

The economy – my three bits

Page NO.20 Col No.03

Syed

Bakhtiyar

Kazmi

Whilst I am a student of economics, primarily because I am fascinated by the subject, first and foremost I am an accountant; and to be explicitly clear, this is not a defensive confession, I admit this on the front foot.

Accountancy, while sullied by its fair share of scandals and crises, still has its feet firmly anchored in reality, predominantly that of hardcore numbers and explicit standards of reporting, irrespective of my disagreements with the latter. On the other hand, economics' foundation lie upon a mythical species, definitely not human, which has the rather envious capacity to always act rationally, somehow has complete knowledge, and seeks to maximise personal utility, caring two hoots about family, society and religion. And please let us not forget that economics has the Great Depression of 1929 and the Great Recession of 2008 under its belt, which by the way most, almost all, economists could not predict. Remember Queen Elizabeth II giving economists a hard time, to put it mildly, in 2009 for their inability to predict the credit crunch. Your majesty, they just can't!

However, in spite of the above, in my opinion, the government's very next decision after the appointment of the finance minister should be the appointment of the Chief Economist of Pakistan, preferably outside of the old guard; and he is the chap who should be independent. In fact, his job definition should encourage him to act as the economic devil's advocate, essentially highlighting what could go wrong with every decision taken by the Finance Minister, publicly. Albeit, conversely, that is all he should do!

And once the team is in place, the very next step might be to appoint independent professionals to prepare and issue an Economic Survey of the real Pakistan, where the unemployment rate is definitely not 6%, amongst other things. This is advisable on multiple levels; more critically such a survey can serve as a baseline, establishing exactly where the economy is today, thereby enabling a realistic assessment of the government's economic performance in the future; periodically and at the end of their term. Frankly, if someone needs to be independent, it is the guys collecting and publishing economic data; cloud cover is the reason why by the time hue and cry is raised about the economy, it is already IMF time.

This urgent need for timely and appropriate economic data is supported by the fact that

the Central Bank just recently, after an inexplicable delay of 3 months, dropped a bombshell. Dear countrymen, congratulations; Pakistan at 30 June 2018 owes Rs 30,000 billion; Rs 29,861 billion national debt and liabilities to be exact! More worryingly, as the new government gets into the driving seat, it still has no idea what the national debt stands at on 15 August 2018. Rationally, if you don't know the size of the problem, how can you even begin to plan a solution, let alone implement it!

What hampers the Central Bank to update economic data every 15 days? Lack of data as an excuse does not gel, unless offered in humour. We had better things to do, as an alternate probably has no leg to stand upon. By the way Pakistan external debt and liabilities at 30 June 2018 have crossed US\$ 95 billion; we will probably find out by December 2018 what our external debt and liabilities were at on 15 August 2018!

At this juncture, it would appear that I am leaning towards the suggestion of giving the Central Bank legal and financial autonomy; no I am definitely not! You don't use a Leopard 2A7 to kill a fly; okay I cheated, I don't know anything about tanks, I Googled! Which brings to fore another absolute: Google only provides information. Reading endlessly about planes and flying on the net does not make anyone a pilot. Unfortunately, however, there appears to be no solution for everyone becoming Google powered "Know it all".

An autonomous central bank in a developing nation is a myth; this particular variant has never existed despite of numerous programs thrust upon developing countries by IMF across the globe. Further, based upon my limited knowledge of central bank's history, whenever legendary leaders have arisen from within the mystery shrouded world of central banking in developed countries, it has been fatalistic for the elected, unless the latter have knelt at the altar of money. Those who are worried, depressed, aggrieved and up in arms over the selected presumably controlling the elected in Pakistan, you have absolutely no idea what financial control is!

Imagine, in the current politically polarised situation, and that to at Defcon 1, the havoc that an unfriendly independent Central Bank could wreak. A federal government, engulfed in a debt trap, with revenue receipts sufficient only to meet debt obligations, needing to borrow to pay for defence even, and the Central Bank retorting, "Sorry guys you have exceeded the limit"! What if the Central Bank doubles the rate; yes it could do that, with impunity even, since no one really understands interest rates anyways. While there is a bit more awareness about the power of the Central Bank to manage the rupee, how many even know what M1, M2 and M3 are and the super powers they wield; nope they are not tanks. And while it may come as a shock to most, velocity of money has nothing to do with the "Fast and Furious" franchise. So maybe it sounds good to have an autonomous central banker, but at the end of the day, can Pakistan really afford one at this stage?

Even when there are no conflicts between the Government and an autonomous central bank, aligning monetary and fiscal policies is not everyone's forte.

The mythical world of economics cannot operate without an autonomous Central Bank, in the real world the opposite holds true. Even if the converse was to be considered for some fantastic reason, given a time frame of no more than two years to turn the economy around, yes that is a target that you can pragmatically aim for, central bank autonomy is perhaps not a critical agenda. And that is exactly the difference between the two professions; one lives in a theoretical construct never proven by empirical evidence, the other in the world of hardcore numbers.

Everyone chipping in with suggestions on how to run the economy, is a positive; albeit free advice has been floating around in one form or the other forever, but somehow we have failed to get our economic act together every time, in the last decade. Perhaps, realistically, we need to consider strategies, which we have lost sight of for the last couple of decades, and practise what no one advises; protectionism, tariffs, state capitalism.

Space limitation impede a conclusion today, albeit, to clarify I have not yet got around to my three bits; by the way three only because there seems to be an obsession with three things. Nonetheless, clearly my three bits will need two or more parts for conclusion. Cheers!

(The writer is a chartered accountant based in Islamabad. Email: [\[email protected\]](#))