

### **Debt inquiry**

PRIME MINISTER Imran Khan has said he will set up an inquiry commission to look into the reasons why Pakistan's total debt climbed from Rs6tr in 2008 to Rs30tr by 2019. He wants to know "where all this money went".

Retrospective analyses of economic management and where things have gone wrong are a good idea, and perhaps national-level reflection on how things have been run thus far is necessary to prevent a repeat of previous mistakes. But what is of concern is that it looks like the prime minister has made up his mind at the outset, rather than seeking to arrive at the results at the end of the search.

In fact, far from being a search for the deeper dysfunctions that afflict our economy it seems that what Mr Khan has in mind is some sort of law-enforcement probe to see if somebody may have made off with the money.

Given the amounts involved — a Rs 24,000bn rise in total debt over a decade — it is hard to imagine that individual malfeasance alone can be the explanation.

This was an era of sharply rising government indebtedness across the world as countries struggled to emerge from the ravages of the 2008 financial crisis.

Second, when looked at in absolute terms, the amount seems alarming, but if we take it as a percentage of GDP, which is the proper proportion to maintain here, the alarm bells lose much of their sound. Gross public debt, which measures only the government's borrowing and excludes the private sector, rose from 58.6pc of GDP in June 2009 to 74.4pc by March 2019. This is a large rise undoubtedly, though probably not the largest in the country's history, and does not seem quite as alarmist as when stated as an absolute quantity.

Mr Khan has shown a lack of understanding of the play of larger macroeconomic forces.

Debts of this magnitude do not accrue because somebody, or even a lot of individuals, are putting the money somewhere. They accrue because the economy is suffering from large debilitating deficits that require urgent attention.

He would have an idea of how this works, because in a period of 10 months alone, since he came to power, the government has had to borrow almost 2pc worth of GDP just to deal with these deficit itself.

Both his current financial adviser and previous finance minister explain the massive jump in the country's debt profile by saying their hand was forced by necessity.

If the commission ever comes around to seeking answers for the rise of the country's debt in the last decade, chances are high they will arrive at the same conclusion. Perhaps the commission should be converted into a group led by economists, that is tasked to search for answers instead of hunting for scapegoats.

Editorial