

Violence and development

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Pakistan is currently faced with a grim economic situation as its economic indicators are getting murkier by the day. The rupee is dipping against the dollar, exports have been reduced to \$23.228 billion and imports have increased to \$60.89 billion in 2018.

The trade deficit stands at \$37.670 billion in FY 2018 as compared with \$32.488 billion during the same period in FY 2017. The current account deficit is widening as a result of a yawning gap between imports and exports. It has reached an alarming level of \$20 billion, and the foreign debt has soared to \$91.8 billion.

The FDI is falling, except from China under CPEC, and there is no substantial increase in revenue generation. The rich are unwilling to pay taxes and the poor are burdened with more taxes. There are 2.2 million NTN holders, out of which 1.2 million file tax returns, 0.5 million don't pay any taxes but file tax returns, and only 0.8 million pay taxes. Interestingly, 90 percent out of the 0.8 million are salaried people.

So, in the face of declining exports and low-revenue generation, the PTI government is facing a serious financial crisis and, at the moment, Pakistan has below \$9.5 billion in foreign exchange reserves. The PTI government is working hard to handle this precarious financial situation. It is facing a dilemma: go to the IMF, adopt austerity measures, impose more taxes and increase the prices of gas and electricity, or seek assistance from friendly countries like China and Saudi Arabia.

China can throw more dollars into Pakistan's kitty. But these loans are more expensive as China is already charging 14 percent on loans under CPEC. Saudi Arabia won't offer any assistance as it is already facing a financial crisis and the unstable nature of the current government won't attract Saudis to pour in more dollars. As for the IMF, this is an open option.

But if we look at the history of IMF loans to Pakistan, they have utterly failed to bring about any macroeconomic stability. They produce more instability than anything else. As noble laureate economist Amartya Sen remarked in a UNDP report from 1996: "the IMF in an attempt to balance the budgets, unbalance the lives of people" through structural adjustment programmes. Joseph Stiglitz, another noble laureate economist, has criticised the monetarist approach of the IMF for reflecting the interests of the Western financial community.

Dr Kaiser Bengali, an eminent economist and dean of the management sciences faculty at SZABIST, believes that IMF programmes wreak more havoc and destabilisation through demand-control policies than do no good to the economic

situation. It may be recalled that in the 1990s Pakistan was following the IMF's prescription of economic stabilisation. This period has been described as the 'lost decade of development' as a result of political uncertainty and destabilisation

In his book, titled 'Economic Management in Pakistan 1988-2002', Dr Ishrat Hussain stated that various governments go to the IMF for the sake of political expediency in order to gain access to global financial lending. These governments lack the political will and sincerity to execute IMF programmes.

Given this economic situation in Pakistan, Adam Smith's 'Theory of Violence and the Political Economics of Development' is quite relevant to understand why Pakistani society is not turning into a self-sustaining, autonomous economy, and why it is lurching from crisis to crisis and living on borrowing.

Adam Smith was an economic giant whose ideas not only lifted Europe from the dark ages and propelled it into a new era of economic development, but also continue to shape economic markets across the world. His theory of violence with regard to transforming a society into a commercial entity hinges on politics and political exchange.

To Smith, violence is a major impediment to the creation of a commercial society and violence occurs when different lords/elites, factions, religious groups and regions fight each another, turning life into what Hobbes described as a "nasty, brutish and shortish".

It is unfortunate that Pakistan isn't any different from Smith's Europe. It was ravaged by the intra-lord fighting, and it is true for Pakistan where we see rampant intra-elite fighting between institutional elites, landing society in chaos. The suppression of different civilian governments at the hands of stronger lords reflects our story over the last seven decades.

Politicians in any country play an important role in the nation-building process. Ironically, politicians in our country are constantly ridiculed and humiliated. Since the creation of Pakistan, some politicians were declared traitors, murdered, removed from power, or jailed in fake corruption cases.

Smith believed that such a situation isn't plausible for the creation of a commercial or economic society as the risk of violence deters investors to invest in any uncertain and violence-ridden society. This is perhaps the reason why even local investors are taking their capital out of the country to safer places where there is protection of property rights, governance, justice, rule of law, and security.

In his book titled 'An Inquiry into the Nature and Causes of the Wealth of Nations', argued that development requires three mutually reinforcing elements – liberty, commerce, and security. If commerce represents the development of markets, liberty and security provide the political, legal, and military infrastructure required to sustain markets in a potentially hostile environment like ours.

Finally, to escape from the 'violence trap', we need to create intra-elite harmony by engaging in what Smith called a "political exchange" to develop a consensus on stopping violence against each other by following the constitution that clearly defines the powers and role of each institution. If we are not doing this, then violence will destroy us. This is the

path that nations tread to survive and grow by turning warring societies into peaceful ones and providing everyone an opportunity to realise their dreams.

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