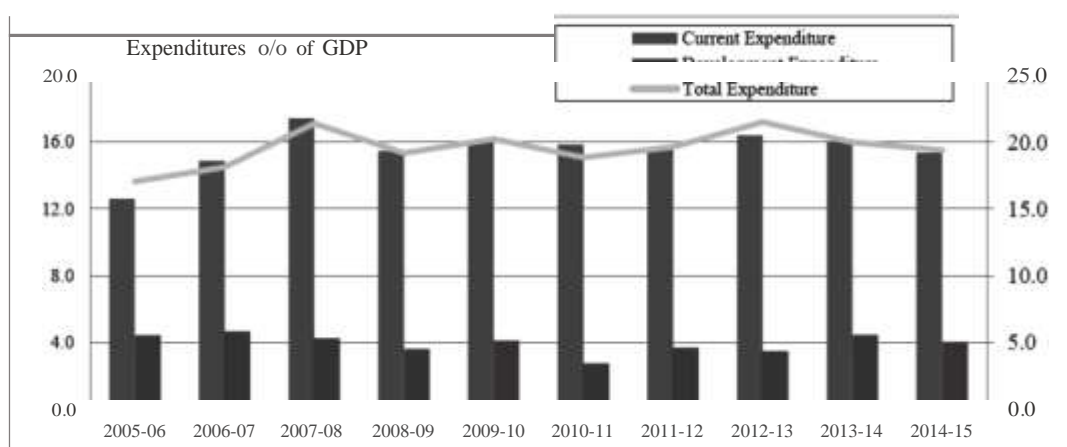
Thousand schools. The higher subsidies for this institution has created circular debt. (Hussain: 2014)

Another problem with the state of economy of Pakistan is the imbalance between the current and developmental expenditures. Current expenditures are higher than the developmental expenditures and due to this imbalance budget of the country always face huge financial deficit. "According to Federal budget 2014-2015 the estimated expenditures were Rs, 3985 billion and the current expenditures from the overall expenditures were Rs, 3196 billion and the development expenditures were Rs 789 billion, the share of the current expenditures in the budget was 80.2 percent." (Economic survey: 2014-15)

Imbalance between Revenue and Expenditures

Another Factor responsible for high deficit is increasing current expenditure and low revenue collection. The fiscal deficit of the country reached at the highest level during the year 2011-2012 that was 8.2 percent of GDP while in the year 2007 and 2008 this deficit was 5.2 percent of GDP. This deficit has been increased due to facets of reasons as deteriorated condition of security in the country, high rate of public subsidies, loophole in tax collection and corruption and mismanagement in public sector institutions in the country. Owing to perpetual huge fiscal deficits governments are fail to achieve the decided objectives of targeted economic growth, decreasing debt service, to alleviate poverty and human development were hindered due to lack of fiscal space to covering the increasing expenditure. According to, Economic Survey of Pakistan the fiscal deficit that was 8.8 percent of GDP during fiscal year 2013-2014 has been reduced to 8.2 and further will be reduced at 5.2 in fiscal year 2015-2016. (Economic survey: 2015-2016)

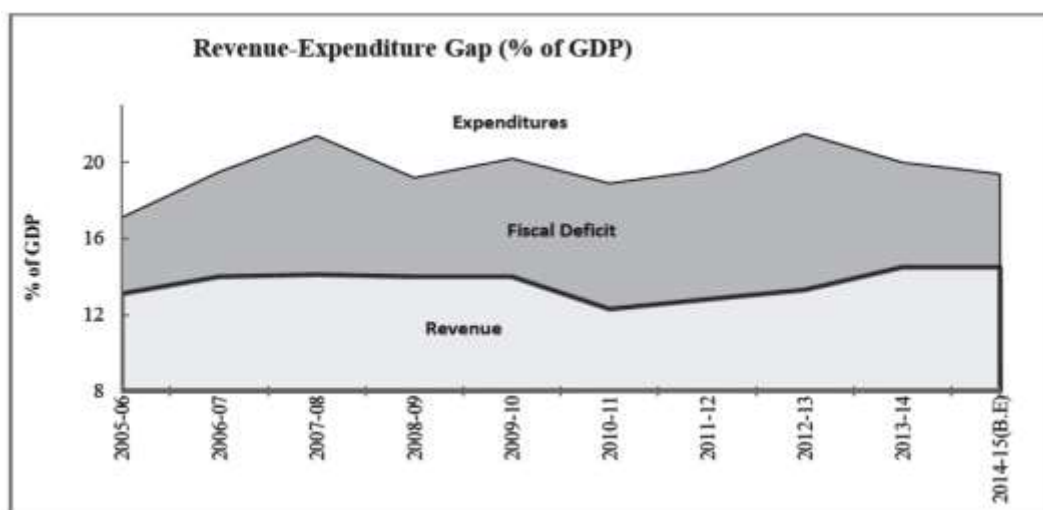
Figure 2: Current, Developmental And Total Expenditures of Pakistan



Source: Economic survey of Pakistan 2014-2015

Since long time Pakistan has been facing a singular challenge to fiscal aspect due to lack of appropriate allocation of resources and lack of strategy for the management of non productive expenditures interims of less efficient tax system . There is Fiscal imbalance in the tax collection revenue and expenditures. Because of centralized system of Federation of Pakistan 80 percent of revenue is collected by the central government having 65 to 70 percent of total public expenditure. The Provincial governments however, are collecting 17 to 18 percent of total revenue and the local governments are collecting the 2 percent of the total revenue. (Economic survey: 2014-2015)

Figure 3: Gap between Revenue and Expenditures in Pakistan



Source: Economic survey of Pakistan 2014 -15

Another crucial aspect fiscal deficit in Pakistan is collection of revenue. It is matter of grave concern regarding tax collection in Pakistan is that only “one in hundred persons” in the country pays income tax and more than 60 percent parliamentarians do not file their tax return. The taxation system of Pakistan has great deal of loophole and ineffective to meet the given targets. One of the major issues is imbalance between the direct and indirect taxes. Effective taxations system can enhance economic growth, improve good governance, ensure efficacy of public services and infect uphold social justice in a society and foreign policy. In Pakistan the highest source of tax collection is indirect taxes which are collected through duties on every product sold in the market, the huge burden in such a way is transferred towards common people of the country and the industrials and political elite are exonerated from the taxation. The ratio of

indirect taxes has been increased. Pakistan is one of lowest Tax collection country in the world. The reasons of the low tax collection are institutional inefficiency, imbalance in direct and indirect tax system and elites (politicians and landlords) are paying negligible ratio of tax. The implications of low taxation are increasing debt foreign as well as domestic, high inflation and increasing gap between the expenditures and the revenue.

On political side of the collection of the taxes it can easily inferred from the fact that the politicians and the members of national and provincial assemblies are paying very low taxes. Infact one of the major impediment in the tax reformation in the country is these elites and lobes who have their own perfidious interests to serve. According to study conducted by the journalist Umer Cheema "Representation without Taxation" Pakistan is lowest in tax collection countries it is even lag behind the Sierreleon. Due to low taxation percentage the country is under due pressure to borrow from the donor agencies to fill the gap of the financial deficit. "Pakistan's tax per GDP percentage is lower than India (16 percent) Sri Lanka (13 percent) Indonesia (14 percent) Malaysia (14 percent) it is lower than Ethiopia (10 percent) and even Afghanistan (9.4) percent." (Cheema: 2011)

Low taxation paid by the elites is also one of the major issues. Both the democratic and dictatorial leadership of Pakistan have been paying very low percent of their tax. The politicians and policy makers in Pakistan have not been setting good example for the revenue collection. There is lamentable lack of transparency and uniformity in the tax collection system of the country. It is largely believe that influential persons in the country do not pay taxes and the entire burden of taxes is shifted over the common man who doesn't have any say in the policy making.

The targets of budget deficit cannot be achieved until and unless the elites pay their due share of the taxes in the country. According to the parliamentarians tax dictionary for the year of 2013 the total tax is paid by the parliamentarian of Pakistan that is Rs 250 million the overall contribution of these parliamentarian is about 0.03 percent. During the fiscal year 2012-2013 from 450 parliamentarian 42 percent of them do not pay income tax. It is question of great scrutiny that the prominent Cabinet member as ministers of Information and Broad casting is paying RS. 20, 959 and the Minister of Planning and Development are paying Rs. 11,084.

Table 1: "No Representation without Taxation"

. A Snapshot of Income Tax Returns of MPs

#	House	Total Members	Filers	%of Filers	Non-Filers	%of Non-Filers	Unchecked	%of Unchecked	Exempted/ Vacant
1	National Assembly	342	90	26%	235	69%	16	5%	1
2	Senate	104	38	37%	65	63%	0	0	1
3	Total	446	126	28%	300	67%	16	5%	2

Source: Representation without Taxation: www.cpdipk.org

Economic Indicators of Pakistan

Pakistan's economic performance as per GDP remained not satisfactory in comparison of the regional and underdeveloped countries in the world. The economic difficulties in recent years increased due to flood of 2010, high oil prices in international market and infect recession in international economy since 2008 -2009. However, during Musharraf era the economic growth of Pakistan got immense increase. "During the era the country's economic growth per GDP was increased \$60 billion in 2000-2001; \$170 billion in 2007-2008 with increase in per capita of double from \$ 500 to \$1000. The revenue collection largely increases from RS 500 billion to Rs 1trillion and percentage of international trade increased from \$20 billion to \$60 billion; the growth rate during the period was ?percent from 2003 to 2007." (Economic survey: 2001)

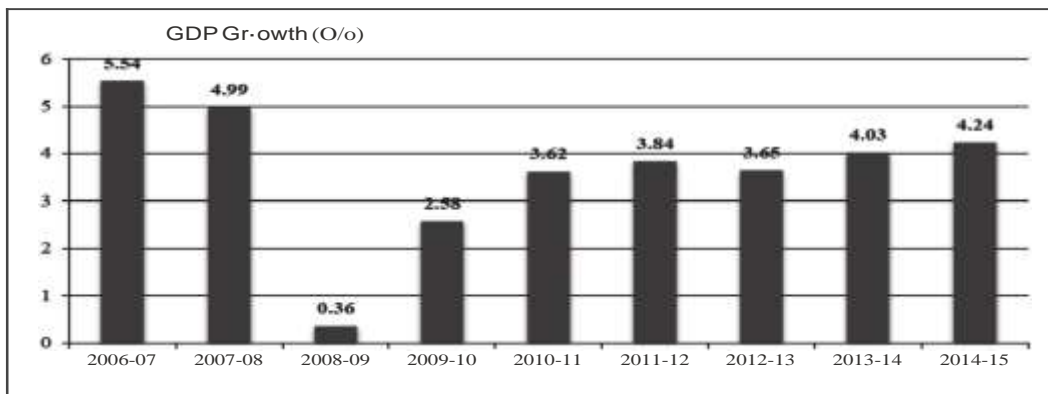
The economic crisis that started from 2008 to 2013 is largely because balance of payment crisis due to increase in international fuel price and devastating flood which costs \$10.85 billion it further deteriorate the economic growth up to 2.4 percent. Another factor that made the economic growth of Pakistan is a war against terrorism according to economic survey of 2014-2015 the overall cost of the war against the militancy is \$106.98 billion dollars. The fiscal deficit from 2008-2012 was 9 percent of the GDP. Sever energy crisis since 2008 has lost the 2.5 percent of the GDP. (Economic survey: 2016-2017)

The economic condition of the country got drastic improvement due to economic reformation of the new government of Muslim league Nawaz since 2013; the release of Sukuk Bond, the issuance of the 3G license, reformation in tax

collection and fortunate decrease in fuel price in international market have give the space to fill up the fiscal deficit that remained 7 percent in last 5 years. Indeed the Pak China economic corridor is another breakthrough in the economic development of the county a \$ 45 billion deal between the both the countries have been signed on the eve of Chinese president to Pakistan in 2015. (Economic survey:2015-215)

The following figure shows Pakistan's performance in GDP growth from 2006 to 2015

Figure 5 GDP Growth Rate of Pakistan 2006-2015



Source: Economic Survey of Pakistan 2014-2015

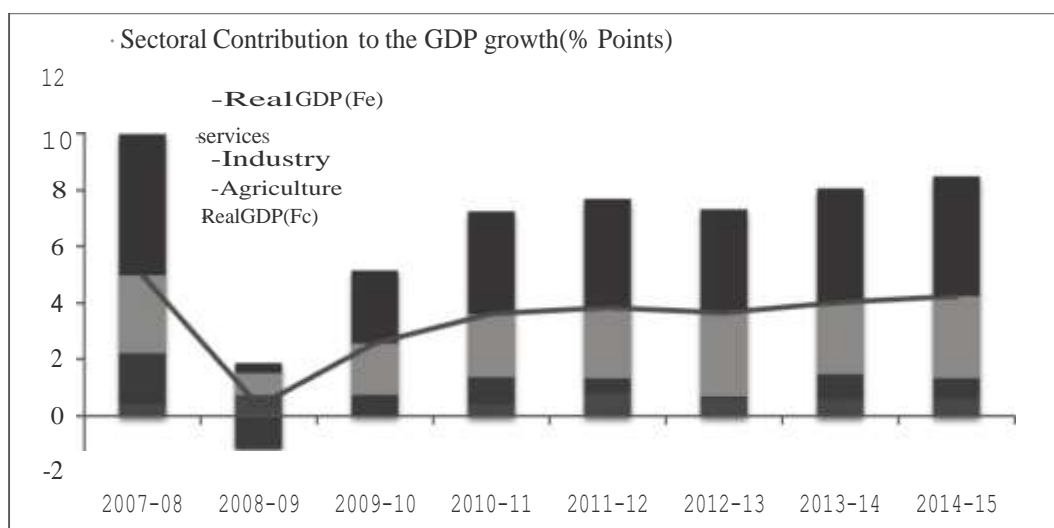
The analysis of sectoral growth of Pakistan since 2008 -2012 remained very bleak. The major sector of Pakistan's economy is Agriculture; the performance of the sector remained stagnant in the last decade due to draught that decreased the production of the major crops. However, the sector recovers in fiscal year 2003-2007 about 4.6 percent but that was not sufficient. Agriculture production is 8.3 percent of GDP. Manufacturing sector is another important part of economy of Pakistan. This sector of the economy remained dole dram in the last decade however; during the 2004-2005 it has got increased about 20 percent. This important sector of economy is largely affected by the lamentable lack of energy crisis; which has decreased the growth of the sector 3 to 4 percent.

Since 9111 Pakistan's trade relations has been improved with the world. Trade is increased due to decreasing trade barrier, reduction of tariffs and signing the different agreement. However, there is great deal of impediments to the trade as high rates of doing business in the country, and bureaucratic complexities which hampered the business in the country. Pakistan's main trade item is textile that is 61 percent of total trade. The other items as leather goods, rice, which have shared

of 53 percent 4.4 percent and 8.9 percent."Pakistan mainly imports from UAE (13.3%), Saudi Arabia (11.7%), Kuwait (6.8%), Malaysia (5.7%), USA (4.3%), Japan (4.1%), Germany (2.3%) and the UK (1.6%). These countries are together account for nearly 50% of the country's imports in any given year" (Economic Survey: 2011)

Investment in Pakistan got great set back due to law and order situation in the country and due to war on terrorism in the country. This sector got reduction \$5.4 billion 2007-2008 to\$ 1.57 in 2011-2012. The policy of privatization the people's party's government enhanced the confidence of the foreign investors in Pakistan

Figure 6



Source: Economic Survey of Pakistan 2014-2015

Conclusion

Pakistan is not poor country it is poorly managed state. The state economy is mismanaged by the political elite. They come in to power for getting their perfidious economic advantages. Since 2007 the new wave of democratization in Pakistan has brought drastic economic turn down, Unemployment, mismanagement of economic resources and record breaking corruption in the country. All these factors are cause of imbalance in import and export, more burdens of circular and international debt and underdevelopment. Pakistan has never experience economic challenges like the existing one. The economic situation of the country is going bad to worst day by day. There is sheer energy

and water crisis in the country. Since the country is indulged in war on terror it has lost more direct investment. Pakistan in the prevalent conditions needs politically motivated bold and aboveboard leadership which bring country out of economic crisis and put derailed economy more developed and long lasting progress.

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