

The pain of economic senselessness

LAHORE: Most developed and well managed economies are looking at uncertainty and slow recovery in the economy after the pandemic is over. Our economy was already in shambles when the coronavirus hit us; yet our rulers are predicting a turnaround post-pandemic with mind blowing confidence.

As Pakistanis, we all hope that their prediction comes true. However, we do need some reasoning and some economic sense about what they are boasting about. Economy cannot rebound by rhetoric; it is a game of statistics, resources, and immaculate planning. Those countries that moved ahead of us regionally as well as the entire developed world, followed some practices which we did not. This is what landed us in trouble in the past.

The recipe for sustained growth operates on numerous best practices. It includes rule of law, transparent and clean governance, appointments on merit without nepotism, posting and transfers based on tenure, strong and assertive regulatory institutions, equal taxation, efficient judicial system, and fair and impartial accountability.

All countries that excelled economically operated more or less on these best practices. No country is fully transparent, but the level of corruption in the best managed economies is much lower than the worst performing economies.

The way our ruling elite and its economic managers are showing enthusiasm about economic revival gives an impression that we have overcome the past shortcomings that inhibited our growth.

However, if we go for a reality check we will find that there is no rule of law in the country. Thugs, manipulators, hoarders are operating with impunity. The orders of the chief executive of the country to bring down wheat and sugar rates are openly ignored. The hoarders and manipulators have an upper hand.

In response to the threat of the government to fix sugar barons, sugar rates touched historic high rates of Rs100/kg in our capital Islamabad. Dacoits, robberies, street crimes have increased.

Bad governance is evident from the failure of this government in achieving even its own stated economic targets. Almost all the targets were missed by large margins. Lahore, two years back was the cleanest city in the country. Now filth and garbage can be seen accumulating on many populated sites.

State owned enterprises were in bad shape when this government assumed power. Their performance has gone from bad to worst in the past two years. The Steel Mill

should have been privatised by now, but state is stalling the process. This government poured billions of rupees in ailing Pakistan International Air Lines.

Its aviation minister raised the issue of fake pilot licenses without proper investigation. Now PIA is banned in almost all countries. COVID-19 has already marginalised even the best operated airlines in the world. There is practically no chance of PIA to become commercially viable, but government continued to pour money in the airline.

Pakistan Railways can only become profitable if the government owned infrastructure is used by private sector rail operators. By starting new passenger trains in public sector this government has increased the losses of Railways further.

Bad governance in power sector is known to all. Consumers are paying the high inefficiency cost of this sector. Instead of following any rules, the posting and transfers continue to be based on the whims of the ruling elite.

Earlier, government gave the bureaucrat some time at their new postings, but the present regime has changed numerous finance secretaries, home secretaries, and bureaucrats at highest level with such regularity that none could settle down.

This government first created a fear among the bureaucrats to operate strictly according to rules. It then started issuing orders that were not according to rules which some bureaucrats resisted and paid the price in shape of transfers.

Past governments were accused of nepotism. This government considered favouring only close relatives as nepotism; however, appointing close unelected friends as advisors or special assistants also comes under the definition of nepotism.

The special assistances with high salaries and perks were appointed on whims. Even the State Bank governor was appointed without following the proper procedures. Incomes are not taxed equally. Agriculture income is exempt from income tax, prompting many businessmen to own land and cattle to enjoy tax free income that enables them to whiten their money they illegally earned through business.

Besides agriculture, exemptions worth hundreds of billions are granted to some money making sectors. This is despite the fact that we run over Rs3,000 billion of revenue deficit. Judicial performance, particularly inordinate delays in cases involving financial affairs and other business issues, continues to mar investment in the country.