

REVIEW OF BOOK

GENESIS OF FISCAL RELATIONS IN PAKISTAN: A CRITIQUE IN INTERNATIONAL AND HISTORICAL PERSPECTIVES WRITTEN BY PROFESSOR GHULAM HUSSAIN KHASKHELY

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Telling the truth is always revolutionary said Antonio Gramsci, while touching the core-issues faced by the country in early 70's. Prof. Ghulam Hussain Khaskhely's opening sentence given in his book under review made fascinating reading. He said "the civil war and the earlier language riots in Pakistan, point towards fermenting problems of trouble and discontent in the country", is indeed a poignant reminder of the past warning to those who were at the helm of affairs. Prof. G. H. Khaskhely's book under the title "*Genesis of fiscal relations in Pakistan: A critique in international & historical perspectives*", is published in paper back under the publications programme of the Pakistan Study Centre, University of Sindh, Jamshoro for the year 2007. The learned scholar's interest grew right from his student life in the subject of fiscal federalism-a branch of public finance, which deals with the inter-governmental fiscal system.

The book is based on his thesis "Inter-governmental Fiscal Relations in Pakistan". The concept and consequences of dependence submitted in 1973, for M.Sc. Economics at Strath Clyde University Glasgow. While going through the book, it impressed the reviewer because of its lucid and well researched content. The book seems interesting not only for scholars and researchers but for the avid readers on the subject.

The book under review is concerned with the centre provincial fiscal arrangements in Pakistan and the learned scholar investigates means and causes to reduce tension between the centre and the provinces of Pakistan which included East Pakistan the Muslim Bengal as integral part of united Pakistan before it had declared her independence in 1971 as Bangladesh.

The first chapter of the book deals with the idea of nationhood, the division of subcontinent and achievement of Pakistan as a

separate homeland for the Muslims. It was indictment of our country's early leadership of last 60 years that they ignored the historical fact that Pakistan was a multilingual and multicultural country including a politically conscious minority of Urdu speaking population which migrated at the time of partition and majority of them had settled in Sindh. They comprised about four percent of the total population.

The author has made focus on burning issues which emerged right from its inception that the country became battle ground of interest groups for seizure of power. Thus the root causes of the inter-provincial rivalry or tension between five nationalities. East and West Pakistan had arisen due to financial dependence of the provinces entirely on the centre. The centre controlled 51% of the state revenues in case of East Pakistan and 40% in case of West Pakistan. The author has raised a pertinent question and said 'dependence has a crucial significance for the stability of a racially, culturally and linguistically diverse federation like Pakistan for various reasons. He proves and declares dependence per se dangerous. It is the brilliance of the author being economist that he closely observes the mechanism of conspiracies hatched against provinces by one particular province under the name of Centre. Interestingly enough, he puts: It would be especially attractive to also ignore such complaints because it is too difficult to prove such things as economic exploitation and political domination. In any case, it would be worth a bid to outline the attempts which have been made by one province to dominate the others because otherwise it would not be possible to understand the inter-state rivalry which exists in Pakistan.

The country was further weakened by imposing One Unit Scheme in which historical provinces including princely states of west wing were merged in to one West Pakistan & East Pakistan [East Bengal]. The decision was taken against the wishes of smaller provinces. As a result the people of Sindh, Balochistan & NWFP put strong resistance against the decision of One Unit taken by Punjab. The grand designs behind the decision by reducing the five provinces into two wings to exploit Bengal and the smaller provinces of West Pakistan Then the Lahore was made the capital of West Pakistan to get easier control over the smaller provinces and exploit them in their favour single handedly on the contrary,

the Pakistan was achieved on the basis of equal rights of the Muslims to respect each others interests and aspirations. They achieved majority in Army and Civil Service, made strong centre dominating rest of the farmer provinces with ruthless injustices and excesses they committed. The heroic struggle by the people of Sindh against the imposing of One Unit with the support of the oppressed people of other provinces, the One Unit was undone and provinces were restored in its original position in 1970. It was indeed historical landmark achievement of the smaller nationalities. The deprivation of Bengal resulted in an outbreak of civil war which ultimately led to their people towards the creation of Bangladesh in 1971. The learned author has carefully given comparison between the natures of federalism in general and nature of Federalism in Pakistan, the country was run on federal lines and the concepts of strong Pakistan have weakened and suppressed the main cultures and major languages of Pakistan being cultural identification of the masses.

The erudite scholar suggests within the framework of federation by giving the provinces as much autonomy as possible so that they could shape their politics according to their own aspirations and instincts without much imposition and interference from the central government. One can say that provincial autonomy is being continuously denied since last 60 years. Then the author has cited four examples of expenditures causing discontent in the provinces such as building of dams on the River Indus for storing water, as a result today; Sindh is facing acute shortage of water not only water for irrigating lands but it is in dire need drinking water. Indeed it was a tunnel vision of the planners and a tragedy to suppress the rights of peoples. The powerful establishment of the state has always strengthened the centre in a state which was multinational and multicultural in character.

The second chapter of the book deals with division of functions and revenue-heads in some federation in its international context such as Canada, India and Australia. The learned author has viewed the considerable amount of decentralization Canada, depicts diversity of national origin, language, culture and political pressures. While in India apart from heterogeneous characters prevalent among the states, there has been centralization because of pursuit of common socialistic policies by the dominance of

Congress Party. In Pakistan's case the situation is different. That political pressure from Punjab increases its bargaining power on its four provinces. The centre is predominantly dominated by the single province where motives are alleged to be not clear. Thus the nonexistent of a strong political party and democratic trends have created vacuum in the country.

While discussing historical background of federal provincial financial arrangements in Pakistan in chapter three, in the beginning during British period the Central Government controlled everything then in 1870-71 steps were taken towards decentralization. After the War of Independence (1857) the administration of the Indian subcontinent went from East India Company to British Crown. Between 1860 and 1870 there was financial disequilibrium as a result provincial governments put all efforts of balanced budget at economy. Then they realized that the provincial governments be given powers and responsibility of managing their own affairs was beginning of the decentralization during British era.

The author, evaluating the steps taken for financial decentralization from Lord Mayo's reforms to its culmination of The Government Act of India 1935, the Act classified subject to into (i) federal (ii) provincial, and (iii) concurrent. The revenues were categorized under the four heads. The taxes levied by centre and provinces both distributed to the provinces. Some taxes levied by provinces and retained by them. While commenting in the conclusion of the chapter, the author says: "The provincial autonomy achieved under the Act of 1935, is the climax of the intergovernmental financial settlements which have been concomitant with constitutional changes. Starting from a system of complete centralization and passing through the responsible limited government the settlement ended with a clear cut definition of control and provincial functions and revenues. The distribution though had its roots in the historical devolution from the centre went a great way in demarcating the central and provincial spheres. It made provinces clearly responsible for the functions which directly concerned them or had a local spill-over effect".

The fourth chapter of the book deals with the inter-governmental fiscal arrangements in Pakistan. After the creation of Pakistan, the trade deadlock with India reduced East Bengal's

income from export duty on jute. It further aggravated the situation when Sindh's capital the only seaport was taken over by Centre which deprived Sindh of its highly productive revenue yielding and a hub of trade and commerce of the country. The imposition of One-Unit 1956's constitution followed by Martial Law and then 1962's Constitution created chaos and confusion under which every attempt was made to provide funds to the provinces by making changes in the percentage of shared revenues rather than giving them separate sources of revenues. The basic idea was to make tight central control by making provinces dependent on it for revenue. However, the arrangements were even worse than those before independence under the British rule.

Chapter five of the book is the extension of chapter fourth. The learned author reminds here that the dependence is not bad unless it is motivated by any political or other objective of favoring anyone areas. In Pakistan's case other provinces do not view the motives of centre favorably because of its domination by Punjab; similarly the chapter sixth is the extension of chapter fifth like its previous chapter. The author proves and shows the dependence of the provinces in Pakistan on centre through table No.1 and 2, which reflects their lack of autonomy. The financial weakness of the provinces enables the centre to treat them as its agent's rather autonomous units. As the Centre is dominated by the Punjabis, the centralization of powers certainly benefits them. While concluding the chapter the learned author suggests in the interest of national integration. Cohesion equality and brotherhood that, it would therefore, be desirable in Pakistan's case to reduce the tight control the financial control; and also to allot the provinces as far as possible their own independent sources of revenues.

In the Appendix, list of related five tables have been given in the book about the first three five year plans of East and West Pakistan on Provincial Revenue Receipts. The second table pertains to the three five years plan on revenue expenditure of the Provinces. The third table related in the capital receipts of the provinces, forth about capital expenditure of the provinces and table fifth related with revenue receipts of the province of West Pakistan (1969-70).

Chapter seventh deals with summary conclusion and policy suggestions:

In essence, the main theme of the book has been mainly concerned with the revenue adjustment between the Centre and the provinces to meet their assigned functions; with a special emphasis on the dependence of the provinces and the financial dominance of the Centre.

The learned author while concluding the book suggests that the main sources of revenues namely customs, excise, income and corporation tax and sales tax were allotted to the Centre, which left provinces with deficit of revenues to meet their expenditures.

It is amazingly interesting to note that the learned author of the book is a seasoned Prof. of economics, he could not find solution of the problem in economics but surprisingly enough he finds solution of the problem in politics which seems reasonable and genuine and suggests that the cause of provincial dependence, as we have seen, lies in the constitutional distribution of functions and revenues between the Central and Provincial Governments, which had a basis in the arrangements made before independence. Since in the past it was a colonial rule as such they wanted to serve their political and colonial interest. But people of one province who dominated after independence wanted to perpetuate the same tradition to pursue their objectives. Though after independence, when the provinces' aspirations were high for autonomy, he suggests that sales tax in Pakistan be made a provincial source of revenue, so that the provinces gain some financial autonomy and independence within the framework of Federation.

Professor Ghulam Hussain Khaskhely's book under review is indeed a valuable document not only on one of the most important but burning issue of the country, which is close related with economics. It is the major issue of national importance; the country is facing the problem right from its inception. The book gives fascinating insight into the fiscal relation in Pakistan. This book helps in understanding the complicated mechanism of the financial system and how to decentralize it? By doing this it can ease tension and will help in smooth running of the country and remove malaise among the people of Pakistan. The book is not only interesting for the scholars, teachers, researchers and a student of economics but it is equally important and interesting for the sociologists, political scientists and historians. Through the magic of his pen, Professor Khaskhali is undoubtedly a deeply committed in his writings to

fight against the oppressors, injustices and ruthless exploitation by a group of people. One can feel and touch the aroma of the soil of Sindh in his writings.

I congratulate honorable Pro-Vice Chancellor, Prof. Dr. Rafia A. Sheikh for publishing such a valuable book on the subject of Pakistan Studies.
