

## **Friends and Masters**

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Altaf Gauhar was no intellectual lightweight. A little odd, then, for him to choose Friends not Masters as title of the book he ghosted for Ayub. For a man of his erudition he couldn't have been unfamiliar with the discourse on neo-colonialism that was rife in his day. Nor could his sharp mind have escaped the inherent contradiction: dependents can't be 'master-free', and friends can't help enough. Those days we were not asked to 'do more'; simply rewarded for following the Master's finger sheathed in friendliness.

Gauhar did get it right with the Urdu version (jis rizq se aati ho parwaz mein Kotahi): spurn the handouts that slow you down. That was the right message then and is the right message now. Iqbal was right to warn us against free gifts, gifts that you end up paying dearly for. Ghalib was more prescient in our context, reminding us of the fate of those who borrow to consume (libations in his case).

The contemporary variant in Social Sciences is 'Dutch Disease', where seemingly good news (often a single factor inflow) is bad for the larger economy. It has an intoxication effect that makes you forget the realities that will come back to haunt you once the effect wears off; when the foreign aid pipeline dries up, for instance.

The one consistent of our history has been a dependence on others – to take our unemployed, grant us preferential market access, and rescue us when we run out of reserves. ZAB learnt the lesson fast when he banned the hunting of bustards and a 'friendly' Shaikh retaliated by putting hundreds of Pakistani labour on the boat to Karachi.

The 'Economic hitmen' are not foisted on us; we pave the way for them because of our dependence on the puppet masters that they represent. If yesterday they were from distant lands tomorrow they could be from closer home. It will be no more than a change of guard with all its pomp and circumstance. We can follow the rising sun but the game will not change; only the players (masters) will.

If our precarious financial situation makes us inescapably 'dependent' do we have to approach it like an inevitable rape? Unless we get serious we will only make ourselves prone to repeat performances. And here the emphasis is on us, not a part of us like the government. It has to be a collective and holistic responsibility.

The enthusiasm with which we welcome tax amnesties, with the suo-motu — happy court looking the other way despite the glaring legal infirmities, is symptomatic of our

lack of seriousness. The immorality of amnesty apart, is it a solution? Trite arguments like 'something is better than nothing', or 'accepting ground realities', would become excuses if it is not guaranteed that there will be no future amnesties.

Will the drastically reduced personal income tax rates now eliminate any need for future amnesties? More importantly, will they stay? There are policy and legal risks (Constitutional provisions of equity and reducing inequalities; universally accepted principle of 'graduated rates' where higher incomes are taxed at higher rates; anti-corporatization as the corporate tax rates are much higher; further distortion in the ratio of direct and indirect taxes); plus, there is the overarching fiscal risk if the tax base does not expand to recover the 'cost' of lower rates. Yet another risk is the possibility of restoration of wealth tax if the fiscal slippages persist.

Our collective seriousness will be demonstrated by a more responsible behaviour of both the people and the government. For the former, costs of non-compliance will have to be made real and hurtful, as is the case in all developed countries. For the latter, the 'targets' assigned to FBR functionaries should not be collection but detection of cases of evasion. This can only happen if the revenue policy part is separated from the tax collection part.

Our seriousness will be demonstrated when all exemptions and concessions, including presumptive taxes, are done away with, except where the parliament specifically (not as part of the budget) authorizes them. We would also need to rationalize the withholding-tax regime, especially where WHTs have the effect of indirect taxes. Time, too, to remove the overlap and confusion between Federal and Provincial levies.

Our seriousness will be demonstrated when the Fiscal Responsibility and Debt Limitation Act becomes meaningful, and not just a promise of 'best endeavour', which it currently is, merely requiring the Finance Minister to inform the parliament of the reasons for breach of limit. [Dar's contention that by approving a budget that spells out fiscal and external deficits the parliament implicitly authorizes borrowings is not without merit].

We simply cannot have a category of 'non-filers', something that our law recognizes. Every citizen (housewives too!) must file the tax return, even if he has no income to report. For starters, the procedures for non-business returns will have to be massively simplified. Second, facilitations desks at all banks and post offices would need to be set up for those who cannot file the return on their own.

On the external front we just cannot afford to delay going to the IMF, whether we like it or not. We have run out of options. Gifts and loans are not going to be enough, even if Masters-masquerading-as-Friends are generous. Given the gravity of the situation the caretaker government should seek a special dispensation from the Supreme Court to initiate the discussions with IMF.

Our approach has to be informed by our repeated visits to the IMF. Absent an

ownership of tough reforms IMF is only a temporary relief. Relapse is bound to recur if the root causes are not addressed. We should demonstrate our seriousness by designing reforms that we will undertake of our own volition, and not wait for IMF to make them a part of its conditionalities or prior actions. If we do not get into the driving seat we should be prepared for a harsh IMF programme that has the risk of leaving us worse off in the long run.

Governments do not make nations. People do. They are the 'game changers'. Governments only have to recognize people are human. Left to themselves they will look for escapes – and hopes of amnesties. They have to be reminded of our two Eids: one requires fasting and the other demands sacrifice.

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