

GOVERNMENT COLLEGE  
**ECONOMIC JOURNAL**

Volume : XIX

1986

Number : 1 & 2

- PUBLIC EXPENDITURE IN AN ISLAMIC STATE  
—*Muhammad Nejatullah Siddiqi* ... 1
- DETERMINANTS OF CHANGES IN WAGE  
SHARE IN MANUFACTURING SECTOR OF THE  
PUNJAB  
—*Muhammad Aslam and Tuseef Aziz* ... 37
- DEVELOPMENT THROUGH MASS PARTICI-  
PATION AND SELF RELIANCE  
—*Dr. Muhammad Khan* ... 57
- POLITICAL ECONOMY OF COMMUNICATION  
DEVELOPMENT IN THIRD WORLD  
—*Karamat Ali* ... 72
- THE IMPACT OF ECONOMIC GROWTH ON  
DISTRIBUTION AND SECTORAL PRODUCTI-  
VITIES IN PAKISTAN  
—*Shah Nawaz Malik* ... 90



DEPARTMENT OF ECONOMICS  
GOVERNMENTS COLLEGE LAHORE - PAKISTAN



1870

1871

1872

1873

1874

1875

1876

1877

1878

1879

1880

1881

1882

1883

1884

1885

1870

1871

1872

1873

1874

1875

1876

1877

1878

1879

1880

1881

1882

1883

1884

1885

1870

1871

1872

1873

1874

1875

1876

1877

1878

1879

1880

1881

1882

1883

1884

1885

1870

1871

1872

1873

1874

1875

1876

1877

1878

1879

1880

1881

1882

1883

1884

1885

## Public Expenditure in an Islamic State\*

MUHAMMAD NEJATULLAH SIDDIQI\*\*

### Introduction :

This paper\* discusses the principles of public expenditure in an Islamic state. A perspective is set stating the economic goals of the state in Islam : need fulfilment, reduction of inequality and development. Employment, stability and scientific progress are the subsidiary goals to be pursued to ensure fuller realisation of the main goals. This discussion is followed by a statement of the functions of the Islamic state which involve three categories under which the main heads of public expenditure are studied : (1) Permanent heads of expenditure mandated by *Shariah* which include defence, law and order, *da'wah*, need fulfilment and the like ; (2) Expenditure necessary under present circumstances which include protection of environment, capital formation and expenditures necessary for stabilisation purposes and, lastly, (3) expenditures required to organise additional activities assigned to state by the people.

The above analysis of public expenditure is followed by a discussion on equitable distribution of the benefits of public expenditure. This is followed by an attempt to construct a theory of public expenditure in Islam based on four overlapping nevertheless conceptually distinct plans : explicit command of Allah, *fard kifaya*,

---

\*The author gratefully acknowledges the comments received on an earlier draft of this paper by F.R. Faridi, M. Anas Zarqa, Monzer Kahf, Munawar Iqbal, and the Review Committee of the Seminar.

\* Paper read at the International Seminar on 'Fiscal Policy and Development Planning in Islamic State' Sponsored by the International Institute of Islamic Economics, International Islamic University, Islamabad. The paper is being printed with the kind permission of the Institute.

\*\*Professor at International Center for Research in Islamic Economics, King Abdul Aziz University, Jeddah.

market failure and, democratic decision by the people. Then we briefly examine the possible adverse effects of public expenditure on the incentive to work and the incentive to save, and how this effect can be minimised in the Islamic framework. This is followed by a discussion on the desirability of the limiting public expenditure with a view to protecting individual freedoms. Then we explore the possibility of assigning priorities to expenditures in the light of the objectives of *Shariah* and in view of scarcity of resources. In conclusion we note the wide scope, the clear rationale and the welfare oriented nature of public expenditure in Islam.

### **The perspective**

An Islamic state has a purpose. Broadly stated, it is to establish a good society with justice, peace and security, where life flows in accordance with what Allah has willed for man.

“Allah has promised such of you as believe and do good works that He will surely make them to succeed (the present rulers) in the earth even as He caused those who were before them to succeed (others); and that He will surely establish for them their religion which He hath approved for them, and will give them in exchange safety after their fear. They serve Me. They ascribe nothing as partner unto Me. Those who disbelieve henceforth, they are the miscreants”. (XXIV : 55)<sup>1</sup>

“Those who, if We give them power in the land, establish Worship and pay the poor due and enjoin the right and forbid the wrong. And with Allah rests the final outcome of all events”<sup>2</sup> (XXII : 41).

“We verily sent Our messengers with clear proofs, and revealed with them the Scripture and the Balance, that mankind may observe right measure; and He revealed iron wherein is mighty power and (many) uses for mankind, and that Allah may know

- 
1. Translations of all verses from the Quran are taken from M. M. Pickthall : *The meaning of the Glorious Quran* unless otherwise specified.
  2. Pickthall's translation partly modified. See Abdullah Yusuf Ali : *The Glorious Quran—Translation and Commentary*, and Muhammad Asad ;

him who helpeth Him and His messengers, though Unseen. Lo ! Allah is Strong, Almighty". (LVII : 25).

The power of state is to be exercised in a democratic manner i.e., matters relating to public interest are to be decided in consultation with the people.

"And those who answer the call of their Lord and establish worship, and whose affairs are a matter of counsel, and who spend of what We have bestowed on them". (XLII : 38).

" . . . . and consult with them upon the conduct of affairs. And when thou art resolved, then put thy trust in Allah. Lo ! Allah loveth those who put their trust in Him". (III : 159).

The rulers should do all that needs being done for the good of the people. Said the Prophet (peace be upon him) ;

"One to whom Allah entrusts a people (to look after) and he does not serve them sincerely will never get (even) the smell of the paradise" (Bukhārī, *Kitāb al Ahkām, Bāb man istar'ā ra'iyatan thumma lam yansah*).

"A ruler incharge of the affairs of the Muslims who does not strive for them and serve them sincerely shall not enter the paradise with them" (*Abu 'awana, 1 : 32*).

On the other hand it is the duty of the individuals to be sincere to the state. The Prophet has said :

"The (essence of) religion is sincerity, the (essence of) religion is sincerity the (essence of) religion is sincerity". Asked ; Sincerity to whom, O messenger of Allah ? he replied : 'To Allah, to His Book, to His Prophet and the society of Muslims and its rulers". (*Abū Dawūd, Kitāb al Adab, Bāb al Nasīhah*).

Within the general framework in which the Islamic state operates it has to aim at three main economic goals, besides other social, political and spiritual goals. The three economic goals are need fulfilment, reduction of inequalities and development. It is neither possible nor necessary to argue this point in detail in this study,

Elsewhere we have argued in the light of Quran, Sunnah and precedents from the first four Caliphs that an Islamic state is charged with these duties on a permanent basis (Siddiqi : 1983 ; also Siddiqi : 1967 & 1978, Ch. XI). It must guarantee fulfilment of basic needs to every human being within its jurisdiction. It must prevent concentration of wealth. It must keep the country strong. Besides these goals which have a permanent basis in *Shariah*, three more policy objectives assume importance in the context of modern conditions. These are : employment, stability and progress in science and technology. Unless these objectives are pursued, it will not be possible to realise the goals of need fulfilment, reduction of inequality and development. Moreover, it is hardly possible, in the present situation, to establish a just economic order without stabilization policies. As regards science and technology it is not only a precondition to development but also necessary to lessen Muslim countries' dependence on powers hostile to Islam.

It is not the subject of this paper to discuss the goals of economic system in Islam. We mention these goals in this study of public expenditure in an Islamic state because public expenditure depends on the functions of state and functions derive from goals. We shall now list the functions of an Islamic state and then study the expenditures that become necessary for discharging these functions. A reference to goals will be made where necessary and the rationale for each function, and the expenditure involved, will be provided where called for.

The basic premise of what follows is that there are certain functions an Islamic state must perform and that the discharge of these functions necessarily involves expenditure. A discussion on the next point, that sufficient revenue has in fact been provided for making these expenditures, is not within the scope of this study. Rather we will concern ourselves with the expenditure scheme itself : its priorities, distribution of its benefits, its impact on the behaviour of economic agents and on such economic variables as savings and investment, income and employment, etc,

### Functions of an Islamic State

The functions of an Islamic state can be classified into three categories :

- (i) Functions assigned by *Shariah* on a permanent basis.
- (ii) Functions derived from *Shariah* on the basis of *ijtihad* for the present situation.
- (iii) Functions assigned to the state at any time and place by the people through the process of *Shura* (i.e., consultation).

The first category includes all functions specified in the Quran and Sunnah, directly or indirectly, and affirmed by the jurists. Society cannot be organised in accordance with the Islamic principles unless the state discharges these functions. These functions relate to the permanent human situation and not to changing social conditions. The objectives of *Shariah* with respect to man can not be realised without them. The obvious examples are defence and law and order.

The second category includes such functions which have become necessary for realising the objectives of *Shariah* in view of the social and economic conditions obtaining in our own times. They are derived from Quran and Sunnah on the basis of analogical reasoning (*qiyās*) or by arguments based on public interest (*masālih*). But the early jurists have not specified them because the circumstances necessitating them did not exist at their times. An obvious example is protection of environment, a social problem which has gained imminence in industrial societies after the rise of the modern metropolis. This category is quite flexible as it depends on time and place. Even at the present time different Islamic thinkers in different countries may suggest different lists of functions.

This is still the more applicable to the third category which may include any function which the people at any time and place might want an Islamic state to perform. They may even decide to ask the state to do something which the private sector could have done, or in fact had been doing. They are also free to reverse such a decision, in the light of experience and on the criterion of what serves the public interest best. Different decisions may be taken in different

countries. Take for example the generation and supply of electricity. No decisive arguments exists to make it a public sector industry or to bar the public sector from it, or to provide that the public sector and the private sector compete in this field. Local considerations relating to resources, costs, etc., may prompt a decision this way or that way. The important thing is that the decision be taken through democratic process to ensure that it is taken in public interest.

It is clear from the above that public expenditure in an Islamic state can not be fixed, neither in quantity nor in terms of heads of expenditure. Public expenditure in an Islamic state is functional. Expenditure is made to perform a function. Since the list of functions is open ended, public expenditure is also open ended.

What constrains public expenditure in practice is availability of resources. As public expenditure expands, it becomes necessary to take away private wealth to meet public needs. This means limiting individual freedoms. Since freedom is one of the fundamental values of Islam, a balance has to be struck between securing public interest through public expenditure and ensuring individual freedoms. This has been done by subjecting taxation (over and above what is permanently provided in *Shariah*) to the people's consent expressed through *Shura*, as elaborated in a subsequent section.

We shall now proceed to list the main heads of public expenditure following the three-fold classification noted above.

(a) *Permanent Needs of Expenditure.*

The following heads of expenditure are permanently prescribed by the *Shariah* :

- (i) Defense.
- (ii) Law and Order.
- (iii) Justice.
- (iv) Need fulfilment.
- (v) *Da'wah* i.e., communicating the message of Allah to mankind.
- (vi) Enjoining right conduct and forbidding wrong (*al amr bi'l ma'ruf wa'l nahi' 'an al munkar*).



- (vii) Civil administration.
- (viii) Fulfilment of such socially obligatory duties (*furud kifaya*) as the private sector fails to fulfil.

Maintenance of internal security by enforcing law and order, dispensation of justice and civil administration are the *sine qua non* of organized social living. They are necessary for eliminating *fasad* (corruption) and establishing a just order (*qisi*). These duties are addressed to the ruler (*wali al amr*) who succeeds the Prophet in this task (Ibn Khaldun, 1982 : 338-339). Individuals are not required, nor even permitted to implement the penal laws (*hudūd*) of Islam to enforce law and order.<sup>3</sup> They cannot, on their own dispense justice among litigants. They cannot assume, without a mandate, the role of civil administrators. These are the prerogatives of the duly established social authority, the *imam* or *wali al amr*. However, it is a socially obligatory duty (*fard kifaya*) that there be a ruler to take charge of these and other duties to be discussed below. Individuals are required to ensure this through a process of mutual consultation. As noted by Mawardi :

“Rulership is set up in succession to the Prophet to protect religion and world (—ly interests). There is a consensus on its being a must to assign it to one who would perform this (duty)———

Once it is established that having a ruler is a must, (it is to be noted that) it is a duty which is socially obligatory, like *jihad* and (acquisition of) knowledge.”

(Mawardi, 1978 : 5)

Defense, need fulfilment, communication of the message of Allah, and enjoining the right and forbidding the wrong are duties explicitly mentioned in the Quran<sup>4</sup> and emphasised in the traditions from the Prophet (peace be upon him). Jurists regard them as socially

- 
3. “*Shariāh* has a number of laws which cannot be implemented except by the ruler or one who governs on behalf of the ruler, such as implementing *hudūd* on free persons .....
4. To note only a few verses, we find mention of defense in VIII : 60 ; II : 190—193 and IV : 74-75 ; need fulfilment in LI : 19 ; LXX : 24-25 and LVII : 7 ; *da'wah* and *amr bi'l ma'ruf* in II : 143 XXII : 41 ; III : 110 and IX : 71.

obligatory duties. Those capable of doing them should come forward and do the needful. But, in view of the crucial importance of these tasks for the physical survival and moral and spiritual progress of the community, the ruler has a special responsibility in these regards. The state has to take initiative in tasks irrespective of the role the individuals might play. It shall not wait to assess the outcome of voluntary efforts so that it can do what remains to be done.

Since there are many other socially obligatory duties besides these four, we have included fulfilment of *fard kifāya* in the above list as a catch all category. To realise the necessity and significance of doing so a brief discussion on the concept of *fard kifāya* is in order.

### **Fard Kifaya : Its Nature and Scope**

A *fard kifāya* is a duty, like the duties of prayer and fasting, with the difference that it is not addressed to individual persons but to the community. The Law-Giver wants the duty done, irrespective of who does it. Here is a typical definition :

“They are essential and must be performed, irrespective of who performs them. They include religious duties such as the prayers for the deceased (*Sālat al Janāzah*) and mundane affairs like the essential industries!” (Ibn Amir al Hāj, 1316H, 2 : 135).

The crucial requirement is that the task must be done :

“When the objective of the duty is getting the task done, without any regard to the doer, it is termed *fard ‘ala al kifāya* (Ibn al Bahham, 1983 : 186).

The matters covered by socially obligatory duties generally relate to public interest (al Zarkashi, 1982, 3 : 33). This is why even though the responsibility of doing the needful devolves on the community in the first instance, the state has the ultimate responsibility of getting them done. This has been ably brought out by Shatibi in the following passage :

“Their being obligatory means that their performance is not the duty of any particular individual but they devolve on the totality of all individuals, so that those common interests are preserved without which individual interests can not be safe. They reinforce and complete the aforementioned (individually necessary

objectives of *Shariah*) hence they are also necessary. Individual objectives can not be realised without realising the social ones, Social objectives relate to the good of all the men. It is due to this fact that the individual is not specifically charged with these duties and they are not addressed to them, in which case they would have become individual duties. They aim at preserving human life. Individuals are the vicegerents of Allah amidst fellow servants of Allah, to the extent allowed by their abilities and powers. But a single individual has hardly the ability and the power to set his own affairs right, not to mention the affairs of his family, kinsfolk, tribe or the humanity at large. This is why Allah has entrusted the fulfilment of the common needs of mankind to the society as a whole. That is the *raison d'être* of the state in society'' (Shātibi, 2 : 177).

As hinted by Shātibi, one of the prime functions of the state is to look after the fulfilment of the socially obligatory duties on behalf of the society. Should individual initiative and voluntary action complete the task, use of authority and the coercive power of the state would not be called for. Failing that, some action will be necessary to get the task done.

It is more harmonious with the ethos of the Islamic system to get the socially obligatory duties performed by the individuals through persuasion. Voluntary associations can be activated, even funded, to organise efforts for doing the needful. However, there may be exceptional circumstances justifying the state taking the initiative. There may be urgency e.g. in a natural calamity. There may be technical compulsion dictating action e.g. supply of weather reports to prevent fatal accidents on roads and high seas. Hence, even though fulfilment of a socially obligatory duty at public expense and through public functionaries is the last alternative in principle, urgency of the matter or technical compulsion may sometimes make it the only option in practice.

The Quran and Sunnah have not handed down a closed list of socially obligatory duties to which no more can be added. They have specified only some of them. The jurists have identified many more by analogical reasoning or on the basis of *maslaha*. What qualifies

an activity for being considered a socially obligatory duty is that vital interests of the people, relating to survival and Islamic living, should depend on it. This is why productive activities on which the fulfilment of basic needs such as food, clothing and shelter depends have been regarded as *fard kifaya* by the jurists (Ibn Taimiyah, 1983 : 26-29, also 1383H, 29 : 194 ; al Nawawī, 1318H, 6 : 194 ; Ibn 'Ābedīn, 1318H, 1 : 32 ; al Zarkashī, 1982, 3 : 37). Since every *fard kifaya* has the potential of involving the state, and thereby necessitating some public expenditure, we have included it among the permanent heads of expenditure, as noted above.

### Scope of Mandated Expenditures

Some of the heads of expenditure listed above are specifically included among the eight heads of expenditure on which *zakah* revenue is to be spent, as laid down in the Qurān :

“The alms are only for the poor and the needy, and those who collect them, and those whose hearts are to be reconciled, and to free the captives and the debtors and for the cause of Allah, and (for) the wayfarers ; a duty imposed by Allah. Allah is Knower. Wise.” (IX : 60).

Hence this verse itself puts items I, IV and V of the above list among the permanent heads of expenditure of an Islamic state. To the extent item VI (*amr bil ma'ruf*) goes with item V (*Da'wah*) it is also included in 'the cause of Allah'. These were also the first to appear in actual history of the Islamic society, soon to be followed by the other heads of expenditure on which revenue from *fai*<sup>5</sup> and *kharāj*<sup>6</sup> was spent.

The above is noted merely to emphasise that the heads of expenditure listed above are authentic and based on *Shariah*. Otherwise it is not within the scope of this study to discuss how the revenue necessary to meet these expenditures shall be raised. We would now proceed to say a few words about some of these heads of expenditure which merit some elaboration.

---

5 & 6. *Fai* includes all property received from the enemy without actual fighting, land revenue and many revenues other than *Zakāt*, e.g. property left without an heir or lost and found without an owner. Thus *Kharāj* which means land tax is included in the broad meaning of *fai*.

Defence, Law and Order, Judiciary and Civil Administration are heads of expenditure quite familiar to a modern student of public finance. But *Da'wah* or communicating the message of Islam is unique to an Islamic state. As noted above, communicating the message of Allah to mankind is a collective responsibility of the Muslim peoples which their state (or states) have to perform on their behalf, side by side with other non governmental efforts that might be possible. An Islamic state does so, first by setting an example and adhering to Islamic principles in the conduct of government and in its relations with the outside world. Secondly, it can use the media to explain the faith and practice of Islam, reaching the outside world also through the media. It can admit foreign students in universities and educational institutions imparting Islamic education. It can send out scholars and speakers to familiarise people all over the world with Islamic teachings. It can make financial grants to Islamic Centres, and other institutions abroad engaged in *da'wah* work. An Islamic states should naturally coordinate with other Islamic states in organising *da'wah* activities.

We have several precedents, starting from the days of the Prophet himself, of the Islamic state sending out emissaries and scholars to convey the message of Islam outside the Dar al Islam.

The sixth head of expenditure, enjoining the right conduct and forbidding misconduct *al amr bi'l ma'ruf wa'l nahi* ('*an al munkar*) is a wide category including market regulation, supervision of the common man's behaviour in public places and enforcing Islamic practices in general. Early jurists have dealt with the subject under the title of *al Hisbah*, often writing separate treatises on the subject. For a modern Islamic state it will be a matter of convenience whether to put all these functions in charge of one department or divide them into several departments, some of them falling under law and order.

Need fulfilment should cover food, water, clothing, shelter, education and transport.<sup>7</sup> In view of the conditions presently obtain-

---

7. For detailed *Shariah* arguments in support of this list see the author's paper 'Guarantee of a Minimum Level of Living in an Islamic State' presented to the Second International Conference on Islamic Economic, held at Islamabad, Pakistan, in March, 1983.

ing in most of the Muslim countries, ensuring even the minimum necessary would mean a lot of activity on part of the state. It so happens that these activities taken together take a large share of public expenditure in a modern state and this is likely to be the case in an Islamic state also. These activities go far beyond need fulfilment to contribute to economic development and strength of the country. Housing, sewerage, electrification, recreational facilities and other municipal amenities are also likely to be included in the same list though some of them may derive their justification from the functions of state falling under the second or third category noted above, i.e., activities necessitated by the present circumstances or those assigned by the people.

It may also be noted that need fulfilment as interpreted by us would cover what some economists have characterised as merit goods' i.e., "goods the provision of which society (as distinct from the preference of the individual consumer) wishes to encourage" (Musgrave and Musgrave, 1984 : 78).

The last mentioned category, i.e., *fard kifāya* requires that there should be a stand by arrangement to fill any gaps that might remain such a building a mosque in a residential area where one fails to come up through private initiative. Acting as the watchdog of the society the state will monitor the economy too with a view to intervene whenever a compensatory action becomes necessary to ensure supply of essential goods and services, etc.

These brief comments should suffice to give an idea of public expenditures mandated by *Shariah*. We should now proceed to discuss the heads of expenditure related to the functions of an Islamic state which are derived from *Shari'ah* with reference to the present situation.

(b) *Expenditures necessary in the Light of Shariah in the Present Circumstances.*

- (i) Protection of the environment.
- (ii) Supply of necessary public goods other than those included in the first list.

- (iii) Scientific research.
- (iv) Capital formation and economic development.
- (v) Subsidies for priority private activities.
- (vi) Expenditure necessitated by stabilization policies.

Scientific research, economic development and stabilization policy have become necessary to build a strong and viable economy in modern times. Muslim countries today lag far behind the advanced countries of the world in scientific research which fact is a major cause of dependence of Muslim countries on advanced countries, some of which are hostile to Islam. Scientific research is also a necessary basis of economic development which is one of the main goals of the Islamic economy. At present the level of national income in most countries is insufficient to provide the basic needs for all. Without economic development, it would not be possible to guarantee need fulfilment. Stabilization, i.e., prevention of wide fluctuations in the levels of economic activity, price level, etc., is necessary to ensure justice and pave the way for economic development. Scientific research and capital formation for economic development call for huge expenditures. Stabilization would sometime require a decrease in government expenditure to curb inflation, but sometimes it may require increase in government expenditure to boost a sagging economy.

Private economic activities contributing to need-fulfilment, *da'wah*, economic development, scientific research and other desired objectives sometimes deserve public encouragement through subsidies. It is a flexible head of expenditure under which provisions may be made according to circumstances, but it is not a necessary head of expenditure as the three others noted above.

Industrialisation, urbanisation and modern techniques of agricultural farming tend to disturb the ecological balance and destroy the natural environment created by Allah which is necessary for healthy living. Because of the externalities involved individuals fail to take this fact into consideration and their actions result in pollution, congestion, etc. Individuals fail to protect the environment,

keep the air pure, preserve wildlife, etc., because the costs involved do not match the returns to any particular individual. State action is therefore required to do the needful.

Protection of environment as also scientific research and capital formation (especially the building of an infrastructure : roads, bridges etc.) are public goods "which all enjoy in common in the sense that each individual's consumption of such a good leads to no subtraction from any other individual's consumption of the good" (Samuelson, 1966 : 1223). Some of the heads of expenditure included in the permanent list discussed earlier also relate to public goods e.g. defence, law and order, health, education, etc. Since new public goods are continuously emerging with the progress of civilisation it is advisable to include another catch-all head of expenditure in our second list to accommodate them. Consider for example the case of 'information'. Many kinds of information e.g. weather reports, prices, new developments in medicine etc., are communicated to the people through radio, television and the press. It is a public good whose inclusion under any of the other heads of expenditure in the two lists given above is not quite obvious. Flood protection and fire protection are also examples of necessary services whose inclusion under any of the other heads is not obvious. It may therefore be concluded that one of the major heads of expenditure of a modern Islamic state will be supply of public goods necessary for the well-being of the people. Whether these expenditures can be partly or even wholly financed through fees and charges collected from the beneficiaries, and to what extent reliance has to be made on general tax revenue, is a discussion which falls beyond the scope of this paper.

The above mentioned heads of expenditure do not find explicit mention in the Quran and Sunnah. Nevertheless they are necessary according to the unanimous precept of the Islamic jurists that "whatever is necessary for discharging a duty is itself a duty" (Ibn Taimiyya 1955 : 137 ; al Qurtubī 1952, 6 : 85 ; al Āmidī, 1980, 1 : 158 ; Sarakhsi, 30 : 251). As we have argued above each one of the heads of expenditure in our second list is related to a duty of the Islamic



state. These duties are derived from the objectives of *Shari'ah*; preservation of life, need fulfilment, building a strong community, etc. They can also be supported by arguments based on public interest (*masalih*). Some of them also fall in the category of *fard kifāya*, the state being required to do what the private sector fails to do or, for technical reasons, cannot do. Furthermore, the jurists who have listed the duties of the ruler include many of the items included in two lists given so far. The two lists given by Māwardī cover defense, law and order, justice, *da'wah*, enjoining right conduct, need fulfilment, administration and development (Māwardī, 1979 : 116-117 and Māwardī, 1983 : 14). Abū Ya'lā has also a similar list (Abū Ya'lā ; 1974 : 27-28). Ghazālī has emphasised need fulfilment (al Ghazālī, 1967 : 105) and Kāsānī includes roads and bridges, mosques, rest houses, canals and other public works among the heads of expenditure on which *kharāj* revenue may be spent (al Kāsānī, 1910, 2 : 62). Abū Yūsuf includes public works of a developmental nature among the duties of the ruler, even though the modes of financing different works would differ depending upon whether the benefits flow to all or to people of a particular region (Abu Yusuf, 1397H : 118-119).

Reciting the duties of the ruler, Imam al Haramain al Juwaini emphasises protection of religion, *da'wah*, defense and *jihad*, law and order, dispensation of justice, elimination of corruption and need fulfilment (al Juwaini, 1401H : 184-236). Then he proceeds to discuss the sources of revenue for meeting these expenditures and establishes a case for levying additional taxes on the rich if the normal sources of revenue do not suffice, especially to ensure defense and need fulfilment (al Juwaini, 1401H : 250-270). Discussing the heads of expenditure of public revenue, Ibn Taimiyah includes defense, law and order, justice, civil administration, need fulfilment, grants to the newly converted or even to non-Muslims for promoting the cause of Islam and salaries to public functionaries including those appointed to call for prayers to lead them. He has also included public works like roads, bridges, canals, etc. (Ibn Taimiyah, 1969 : 50-52). Shah Wali Allah al Dahlawi also includes need fulfilment, defense, law and order, *hisbah*, protection and promotion of religion and public works like canals and bridges among the heads of public expenditure (al Dahlawi, 2 : 177).

A survey of the expenditures made from the Public Treasury during the early periods of Islamic history confirms that all the first list and some of the items in the second list actually figured in government expenditure. The early Islamic state spent on need-fulfilment, defense, agricultural development, canals, dams, roads, bridges, buildings, new townships, hospitals, rest houses for the travellers, etc. (Hasanuzzaman : 1981 : 286-321).

*(c) Expenditure on Activities Assigned by the People.*

In the two lists given above we have noted some areas which necessarily call for state action. The other activities are left to the individuals. Private goods may be produced in the private sector under the overall supervision of the state which will ensure fair practices in the market. Individuals are also free to organise any other activity, individually or in group, which they think would promote their individual or group interests or the social interest. But the individuals are also free to take the position that a particular activity should be assigned to the state. They may do so because the state is better equipped to serve a particular interest, or because it will be more cost efficient, or for any other reason. Even though it is not desirable to burden the state with too many functions, once a decision is taken through democratic procedure the state should take over the task assigned to it. This is an open ended category and different countries may take different decisions according to their circumstances. A decision taken by the people can also be reversed by the people in the light of experience. The decisive factor involved in the people's decision is *maşlahah*, its protection and *mafsada*, its prevention.

Once a new activity is assigned to the Social Authority it is entitled to make the expenditure necessary to organise that activity and raise the required revenue in a manner befitting the nature of the activity i.e. in the form of taxes where the former is either not feasible or not suitable.

**Early Precedents**

The possibility that the people may assign the state certain tasks for which they are willing to pay did not entirely escape the attention

of the early jurists, even though such eventualities are largely the product of the modern way of living which has created social wants unheard of in the past. The following passage from Abū Yūsuf's *Kitab al Kharāj* dating back to the second century after *hijrah* (eighth century A.D.) deserves special notice :

“I think you should order the people incharge of *kharāj* that when some people from amongst their *kharāj* payers come to them and mention that in their area there are ancient canals that have gone out of use, and lot of uncultivated lands, and that if they clean the canals and excavate them all these lands would become cultivable and productive, ultimately leading to increase in *kharāj* revenue, then they should report it to you. You should depute a person of competence and integrity, who can be trusted in his religion and honesty, to look into the matter. This person should enquire from knowledgeable people of that region who are trustworthy by virtue of their adherence to religion and honesty. He should also consult experts from outside that region who are not going to benefit from the project or to avert a loss if it is undertaken. If they all agree that it is a good project likely to result in improvement and increase in *kharāj*, you should order digging of those canals— all expenses to be met out of the public treasury. Do not charge the expenses from the people of the area concerned because it is better that they develop rather than be ruined. Their prosperity is preferable to their losing wealth and becoming destitutes. Every request from the *kharāj* paying people for repairs, etc. involving improvements and betterment in their lands and canals should be granted as long as it does no harm to others and to the villages and towns adjacent to the area concerned. However, should the project involve harm to others and a decrease in their production and decline in their *kharāj*, it should not be granted.

Abū Yūsuf says : “If the people of the Sawad<sup>8</sup> need digging and cleaning of the big canals which originate from Tigris and Euphrates rivers, you should arrange it for them and defray the expenses partly from the public treasury and partly from the

---

8. i.e. Iraq.

*kharāj* payers. All the expenses should not be charged from the *kharāj* payers. But the canals people dig to their fields, farms, vineyards, orchards, gardens, vegetable plots, etc., should be dug at their own expenses, the public treasury should not bear any part of their cost. As regards the embankments and water outlets on Tigris, Euphrates and similar other large rivers, all expenses relating to their constitution and repair shall be from the public treasury. No part of these expenses shall be charged from the *kharāj* payers. Protection of these interests is the duty of the rulers as they are matters relating to the Muslims as a whole. Hence the expenses involved in such works will be from the public treasury because it is by neglecting such works that lands are devastated, and ultimately it is the *kharāj* revenue that suffers a decline." (Abū Yūsuf, 1397H : 118-119).

This long passage has been reproduced to emphasise, not the obvious point that public works are desirable, but the significant suggestion that the ruler should respond positively to a demand for public works by the people, charging them for the services in so far as the benefits may be specific and localized.

#### **Distribution of the Benefits of Public Expenditure**

Public money is a trust. It must not be used for private benefit of the rulers. It must be spent for public purpose. All must be treated equally without any discrimination on any ground whatsoever. This does not preclude, however, taking into consideration need, merit or any other ground of entitlement where it is relevant. Justice should be the hallmark of public expenditure policy. The Quran says :

"Lo ! Allah commandeth that ye restore deposits to their owners, and, if ye judge between mankind, that ye judge justly. Lo ! comely is this which Allah admonisheth you, Lo ! Allah is ever Hearer, Seer." (IV : 58).

"O ye who believe ! Be steadfast witnesses for Allah in equity and let not hatred of any people seduce you that ye deal not justly. Deal justly, that is nearer to your duty. Observe your duty to Allah. Lo ! Allah is informed of what ye do". (V : 8).

The Prophet, peace be upon him, has made it very clear that public money is not to be spent according to the whims of the rulers. He observed :

“I neither give it to you nor deny it from you (on my own). I am only a trustee spending where I am ordered to spend” (Abu Dawūd : *Kitāb al Kharāj wa'l fai wa'l imārah, bāb fī mā yalzam al imām min amr al ra'iyah*)

Umar, the second caliph, has expounded the same principle :

“In my opinion there are only three things to be done with respect to this (public) money. It should be collected with due right, it should be given to whom it is due, and it should be denied improper use. My position vis a vis your (public) money is similar to that of the guardian of an orphan. If I can afford it I will take nothing out of it, if I need it I will take only what is customarily required.” (Abū Yūsuf, 1397H : 127).

Favouritism and discrimination are foreign to Islam. As the Prophet has explained :

“No one has any relation with Allah except through obedience. All men, high as well as lowly, are equal before the law of Allah. Allah is their lord and they are His servants.” (Ibn Kathīr, 1935, 7 : 35).

Apart from interpersonal equity, interregional and intergenerational equity are also important considerations in the distribution of the benefits of public expenditure.

Consideration of intergenerational equity is evident in Umar's refusal to distribute the lands of Syria and Iraq among those who fought for them. Umar rightly cited Quran's reference to the future generation in the list of those entitled to *fai* : property accruing to the Muslim community by the grace of Allah (Quran LIX : 10). As regards inter regional equity, this too was emphasised in Umar's policy relating to annual grants. With reference to disbursement of *Zakat*, it has been laid down that collections from a region should

be disbursed in the same region, till its needs are fulfilled. Citing a number of traditions Abū Ubaid concludes :

“All these traditions prove that every people are better entitled to (the revenue of) their *Zakat* till they don't need it any more.....The Sunnah has provided this because of the importance of neighbourhood and the fact that they (i.e. the local poor) live near the rich”. (Abū 'Ubaid, 1975 : 711).

The concept of equity involved transcends the materil to include psychological and moral dimensions. A transfer from the rich to the poor in the same locality or region underlines social cohesion to a degree which can hardly be ensured through global arrangements. Though this provision relates specifically to *Zakat* revenue, its implications for public expenditure policy in general are obvious : the same principle is to be observed in all public expenditures (Yusuf, 1980 : 170-174).

Umar, the second caliph applied the same principle to revenue other than *Zakat*.

“It is my will to the ruler who succeeds me to treat the people in the other regions well. They are the sources of public revenue, the means to thwart the enemy and a shield for all Muslims. He should distribute their *fai* equitably amongst them and he should not transfer any surplus out of it (to other regions) except by their concurrence”. (Yahyā ib Ādam, 1347H : 67).

Unless there is a reason, income transfers should be effected speedily, and payments due should be made without delay. The Psophet remarked :

“If I had gold (in the quantity of) mountain of Uhad I would have liked to distribute all of it before three nights passed, except some quantity reserved for paying any debt that I owed”. [Adū 'Ubaid, 1975 : 316].

### **A Theory of Public Expenditure**

In the light of the above discussion let us try to develop a theory of public expenditure in Islam. The task of theory is to lay down a

general framework in which the known particulars can fit well, and by whose application new particular situations can be adequately handled

The particulars we have noted can be summarised as follows :

1. Some public expenditures have been specifically mandated by the *Shariah*.
2. Some public expenditures are necessitated by *furud kifāya* which are designed to secure public interest.
3. Cases of market failure call for provision of public goods involving some public expenditure.
4. Some public expenditure may arise from tasks assigned to the state by the people.
5. Some public expenditure may occur in the wake of stabilization policy.

Any one of these grounds is sufficient to accord legitimacy to public expenditure in an Islamic state. It is possible, however, for some public expenditure to be based on more than one of these grounds. There is also some overlapping between grounds, even though each covers certain expenditure not falling under any of the other heads. The only exception is the last mentioned category as an increase in public expenditure with a view to injecting more money into the system is bound to fall under one or more of the four main categories noted above. Though a legitimate good of public expenditure on its own, stabilization is not a head of public expenditure.

It appears that a package of rationale comprising these four ground—specific mandate from *Shariah*, *farid kifāya* provision of public goods and assignment by the people can accomodate all known cases of public expenditure in Islam. It also seems capable of accomodating new forms of public expenditure arising from modern conditions of living. All public expenditure recommended by contemporary Islamic writers on the role of the Islamic state, and the Islamic economic system can fit into this framework. It is also capable of explaining all public expenditure undertaken by con-

temporary Muslim states which has not been disapproved by the Islamic scholars.

It can be claimed that any public expenditure which cannot be related to one of the categories listed above cannot enjoy legitimacy i.e., it has no basis in Islam. It follows that the above provides the touchstone on which public expenditures undertaken by contemporary Muslim states can be judged with regard to their legitimacy.

We would now try to have a closer look at the four grounds of public expenditure listed above.

### **Fard Kifāya and Market Failure**

As noted earlier, under normal circumstances a *fard kifāya* becomes the object of public expenditure only when individuals fail to fulfil it. It would, therefore, be illuminating for the purpose of this study to raise the question : what makes the individuals fail to do the needful ?

A *fard kifāya* may not be performed by individuals due to one or more of the following circumstances :

#### **1. Lack of Information**

Assuming there is a need for the individuals to do something which the social interest demands, it is possible that they simply be unaware that such a need exists. Even if they are aware of the need it is possible that each individual wrongly assumes that others would be doing it and the task remains unfulfilled. It is also possible that they realise the need but do not know how one can contribute towards meeting the need, for example, of keeping the air clean or reducing the noise level, etc.

#### **2. Moral Failure**

Individuals may realise a social need, they may have the capability to serve that need, but they may not move to do the needful, e.g. a rich man may not feed his hungry neighbour even though he knows the situation.



### 3. Lack of Resources or Technical difficulties

Individual resources may not be sufficient to meet the social need involved, or it may be technically impossible to do the needful without collective organisation, expert advice or sophisticated equipment beyond the reach of individuals. Defending the country and public health care are obvious examples.

It would be instructive now to look at the causes of market failure as discussed by economists. Very briefly, the foremost failure is existence of externalities i.e., divergence between social marginal costs or benefits and individual marginal costs or benefits. Market failure also occurs in case of goods whose consumption is 'non-rival', i.e. "A's partaking consumption benefits does not reduce the benefits derived by all others" (Musgrave and Musgrave, 1984 : 49). Another case of market failure arises "where consumption is rival but exclusion is not feasible" (Musarave and Musgrave, 1984 : 49). This gives rise to the 'free rider' problem—individuals appropriating the benefits but unwilling to pay the costs.

The market mechanism responds to individual preferences based on benefits and costs, and it results in private appropriation. It can handle only such goods and services as can be parcelled out among individuals and whose costs can be charged to individuals against the benefits they receive. Hence the goods and services characterized by one or more of the above features, which the economists call 'social goods' or 'public goods', cannot be provided by the market. Defence, lighthouses, public parks are some of the examples. The state steps in as an alternative to the market for handling such goods. A political process is substituted for the market to arrange the supply of social goods and allocate the costs involved.

The objects of *fard kifāya* extend far beyond the social goods as defined by economists. Prayers for the deceased (*ṣalāt al janāza* is a *fard kifāya* but it is not a case of market failure as it is an activity on which the utilitarian cost-benefit calculus does not apply. Fulfilment of the basic needs of the have-nots is also a *fard kafāza* even though the goods and services involved are within the purview of the market mechanism.

Even though all public goods, as defined by economists, may not be identifiable as objects of *fard kifāya*, and all *fard kifāya* as defined by jurists, may not be reducible to provision of some public goods, it is obvious that the two coincide in many cases. This coincidence raises interesting possibilities. *Fard kifāya* is a moral concept. It seeks to replace, or in many cases, complement the utilitarian benefit-cost calculus by an urge to seek the pleasure of Allah by performing a duty. A divergence between social marginal costs or benefits and individual marginal costs or benefits, which causes a breakdown in the market mechanism, does not affect this urge, in so far as it exists. An individual who cares for social interest, over and above his concern for his personal interest, may undertake an activity despite the divergence between the social marginal benefits or costs and the individual benefits of costs. This creates a possibility of individual action resulting in meeting some social needs which economic theory of public goods sees being met by the provision of public goods.

It is not necessary, however, that the above individual action works through the market mechanism. It is also not necessary that the market mechanism be replaced by the political process to decide what social goods are produced and how the costs involved are allocated. Individuals may come together in the form of associations and organisations other than the state to undertake some of the activities called for by *fard kifāya*. This is the 'third sector' distinct from the private sector (the market) and the public sector (state undertakings) playing a role in the supply of goods and services. As a matter of fact the Islamic institution of *waqf* (charitable endowments) had been doing precisely this throughout Islamic history.

The concept of *fard kifāya* has also some implication for the 'free rider' problem. A sense of duty, as noted above, may make the individuals reveal their preferences in bidding for social goods. That is, even though because of nonexcludability partaking in consumption is not made contingent on payment, individuals may pay out of a sense of duty.

It is *not* being asserted that *fard kifāya* would eliminate externalities and do away with market failure. As we have noted above *fard kifāya* does not cover all public goods. We have also noted a number of reasons why individuals may fail to perform a *fard kifāya*. The above possibilities do, however, exist, and they have important implications. They also explain why the activities which are the object of *fard kifāya* are not assigned to the state, to begin with i. e., why the individuals are invited to do them in the first instance. As we shall elaborate in a subsequent section, getting the needful done through individual action is preferable as it is more conducive to the protection of freedom.

A theory of public expenditure in Islam should include, therefore, both *fard kifāya* and provision of public goods as the rationales of public expenditure. Along with these two we have a specific mandate from the *Shariah* or from the people too as other bases rationalising public expenditure. All the four grounds are designed to secure public interest (*maslaha*). As is the fifth ground, increase in public expenditure as a stabilization measure, which may justify additional expenditure under any of the four main heads temporarily. A detailed study of public expenditure for stabilization purposes belongs, however, to a discussion on fiscal policy.

We conclude that *all* public expenditure in an Islamic economy derives its justification from the relevant activity being explicitly mandated by *Shariah* or by its being a *fard kifāya* or by its being a case of market failure or by its having been assigned to the state by a democratic decision of the people. It is possible for a public expenditure to be supported by more than one of these justifications: But any public expenditure which has no basis in any of the above must be regarded as illegitimate and un-Islamic. It is also bound to be undemocratic and irrational.

These four bases of public expenditure in an Islamic society fit well with three basic postulates on which an Islamic society is founded. These are (1) The command of Allah is final, His ownership absolute. (2) All state action should aim at promotion of *maslaha* (public

interest). (3) People's decisions through a process of *Shūra* should govern all matters not already decided in Quran and Sunnah, explicitly or by implication.

### **The Incentive to Work.**

An individual's incentive to work is likely to be weakened by the prospect of his getting an income without working or of his needs being fulfilled by the others. Likewise taxes levied on incomes in order to finance public expenditure may weaken the incentive to work of those taxed. It is therefore argued that a system of taxes and transfer payment/need fulfilment reduces the total supply of work in the economy reducing production and making the nation poorer.

The danger is real, and the experience of the 'welfare state' in Europe and elsewhere in the West lends credence to the objections noted above. But the critics of the welfare state have failed to come up with an alternative way of dealing with absolute poverty' and unfulfilled needs. Surely *laissez faire* capitalism is not the answer !

In the framework of the Islamic theory of public expenditure the problem is handled at two levels : Firstly, motivating the (needy) individual to work in order to fulfil his own needs and desist from seeking charity, as well as motivating the (rich) individual willingly to give away (as tax and charity) part of his income after having earned it. The concept of *fard* (duty) with its two fold division into *fard 'ain* (individual duty) and *fard kifāyah* (collective duty) is designed to create such motivation. Thus it is an individual duty of the poor who can work to work and not to seek charity, whereas it is a collective duty of the rich to give away part of their income to provide for the needy. Several traditions from the Prophet underline these duties as noted below :

The Prophet, peace be upon him, has said :

"Charity is not permissible to a rich person or to one who is able bodied" (Ābu 'Ubaid, 1975 : 659).

"One who asks for charity without being poor is going to eat fire" (Abū 'Ubaid, 1975 ; 663).

“Asking (for charity) is not permitted except in three cases : A person takes upon himself the payment of indemnity to a people, so asking is permitted to him, he asks till he pays up. then he stops ; A person is hit by a calamity which wipes out his wealth, so asking is permitted to him, he asks till he gets enough to subsist ; and a person is starving, and three persons of sound judgement from among his people declare that he is starving, so asking is permitted to him, he asks till he gets enough to subsist.” (Abū Dāwūd : *Kitāb al Zakāt, Bāb mā tajūzu fīh al mas'alah*).

The poor who can work were exhorted to work for a living. Umar said :

“O poor people ! Raise your heads as the road is now clear. Reach out to the good things (of life) and do not become dependent on the Muslims (for your living),”. (al Kattāni, 2 : 23).

When people who could work and earn a living did approach the Prophet for charity he politely refused to oblige.

“Once he was distributing *Sadaqāt*. Two men approached him to get something out of it. He looked up and found them strongly built. He told them they were not entitled to (receive) it but if they liked he could give them” [al Sarakhsī, 30 : 271].

Sometimes the Prophet advised such people how to earn a living. Thus he made a man sell his quilt and bowl to buy an ax with which to cut wood and earn a living by selling wood. It worked, and the man prospered (Abū Dāwūd, *Kitāb al Zakāt, Bāb mā tajūzu hīfal mas'alah*).

The Prophet had made it very clear that earning a living is a religious duty :

“Trying to earn a lawful livelihood is an obligatory duty in addition to the duties which are obligatory” (al Khatib al Umari: *Kitāb al Buyu', Bāb al Kasb wa ṭalab al Ḥalāl*).

Hence the possible disincentive effect on work is minimised in two ways : Firstly, those who can work are motivated not to ask for

charity but to work and earn their living. Secondly, the state should deny extended support to those who can work and should rather help them find remunerative work.

There seems to be no alternative to a scheme of income maintenance and need fulfilment through transfer payments and public provision of social goods, taking all possible precautions to minimise the possible adverse effects on the incentive to work.

In an Islamic society the strong stigma attached to reliance on charity seems to be designed partly to mitigate the disincentive effect. How far it goes in a particular Muslim society is, however, a matter of empirical enquiry. There is some evidence that it had a deep effect on the early Islamic society. There are several traditions recording the fact that the Prophet's companions had taken his advice not to ask for charity very seriously [Vide Abū Dāwūd : *Kitāb al Zakāt*, *Bāb Kirāhīyat al mas'alah*].

Even in the contemporary secular societies the empirical evidence on the disincentive effects of these programmes is not conclusive (Tussing, 1975 : 140 ; Perlman, 1976 : 210, 215 ; Mckenze & Tullock, 1975 : 186 ; Okun, 1975 : 69-97 ; Phelps, 1981 : 55-65).

### **The Incentive to Save.**

There is no reason why a comprehensive public expenditure programme should reduce savings in a society. The higher taxes necessitated by these programmes may reduce the savings of the rich in the short run. But a likely effect of such a programme is to increase the incomes of the poor in the long run which may result in some savings by the poor. This may well compensate for the loss of savings by the rich. Again, the empirical evidence relating to the contemporary societies with wide ranging social security and income maintenance programme is not conclusive (Okun, 1975 : 98-99). Public expenditure on economic development is likely to raise the national income resulting in larger savings.

So far as the Islamic society is concerned there is sufficient emphasis on investment as well as saving in order to provide for one's

future needs which emphasis prompt even the poor, covered by the social security and income transfer programmes of the Islamic state, to save and to invest. During the rule of Umar the second caliph people were receiving annual grants from the Public Treasury. One advice that Umar gave them is reported in the following words :

“.....It would be better for these people to buy some sheep out of their grant and leave them (to graze in their fields) in Iraq. When the next annual grant is received they can buy a slave or two and put them to work in these (areas). This will serve their children as an asset”. (al Baladhurī, 1932 : 439).

To sum up, any tax and transfer scheme has some possible adverse effects on the incentives to work and the incentive to save. But these effects are not so decisive as to justify abandoning the scheme itself which is designed to serve some important purposes. Moreover, it is possible to minimise the adverse effects by motivating the individuals in the manner indicated above. The scheme itself should be so designed as to benefit the poor who are unable to work and earn for themselves permanently. It should also be supplemented by schemes designed to offer work opportunities to those willing to work but unable to find it.

#### **Limits of public Expenditure.**

Public expenditure is an important means of realising the objectives of *Shariah*. In view of the wide scope of these objectives it is not surprising that public expenditure too has a wide scope. Nevertheless, one of the important objectives of *Shariah* is freedom of the individuals within the bounds of their obedience to Allah. To be free from fear and tyranny and to obey Allah alone is the ideal of human existence as indicated in the Quranic verse (XXIV : 55) quoted in the beginning of this paper. Individuals should be able to take their own decisions in economic, political and social affairs as long as these decisions do not infringe on similar rights of their individuals and do not harm the interest of the community in general.

Public expenditure is generally directed towards ends which protect rather than inhibit individual freedoms. Defense, law and order,

dispensation of justice and civil administration provide security and create conditions in which alone individual freedoms can be exercised. *Da'wah* and enjoining right conduct guide action in the right directions and resolve possible conflict between individuals' exercise of freedom. Need fulfilment makes meaningful exercise of freedom possible by relieving the individual from privation. Public expenditure necessitated by socially obligatory duties also caters to vital individual and social interests without which individual freedoms could hardly flourish. There is nothing in the permanent heads of public expenditure in Islam, therefore, which can pose a threat to freedom.

It is when we come to tasks assigned to the state by the people and to the public provision of social goods and merit goods (other than those covered by permanent heads of expenditure) that some caution has to be exercised. An increase in public expenditure on these grounds would generally involve raising additional revenue through taxation, in so far as the goods or services supplied cannot be priced. Taxation for purposes other than those mandated by *Shariah* or necessitated by the socially obligatory duties (*surūd kifāya*) cannot be done without the willing consent of the people<sup>9</sup>. Should this consent be available, a possible conflict between individual freedom and public expenditure financed through taxes is resolved, taxation having been endorsed by free choice of the people.

This is not, however, the end of the story. More public expenditure means more public servants and a larger bureaucracy—the bane of the modern welfare state. Relative growth in the size of the bureaucracy is not good for the democratic process. The rule by consultation required by Islam is better done if fewer people are in the pay of the ruler. It is desirable therefore to minimise the addition to bureaucracy necessitated by the increase in public expenditure due to public provision of social goods and merit goods, and due to other tasks assigned to the state by the people, by getting as many jobs done by the private sector and the 'third sector' as possible and efficient. Public provision of a good or service does not necessarily

---

9. It is in this context that the rule laid down by the Prophet 'A man's property cannot be taken away except through his willing consent' (Ahmad bin Hanbal, 5 : 73) becomes pertinent.



require its production in the public sector. Education, medical services, housing etc. may be made available to the deserving at cheaper rates, or even free, without producing these services in the public sector. A system of subsidies and transfers can be used to achieve the desired ends.

In the ultimate it is the political process—decision making through consultation—which will decide the actual limits to what the state must do. A formulation of Islamic economic policy can only note the guiding principles. Some of these are provided in the form of the priorities discernable from *Shariah*.

Before we discuss the priorities, it should be noted that the Islamic injunctions against extravagance (*isrāf*), (*idā'at al māl*) and expenditure on prohibited activities (*tabdhīr*), studied in detail elsewhere (Siddiqi, 1967 ; 1978 : ch 5) apply to public expenditure as they apply to private expenditure. The state must economise. Public money should be managed as a trustee should manage trust funds. All property is a trust, but public property is doubly so. Those who manage it are accountable to Allah as well as to the people.

#### Priorities in Public Expenditure.

The jurists have distinguished between the necessary (*darūri*), the needed (*hājji*), and the commendable (*taḥṣīnī*) among the interest (*maṣālih*) which the *Shariah* seeks to protect. The necessary takes precedence over the needed, which complements it, whereas the commendable complements the needed category of interests. Shatibi states that the necessary interests which are protected relate to the following five (Shatibi, 2 : 19) :

- Dīn*, i. e., religion ;
- Nafs*, i. e. life or self ;
- nasl*, i. e. family or progeny ;
- māl*, i. e. property ;
- '*aql*, i. e. intellect or reason.

Ghazali also regards the protection of these five interests to be the objectives of *Shariah* (Ghazzali, 1322H, 1 : 287) and so does

Āmidi, (Āmidi, 1980, 3 : 394). In so far as the public expenditures required for these purposes have been specified by *Shariah* as is the case with the permanent heads of expenditure listed earlier, the priorities are clear. Beyond that the matter is left to *ijtihād* and a recourse to the political process of decision by consultation becomes necessary.

Shatibi rightly observes that in order fully to protect vital human interests one should not stop at the necessary. It is advisable to ensure the needed (*hājī*) to reinforce the necessary (*darūrī*) [Shatibi, 2 : 17]. To what extent the social authority would be able to do so would obviously depend on availability of resources. To the extent it involves additional taxation, consent of the taxed is necessary and we are once again led to the political process. Even in the context of the necessary interests, the quantitative aspects of the public expenditure required can be decided only through consultation, as the quantitative aspect is not covered by the textual provisions of *Shariah*. The volume of needed expenditures can be decided only with reference to a particular time and place. It is therefore, a matter left to *ijtihād*. Decisions involving public interest which are left to *ijtihād* cannot be taken by individuals—any individual. They require the consultative process. Hence the only proper way to decide the volumes of public expenditures is democratic decision making at the appropriate level.

We conclude, therefore, that the *Shariah* does provide broad guidelines in the light of which it will be possible for a modern Islamic state to decide on the priorities in public expenditure through a democratic process.

### Conclusion.

Public expenditure in an Islamic state has a wide scope. It derives its legitimacy from the explicit and implicit provisions of the *Shariah* and the democratic decisions of the people. Its actual scope is determined by *maṣlaḥa* (public interest), market failures, and the will of the people. It is intended to serve all equitably and without discrimination. It is directed towards eliminating poverty, reduction in inequality and building a strong and developed economy. It is

expected to promote the welfare of people without impairing their will to work, save and invest. There is, however, a need to limit public expenditure with a view to minimise state control and protect individual freedoms. Public expenditure should be subjected to the priorities of *Shariah* and decided in consultation with the people, especially when it involves additional taxation.

## REFERENCES

- Abū 'Awana            *Musand*, Hyderabad, Dāirat al ma'ārif, 1362 H.
- Abū Dāwūd            *Sunan*.
- Abū 'Ubaid            *Kitāb al Amwāl*, Beirut, Dār al Fikr, 1975.
- Abū Ya'lā              *al Ahkām al Sultanīyah*, Beirut, Dar al Fikr, 1974.
- Abū Yūsuf              *Kitāb al Kharāj*. Cairo, Maṭba'a Salaffiyah, 1397 H.
- Ahmad bin Hanbal    *Musand*, Beirut, al Maktaba al Islami, n. d.
- Ali, Abdullah Yusuf *The Glorious Quran-Translation and Commentary*, Leicester, The Islamic Foundation, 1978.
- al Āmidī, Saifuddin   *al Iḥkām fi Usūl al Ahkām*, Beirut, Dar al Kutub al 'Ilmiyah, 1980.
- Asad, Muhammad    *The Message of the Quran*, London, E. J. Brill, 1980.
- al Baghdadi, Abd al   *Kitāb Usūl al Dīn*, Beirut, Dār al Kutub al Qahir 'Ilmiyah, 1981.
- al Baladhurī, Ahmad *Futūḥ al Buldān*, Cairo, 1932.
- bin Yahya bin Jābir.
- al Bukhārī,            *al Jami' al Saḥīḥ*.
- Muhammad bin  
Isma'īl.
- al Dahlawī, Shāh     *Hujjatullah al Bālighā*, Beirut Dār al Ma'rifa, n. d.
- Wali Allah.

- al Ghazālī Abū Hāmid. *al Tibr al Masbuk fi Naṣḥat al Mulūk*, Egypt, Maktabah al Jundi, 1967.
- *al Mustasfa min 'Ilm al Usūl*, Bulāq al Matba'a al Amīriyah, 1322 H.
- Hasanuzzaman, S.M. *The Economic Functions of the Early Islamic State* Karachi, International Islamic Publishers, 1981.
- Ibn 'Ābedīn *Hāṣḥiyat Radd al Muhtat*, Cairo, Matba'a Maimaniyah, 1318 H.
- Ibn Amīr al Hāj *yal Taqrīr wa'l Tahbīr (Sharḥ Kitāb al Tahṣīr)*. Bulāq, 1316 H.
- Ibn Kathīr *al Bidāyah wa'al Nihāyah*, Cairo, Matb'a Sa'adah, 1935.
- Ibn Khaldūn *al Muqaddimah*, Beirut, Dār al Kutub al Lubnāni, 1982.
- Ibn Taimīyah *al Siyasaḥ al Shar'iyah fi Aḥwāl al Ra'i wal Ra'iyah*, Egypt, Dār al Kutub al 'Arabi, 1955.
- *Majmu' Fatawa Shaikal Islām Ahmad bin Taimiyah*, Riyadh, Al Riyadh Press, Vol. 29, 1983.
- al Juwainī, Imam al Haramain. *Ghiyāth al Umam fi Iltiyath al Zulam*, Cairo, Matba'a Nahdah Miṣr, 1401,
- al Kāsānī *Badai' al Sanai' fī Tarīb al Sharai'*, Egypt, Matba'a Jamāliyah, 1910.
- al Kattānī, Abdul Ha'ī. *Nizam al Hukūmah al Nabawīyah al Musamma al Tarīb al Idarīyah*, Beirut, Dār al Kutub al Arabī, n. d.
- al Khatīb al 'Umarī *Mishkat al Masabīh*.
- al Māwardī *al Ahkam al Sultāniyah*, Beirut, Dār al Fikr, 1974.

- *Kitab Adab al Dunya Wa'l Dīn*, Beirut, Dār Iḥya al Turath al 'Arabī, 1979.
- McKenzie, Richard B. and Gordon Tullock. *The New World of Economics : Explorations into Human Experience*, London, Richard D. Irwin Inc. 1975.
- Musgrave, Richard A. and Musgrave, Peggy B. *Public Finance in Theory and Practice*, New York, McGraw Hill Book Co. 1984.
- al Nawawi *Minhaj al Talibīn wa 'Umdat al Muftīn'* Cairo, Dār Iḥya' al Kutub al 'Arabī, 1318 H.
- Okun, Arthur M. *Equality and Efficiency: The Big Trade Off*, Washington D. C. The Brooking Institution, 1975.
- Perlman, Richard *The Economics of Poverty*, McGraw Hill Book Co, 1976.
- Phelps, Edmund S. (ed). *Private Wants and Public Needs*, New York, W. W. Norton & Company, 1965.
- Pickthal, Muhammad M. *The Meaning of the Glorious Quran*, Mecca, The Muslim World League, 1977.
- al Qurtṭubi, Abū Abdullah. *al Jami, li Ahkam al Quran*, Cairo, Dār al Kutub al Misriyah, 1952.
- Samuelson, Paul A. *The Collected Scientific Papers of Paul A. Samuelson*, edited by Joseph E. Stiglitz, Oxford & IBH Publishing Co., 1966.
- al Sarakhsī, Shamsuddīn. *Kitab al Mabsūti*, Beirut, Dār al Ma'rifah, 3rd print, n. d.
- al-Shatibi, Abu Ishaq *al Muwafaqat fi Usul al Shariah*. Cairo, Maktaba Tijariyah, n. d.
- Siddiqi, M. Nejatullah. *Islam Ka Nazriyah Milkiyat*, Lahore, 1967 ; Delhi, 1978.

- 'Guarantee of a Minimum Level of Living in an Islamic State', paper presented at the Second International Conference on Islamic Economics, held at Islamabad in March 1983.
- Tussing A. Dale *Poverty in a Dual Economy*, New York, St. Martin Press, 1975.
- Yahya ibn Ādam *Kitab al Kharaj*, Cairo, Matba'a Salfīyah, 1347 A.H.
- Yusuf Ibrāhīm Yusuf *al Nafaqat al 'Āmmah fi'l Islam : Dirasah Mugarinah*, Cairo, Dār al Kutub al Jāmi'ī, 1980.
- al Zarkashi, *al Manshur fi'l Qawai'd*, Kuwait, Ministry of Awkaf, 1982.

# Determinants of Changes in Wage Share in Manufacturing Sector of the Punjab

MUHAMMAD ASLAM\* AND TOSEEF AZID\*\*

## Introduction

The determination of factor's share out of total output is important from the aspect of functional distribution of income which is regarded an important issue in the welfare economics. In a developing country like Pakistan where a major source of household incomes arises from wage earnings, the particular interest lies in the analysis of wages share determination.

Various labour share theories may be classified into the following three classes :

- (1) Marginal Productivity Theories.
- (2) "Mark up" theories.
- (3) Macro-Economic Theories.

If we accept the marginal productivity approach to factor pricing, it seems at first that no distribution problem can exist. Every unit of every factor is simply paid the value of its marginal product. Unfortunately a problem remains unless the sum of the marginal products is exactly equal to the total product. If it is not, then either there is a surplus which must somehow be distributed, or the claims of the factors cannot be met. This is the famous 'adding-up problem'. Two solutions have been presented, both in the early years of this century, by Wicksell (20). By the use of Euler's Theorem, it can be shown

---

\*Assistant Chief, Planning and Development Department, Punjab.

\*\*Lecturer, Department of Economics, Bahauddin Zakariya University, Multan.

mathematically that if the aggregate production function-itself a tricky concept-is linear homogeneous, the sum of the marginal products is exactly equal to the total. In economic terms, this implies constant return to scale. This seemed unduly restrictive; the production function is determined by technology, and it can only be by accident that it should take this particular form. Wickseil was able to prove that the adding-up problem also disappeared so long as each firm is purely competitive long-run equilibrium. The reason is intuitively obvious: the firm will then operate at the bottom of its long-run average cost curve, and this (infinitesimal) flat section of the curve is exactly analogous to constant return to scale.

Remove the assumption of pure competition, and this argument provides no solution. The wage no longer equals the value of the marginal product, and the firm no longer attains equilibrium at the lowest point of its long-run average cost curve. A related problem concerns the disputed role of 'price' profit, as a return to entrepreneurship as opposed to capital. The entire theory of profit is in a very uncertain state, and the traditional position of the entrepreneur in distribution theory has been subjected to severe criticism (Joan Robinson, 17).

For simplification the experts have divided the national income into labour and property (or capital) shares. Attempts to provide empirical verification for the marginal productivity theory of distribution are invariably in these terms. What is now known as the Cobb-Douglas production function was first suggested by Wickseil as one case of the linear homogeneous function necessary to satisfy Euler's theorem. In its simplest form, with output (Q), labour (L) and Capital (K) and constants 'a' and 'b' the function is  $Q = K^a L^{b-1}$ . Simple calculus reveals that the respective marginal products of capital and labour,  $dQ/dK$  and  $dQ/dL$  are  $aQ/K$  and  $bQ/L$ , and their shares in national income 'a' and 'b'. Data for output, capital and labour were obtained in both time-series and cross-section form, for states over a period of time and for industries within a nation at a point in time. Regression yielded values 'a' and 'b' which not only resemble the actual shares of the two factors, but also add up almost exactly to one (Douglas, 6).



Criticism at this attempt at verifying neo-classical distribution theory are best surveyed by a sympathiser (Bronfen brenner, 1), and by a strong critic (Phelps Brown, 3). There is an air of circularity about it, since it is only on the assumption that the factors are paid their marginal products that 'a' and 'b' become their shares in national income. This of course assumes competitive equilibrium in both labour and product markets, which is what is under scrutiny. Phelps Brown (3) argues that researchers have not identified a production function at all, let alone proved that it is the determining factor in income distribution. On a time-series basis, the Cobb-Douglas can describe the relations between the historical rates of growth of labour, capital and output, but the coefficients that do this do not measure marginal productivity (3, p. 551). The cross-section studies he finds equally inconclusive.

Another, still explicitly micro-economic approach is that of Kalecki (14). He adopts a neo-Marxist definition of profits as including all salaries and all other overheads, assumes horizontal short-run available cost curves and a 'mark-up' pricing procedure, and arrives at a formula which expresses the wage share in national income as an inverse function of the degree of monopoly (the ratio of price to prime cost) and the relative price of raw materials.

Theoretically there is much to be said for the model ; its explicit recognition of departures from pure competition and marginalist pricing procedures was overdue. Less satisfactory is the Vague distinction between wages and salaries (or 'productive' and 'non productive' labour) and the way in which the degree of monopoly-reflected in the size of the mark-up component of price-is itself left undetermined. Kalecki's model suggests a bargaining-power theory of distribution, which is plausible and yet empty because nothing is said about the nature and source of bargaining power. Kalecki's own attempts at empirical testing failed ; since no evidence was available for the degree of monopoly, he reversed the direction of causality and derived changes in the latter from well-documented movements in the labour share in national income. Yet the general approach can be valuable in careful, non-econometric hands (Phelps Brown, 4).

One reason for the continuing interest in relative factor shares is its relevance, as a major determinant of effective demand, for macro-economic theory. The rich tend to save a large proportion of their incomes than the poor, so that aggregate consumption and saving are strongly influenced by income distribution. Conversely, the level of national income may determine relative factor shares. A pioneer in the macro-economic theory of distribution was Kaldor (13). He abstracted from changes in real national income by assuming full employment. Then, if investment is given and the propensity to save out of profit is greater than that out of wages, the distribution of income will be determined solely by the two savings propensities. Crudely, if planned investment exceeds planned saving, the resulting inflation will increase the profit share in national income and thus raise 'ex post' saving to the required level.

One empirical test for periods of full employment found that the core of Kaldor's model—the different savings propensities of workers and capitalists—provide no better explanation of actual changes in distribution than the assumption that they were equal (Reder, 16). Moreover, a theory which largely ignores the behaviour of firms and individuals at micro-level cannot be considered definitive. Despite these criticisms, the macro-economics of distribution must be part of any complete analysis; in formal terms alone, the marginal productivity approach is insufficient and requires the introduction of some information about aggregate demand (Solow, 18).

If theoretical work on distribution is in a state of flux, the same is no less true of empirical work. Not long ago, the labour share was seen as a constant no less fixed than 'the velocity of light and the incest taboo' (Solow, 19 p. 618). This result could be supported by almost any theory. The Cobb-Douglas approach necessarily involves the constancy of relative shares, since 'a' and 'b' are mathematically constants. If relative shares do change, we must explain the consequent changes in 'a' and 'b' and hence the shift in function itself, the stability of which would no longer provide a theory of distribution! More sophisticated neo-classicists showed that, whatever the production function, very large changes in the relative quantities of labour and capital would be required to shift distribution to any

significant degree (Bronfenbrenner, 2). Kalecki arrives at a rather unconvincing explanation of a stable wage share in terms of offsetting variations in the degree of monopoly (Which falls in booms), and the relative price of raw materials (Which rises). stable investment-income ratios and constant consumption propensities would give the desired result in terms of Kaldor's theory.

However, the evidence suggests that relative shares have not been constant. In the last three or four decades the labour share in national income has risen in most western countries, and the increase is not always 'eliminated' when allowance is made for the rising proportion of employed (and corresponding decrease in self-employed) members of the occupied population (Heidenshon, 10). The labour share in the U. K. is much higher than it was a century ago (Feinstein, 8), and Kravis careful research suggests the same trend in U. S. A. (15). It is true that, in both cases, this can be explained in terms of vastly increased ratio of capital to labour in the economy and the consequent, larger increase in the relative marginal productivity of labour as opposed to capital (in technical terms, an elasticity of substitution between capital and labour of less than unity).

The planning strategy of Pakistan during 1970's has clearly deviated from 1960's in one major aspect, that is, the stress on the labour's well being. All the efforts in this respect however, lacked backing from any systematic empirical research in the field. Though a couple of studies did appear in PDR and other journals on the determinants of the level of real wages but they did not mention anything about the labour's wage share in the output and its determinants. The purpose of the present paper is to do simple exercise on the determinants of wage share in the large scale manufacturing sector of Pakistan.

Large scale manufacturing sector which is comparatively well organised with respect to its statistics which offer a lot of data-base for research in the field of wage share. From the available data we have picked up the following issue.

The data<sup>2</sup> reveals that income distribution has been improving more in favour of labour during 1970's than it moved during 1960's. For example, see the following table which shows the annual rate of change of labour's wage share in the value added.

TABLE 1-a

Annual Compound rate of change in the labour's wage share in value added	No. of Industries	
	1966-67 to 1969-70	1969-70 to 1975-76
Below Minus 10%	6	2
minus 10% to zero	18	10
Zero to 10%	6	13
Above 10%	2	7

Source : An unpublished study on "The Productivity of large scale manufacturing sector" Planning Commission.

There is a clear indication that the wage share has grown at a higher rate during 1970-76 than during 1966-70. In spite of this the manufacturing activities during the former period (1970-76) were much depressed and less profitable as compared to those during 1966-70. The increase in the labour share could equally have been due to inflation, to state intervention or to increased trade union pressure. The annual rate of growth of value added for the corresponding industries (to which the wages share in Table 1 refers) is shown below :

TABLE 1-b

Annual rate of Change in Value added (Real)	No. of Industries	
	1966-67 to 1969-70	1969-70 to 1975-76
Less than minus 10%	5	1
Minus 10% to zero	8	4
Zero to 10%	8	8
Above 10%	11	19

The situation that caused the rate of changes in wage share to improve in favour of labour during periods of deterioration poses an interesting question. An answer to this question requires identification of factors that determine movements in wage share. The present paper is an attempt in this direction.

First section of this paper reviews the empirical studies done on labour's wage in Pakistan. The second section develops a model for the analysis of wage share in Pakistan. The model is not well-developed in terms of the background theories. The main idea of the model is to see the income distribution effects of such main factors which have been found significant in determining the wage level in the country. The third section gives regression results.

## SECTION 1

### Major Wage Studies In Pakistan

Wage level and trends in Pakistan's industrial sector have been examined in a few studies which conclude that :

1. differentials emerge from a combination of market and non-market forces ;
2. the magnitude of the wage dispersion changes over time and is related to the stage of industrial development ; and
3. if non-market forces cause differentials to spread too far serious consequences for employment and income distribution can ensue.

Irfan and Guisinger S. (11) examined the determinants of inter-industry wage differentials and explained the role of market and non-market forces in the determination of wages in Pakistan's manufacturing sector. Guisinger and Irfan constrained themselves to two time periods 1964-65 and 1969-70 because of the availability of the data.

In all their regression, the wages of production workers were used as dependent variable and the independent variables were, skill differentials, capital intensity, the share of wages in total costs, foreign ownership and trade union strength. (Some of their regressions have

been given in Table 2). The only variable which is significant at the 5% level in both periods is capital intensity. The skill index of the industrial labour force is an important determinant of wages level in 1964-65 but less important in 1969-70. The share of wages in total cost of production exert a significant influence on wage level in 1969-70 but not in the earlier period. The Trade Unions are significant only in 1964-65 and only at the 10% level. Share of foreign firms is significant only in the second period. Overall, the regression analysis leaves the impression that the contribution of market forces in the determination of wage level is significant, though the contribution of market forces like skill level markedly declined in 1969-70 compared to 1964-65. The effect of capital intensity which may generate both market and non-market forces of wage differential remained steady over the five year interval. Contrary to the skill variable, a number of non-market variables that were not significant in the earlier period became significant in 1969-70.

In a recent paper, Irfan (12) updated the earlier analysis by Guisinger & Irfan. He hypothesized that apart from the above factors, the organizational and industrial characteristics such as profitability and product market structure may also have a bearing on industry wage level.

He presented a cross-sectional analysis of the production workers for 1969-70 and wage change between 1970-71 and came up with the following determinants of inter-industry wage differentials. A regression of changes in average annual wages per worker on the following explanatory variables was run :

- (a) Changes in capital intensity.
- (b) export orientation.
- (c) profit rate.
- (d) changes in employment.

Due to lack of statistics, the changes in skill index was not included as an index variable. Changes in capital intensity, profit and changes in employment level had a positive effect on changes in

the wage level. Export orientation had a negative effect which was assumed to be due to the cost competitiveness introduced by international trade. The effect of change in employment level could not be estimated because of multicollinearity. However, its effect came out to be negative (see table 3). All the factors discussed in the above mentioned articles only explain the changes in the level of earnings per worker. But an increase in wage level does not mean that labour has become better off. An increase in wage level may make the labour worse off, if the increase is associated with more than proportionate decrease in employment level. As already mentioned, Irfan came out with a negative relationship between increase in wage and decline in employment which further reinforces the need of investigation of effects on the labour welfare. What we need to study is the labour's wage share in the output of the firm. Study of labour share in the value added has lot more policy implication than simply the study of wage level.

Navid Hamid (9) studied the implication of changes in the wage level on changes in income distribution. By comparing the change in wage level with the change in GNP, he concluded that income distribution has deteriorated. His analysis, however, did not have much reliability because he considered only the wage level ignoring the changes in the employment level. Thus he was not referring the labour's total share but only to earnings per worker. The earnings per worker cannot really give a picture of income distribution.

Thus so far there has been no study in Pakistan about the determinants of the income distribution in the manufacturing sector of Pakistan. This is in true sense a very large study. The theoretical work done by E. H. P. Brown, M. W. Reder, Kalecki and Kaldor ; on the determinants of income distribution required a lot of intensive and extensive research which is certainly beyond the scope of our present study. Our objective is only to find out how far the factors that so far have been proved to be significant in determining wage level are significant in determining wage share and if they are significant then in what direction they determine the wage share.

TABLE 2  
Regression Results from the Guisinger, Irfan Study

	Number of Observation	Intercept	Skill	Capital intensity	Wages share	Foreign participa- tion	Trade Union Membership	R <sup>2</sup>
1964-65								
1	19	620	968 (4.21)**	1.089 (4.13)**	1.052 (1.15)**	116 (.385)	—	.86
2	19	839	838 (3.53)**	.062 (3.55)**	—	—	421 (1.40) ;	.87
1969-70								
1	19	1.407	769 (1.70)*	.88 (2.47)	—	—	-202 (-.35)	.63
2	19	1.051	14.73 (.03)	.26 (1.93)*	5.262 (2.63)**	1.041	—	.74

\* Significant at 10% level  
 \*\* Significant at 5% level  
 Sources: Guisinger, S. & Irfan M., "Inter-Industry differentials in wages and Earnings in Pakistan's manufacturing Sector", PDR Autumn 1975.



SECTION 2

**Model.**

We specifically want to test the effect of following variables on the wage share :

1. Capital intensity.
2. Employment level.
3. Profitability of labour.

We are ignoring skill index and foreign participation for lack of their adequate measurability. The above mentioned factors are being included in the analysis on the following grounds :

**Capital Intensity.**

As observed from the literature, it is usually believed that capital intensive firms pay higher wages, but it has never been tested how does the changes in capital intensity effect labour incomes. From policy implication point of view and from the point of view of labour's welfare, the effect of capital intensity of labour's wage share is important.

The effect of capital intensity on labour's income can be either wage depending on various factors both economic and non-economic.

**The Employment Level.**

The change in employment level also reflects a number of economic and non-economic factors operating in the background. With a negative effect of wages on employment as indicated by Dr. Irfan, the effect of changes in employment on labour's wage share will depend on relevant elasticities.

**Profitability.**

A effect on the wage share can be captured by the profitability. In profitable periods wages are not likely to increase as much as the profits do.

Thus when profitability increases, wage share is likely to decline. There may be a ratchet effect here too. A period of losses will not cause the employer to reduce wages atleast in the short run. Thus in periods of losses, there may be improvement in income distribution in favour of labour.

### **Productivity of Labour.**

A shift in the productivity of labour can come on two accounts (a) on account of labour's own human capital or (b) on account of physical capital per labour. The former will raise labour's income as well as the wage share whereas the latter is the case of capital intensity which may not increase the labour incomes and hence may not improve wage share because an increase in capital intensity means the adoption of labour-saving techniques of production.

The variables included in the model are discussed below :

#### **Dependent Variable :**

**Changes in Wage Share :** Wage share has been calculated as a percentage ratio of wage cost to the total value added produced by the labour. The wage cost includes all benefits (cash and non-cash) to the labour during a year. This cost refers to all workers between the two time periods separately for thirty two manufacturing industries in Pakistan as dependent variable is regressed on various independent variables.

#### **Independent Variables :**

1. *Change in Capital Intensity ( $\Delta C$ ).* Capital intensity is defined as book value of assets at the end of year divided by total workers. There are obviously a lot of limitations of using this definition, but in the absence of data, this can be considered as close proxy.

2. *Changes in Gross Margin ( $\Delta G$ ).* share of gross margin in value added is used as a proxy to denote profit. The Gross Margin is defined by the ratio of non-wage value added to the Gross Value added. This will represent the profitability of industry.

3. *Changes in Employment Level ( $\Delta L$ )*. This denotes changes in the total number of all workers employed in the industry (including production and non-production workers).

4. *Productivity of Labour ( $\Delta P$ )*. This has been calculated as the output per worker for each industry.

#### **Data.**

The model has been estimated for two periods (a) from 1966-67 1969-70 and (b) from 1969-70 to 1970-75. As the two periods differ significantly with respect to the profitability in the manufacturing sector, it is expected that the periods may clearly indicate the possible ratchet effects discussed above.

The data was collected from Planning division. For a recent study on productivity, Planning Division collected the data from the CMI return lying with Punjab Bureau of Statistics. This collection was done for a number of variables which includes the variables required for the present study.

### SECTION 3

#### **Regression Results.**

On the basis of various variables as determinants of wage share differential, the regression results are presented in Table (4) and (5) for the periods 1966-67 to 1969-70 and 1969-70 to 1975-76 respectively. The regressions are run by adopting the ordinary least squares technique of estimation on the changes in all the variables in the particular period. The value in the parentheses under the estimated coefficients represents the computed "t" values. Any statistics ("t" or 'F') marked with an asterisk (\*) shows that the computed value is significant at the loss of 5 percent level of significance. The drastic changes in the sign and magnitude of the coefficient may be regarded due to the possible presence of multicollinearity among the explanatory variables. (The correlations coefficient between the  $\Delta L$  and  $\Delta P$  is 0.79 and that between  $\Delta L$  and  $\Delta C$  is 0.73).

The results of equations (1) (2) and (3) for both the periods are in compromise with each other. In both the cases the change in

## (Regression Results (1966-67 to 1969-70))

Equation No.	1	2	3	4	5	6	7	8	9
Intercept	0.20 (0.02)	-.61 (-.08)	21.47 (3.10)*	-.10 (-.01)*	21.98 (2.97)*	2.18 (8.25)*	1.67 (-.20)*	22.01 (3.12)*	21.70 (2.98)*
Change in Capital intensity $\Delta C$	-.19 (-.68)			-.35 (-1.21)	.13 (0.56)				
Change in level of Employment $\Delta L$		-.42 (-1.51)		-.60 (-1.50)	0.01 (-0.3)		-.38 (-1.03)		-.07 (-.25)
Change in labour productivity $\Delta P$			-.44 (-5.69)*		-.45 (-5.09)*			-.47 (-5.3)*	-.46 (-5.01)
Change in Profitability $\Delta G$						-.014 (-1.52)	-.013 (-1.44)	.005 (0.68)	-.005 (-.66)
R <sup>2</sup>	0.02	0.09	0.52	.086	0.52	0.07	0.10	0.53	0.53
F	0.47	1.38	32.39*	1.38	10.35*	2.31	1.69	16.14*	10.43

\* Significant at 5 percent level

Regression Results (1969-70 to 1975-76)

Equation No.	1	2	3	4	5	6	7	8	9
Intercept	33.34 (2.27)*	34.13 (3.30)*	64.26 (6.07)*	32.69 (2.2)*	87.99 (8.7)*	55.43 (7.24)	53.72 (7.0)*	59.72 (6.3)*	78.40 (9.35)*
Change in capital intensity $\Delta C$	-.03 (-.22)			.22 (.14)	-.08 (-.94)				
Change in level of employment $\Delta L$		-.02 (-.77)		-.018 (-.73)	.12 (5.8)*		.02 (1.33)		.10 (4.4)*
Change in labour productivity $\Delta P$			-.17 (-4.43)*		-.39 (-8.7)			-.04 (-8.1)	-.31 (-4.2)
Change in Profitability $\Delta G$						-.02 (-5.9)*	-.02 (-6.09)*	-.17 (-3.2)	-.05 (-1.13)
R <sup>2</sup>	.0017	.02	.40	.020	.74	.54	.57	.55	.74
F	.051	06.0	19.67*	0.30	26.04*	35.79*	19.25	18.020*	26.51*

\* Significant at 5 percent level.

labour productivity ( $\Delta P$ ) is the only significant variable in determining the change in wage shares. The effect of the variables  $\Delta C$  and  $\Delta L$  is insignificant both in their separate regression equation (Equations (1) and (2)) as well as in the multiple regressions (Equation (4)).

Combining all the three variables  $\Delta R$ ,  $\Delta L$  and  $\Delta P$ , the multiple regression depicts an interesting outcome: that the change in level of employment which seemed to be quite silent in explaining the variations in labour share differentials during the period 1966-67 to 1969-70, proved to be highly significant with a positive effect during the later period (1969-70 to 1975-76). This is suspectedly due to labour's well-being planning strategy during the later period while in the earlier period the employment was generated at the cost of wage rates, hence the labour share remained stable with higher level of employment.

The regression equation with change in profitability (measured hereby gross margin),  $\Delta G$  shows that in early 1970's the industries which observed higher positive growth in profitability significantly reduced their wage bills and those observing a lower or negative growth in profitability did not. This type of behaviour is not observed in late 1960's since the coefficient of  $\Delta G$  is highly significant for the early 1970's period and insignificant for late 1960's period. All of other equations which include other variables with  $\Delta G$  show the same behaviour of this variable. The behaviour of  $\Delta L$  and  $\Delta P$  variables is consistent with our earlier conclusions, that is, both of these variables have similar effects on wage shares even when the variable change in capital intensity has been replaced by change in profitability.

An interesting outcome can be observed from our regression results. The intercept parameter is highly significant in all the equations for 1970's period as compared to the equations for 1960's period. The significance of this outcome lies in the fact that we have ignored a number of important factors from our analysis which could have become significant in 1970's period, for example, labour

**TABLE 3**  
Regression Results From Irfan M. Study

Intercept	Trade Union Membership	Changes in Capital Intensity	Export Orientation	Profit Rate	Changes in Employment	R <sup>2</sup>	F
-0.24	1.10	0.42	-0.81	0.29	-	0.63	3.27
-(1.85)	(2.94)*	(2.23)	(-1.68)	(2.58)			
-0.20	1.05		-1.11	0.25	-0.53	0.58	3.50
(-1.70)	(2.86)*		(-2.25)	(2.25)	(-1.97)		
-0.25	1.08	0.32	-0.93	0.29	-4.24	0.65	3.40
(-2.10)	(3.06)*	(1.35)	(-1.84)	(2.62)	(-0.74)		
0.34	0.90					0.25	4.49
(0.37)	(2.12)						

Note : Data used in the regressions are available from the author.

- \* Significant at 1% level
- Significant at 5% level
- Significant at 10% level.
- Dependent variable is proportionate Changes in Wages defined as

$$\frac{X_t - X_{t-1}}{X_{t-1}}$$

T-values are reported in the parentheses

Source : Irfan M. "Effect of Unionization, Product market concentration and Foreign Trade on inter-industry wage structure" PDR Spring 1979.

unions, inflation etc. (The intercept captures the mean effect of excluded variables).

### **Conclusion.**

Capital intensity which has been proved to have a positive effect on the level of real wages has not been found to have any positive effect on income distribution in favour of labour, Productivity of labour having a significantly negative sign might be showing the effect of increase or decrease in employment in lesser proportion of increase or decrease in capital intensity and hence, might be reflecting that capital intensity changes in employment level did not have any effect on income distribution during 1966-70 but they had a positive effect during 1970-76. The change in profitability which had no effect on income distribution during 1966-70 showed very significant negative effect during 1970-76. This reflects the ratchet effect already discussed while hypothesising the effect of the changes in profitability.

In light of the above, the reasons for improving income distribution in favour of labour in the manufacturing sector during 1960-76 can be summerized as below :

1. A rather effect which does not allow wage bill to fall down in the same proportion as profits do during the periods of deterioration.
2. A labour productivity effect which raises or reduces the reward of capital more than the labour incomes or vice versa. During 1970-76, it is likely that under-utilization of capital reduced the productivity of labour and hence improved income distribution by reducing the reward of capital more than that of labour.
3. The improvement in income distribution on account of both these factors can be only short term. With continuous deterioration in profitability or in labour productivity the employment level has to fall down which will affect income distribution downward as indicated by the coefficient of "The change in employment".



**References.**

1. M. Bronfenbrenner, *Neo-classical Distribution Theories*, in J. Marchal and B. Ducros, *the Distribution of National Income* (Macmillan, London, 1968).
2. ———, 'A Note on Relative shares, and the Elasticity of substitution', *Journal of Political Economy* (June 1960).
3. E. H. Phelps Brown, 'the Meaning of the Fitted Cobb-Dublas Production Function', *Quarterly Journal of Economics* (Nov. 1957).
4. ———, 'The long term Movement of Real Wages', in J. T. Dunlop (ed.) *the theory of wage Determination* (Macmillan, London, 1966).
5. Pakistan Planning Commission, 'the Productivity of Large Scale Manufacturing Sector', Unpublished study.
6. P. Douglas, 'Are there laws of Production?', *American Economic Review* (March 1948).
7. M. Fahim, 'Study of the causes of Fluctuation in Real Wages in Labour Surplus Economy', Unpublished Ph. D. Thesis, Boston University, U. S. A.
8. C. Feinstein, 'Changes in the Distribution of National Income in the U. K. Since 1860', in J. Marchal and B. Ducros, *the Distribution of National Income* (Macmillan, London, 1968).
9. N. Hamid, 'Burden of Capitalist Growth-A study of Real Wages and consumption in Pakistan', *Pakistan Economic and Social Review* (spring 1974).
10. K. Heidenshon, 'Labour Share in National Income: A Constant?', *Manchester School* (Dec, 1969).
11. S. E. Guisinger and M. Irfan, 'Inter Industry Differentials in Wage and Earnings in Pakistan', *the Pakistan Development Review* (Autumn 1975).

12. M. Ifran, 'Effect of Unionization, Product Market Concentration and Foreign Trade on Inter-Industry Wage Structure, *The Pakistan Development Review* (Spring 1979).
13. Kaldor, 'Alternative Theories of Distribution, *Review of Economic Studies*, XXIII (1955-56).
14. M. Kalechi, *The Theory of Economic Dynamics* (Allen & Unwin, London, 1954).
15. I. Kravis, 'Relative Income Shares in Fact and Theory', *American Economic Review* (Dec. 1959).
16. M. W. Reder, 'Alternative Theories of Labour's share', in M. Abramowitz et al, (ed), *the Allocation of Economic Resources: Essays in Honour of B. F. Halay* (Stanford U. P., 1959).
17. Joan Robinson, 'Euler's Theorem and the Problem of Distribution', *Economic Journal* (Sep. 1934).
18. R. Solow, 'Distribution in the Long and Short Run in J. Marchal and B. Ducros, *the Distribution of National Income* (Macmillan, London, 1968).
19. ———, 'A Sceptical Note on the Constancy of Relative share's, *American Economic Review* (Sep. 1958).
20. K. Wicksell, *Selected Papers in Economic Theory* (Allen & Unwin London, 1958).

#### Notes.

1. In this latter form the Cobb-Douglas is homogeneous of degree  $(a+b)$ . If  $(a+b) = 1$ , the degree of homogeneity in unity and the adding-up problem is solved. Douglas adopted this form rather than the question-begging form  $Q = K^a L^{a-1}$ , which assumes that the function is linear homogeneous.
2. Thirty two manufacturing industries in Punjab are selected according to their actual weights (see *Pakistan Planning Commission*, 5).

# Development Through Mass Participation and Self Reliance

DR. MOHAMMAD KHAN\*

## Introduction

Like other Asian countries Pakistan also adopted national planning in order to guide and stimulate its economy on the road to economic development. For most part, Five-Year Development Plans were prepared except for a few years interruption in early seventies when Annual Plans were made. In general, these plans were based on the neo-classical growth paradigm of development with emphasis on 'growth'<sup>(23)</sup>. It was thought that the benefits of overall growth will automatically 'trickle down' to the masses through market mechanism<sup>9</sup>. In terms of the traditional economic indicators, impressive growth performance was made during the second and Fifth Five Year Plans. Lately the annual average growth rate of GNP has been six percent and the per capita income has risen to Rs. 4000. Keeping in view the period of more than one-third of a century involved in the development efforts sofar this can at best be called a modest development as compared to the general performance of other developing countries<sup>17</sup>. For even an annual income of Rs. 4000/-per head (assuming, wrongly though, that it does actually go to every individual) is far from enough for maintaining a minimum living standard<sup>2</sup>. Secondly, when we look at the general condition of our masses, the poor state of affairs of our services (despite the fact that the services sector now claims about fifty percent of our GDP) abysmally low rate of literacy and the lack of necessary infrastructure, we have to admit, whether we like it or not, that we are still a long way from the road to development. Even our less poor,

---

\*The author is Associate Professor and Chairman, Deptt. of Economics, Gomal University, Dera Ismail Khan, Pakistan'

the so-called lower middle class, cannot live a life free from economic indebtedness. They are under constant sense of insecurity and mostly dependant on games of chance and luck (15). The poor live in very deplorable conditions. These two groups, that is the less poor and poor makeup a large proportion of our population. After 37 years of our independance, we have not been able to complete the laying down of the necessary infra-structure. An elementary level student of economics knows that the provision of infra-structure is a pre-requisite for development.

We don't intend to challenge here the wisdom of the philosophy of our development planners. Nevertheless it is very important to point out the consequences of their developmental policies. These are : 1. The growth has not been stable and optimum. 2. Whatever growth was achieved it resulted into uneven development (9). The 'trickle down' did not take place hence the fruits of growth were unequally distributed (1) (13) (21). 3. Rapid rural-urban migration took place accentuating the problems both for rural as well as urban areas (3) (12).

The modern scientific inventions have brought the world closer. Our people cannot be expected to wait long even for fulfilling their minimum requirements when the world not far from us is leading a happy and prosperous life. It is high time we learn lessons from our past experiences and design appropriate policies of our own.

The purpose of this paper is to outline a strategy for development planning which is based on the principle of mass participation and self reliance. We begin with the importance of mass participation and self reliance in the development process.

#### **The Importance of Mass participation and self Reliance.**

Centre down planning has so far been adopted in Pakistan. This can bring fruitful results in a country where capital resources and modern technology are available in abundance and the Government is able to make use of them without too much involvement of the people. But unfortunately, that is not the case here.

For a country like ours where population density is high and people are confronted with whole host of socio-economic problems, real development is not possible without proper tapping of our own resources. Since it is imposed from above, centre down planning discourages local initiative, breeds unhealthy dependency and reduces incentives for mass participation (7) (21). This precludes the maximum exploitation of domestic resources, Consequently the country has to depend on external borrowing and the stringent conditions that are attached to it. In certain cases foreign aid cannot be used without matching funds from the domestic sources. In the event of their not coming forth the plans have to be abandoned or scrapped. This has happened to our sixth plan which had to be reformulated in the form of a 'Rolling' plan. The central planners act like masters rather than friends as there is one way flow of directives from the top (9). They are "like birds in the air trying to teach the fish in the sea. The birds want the fish to move this way and that way, but without success because the birds do not go down to the water and see the problems of the fish as she sees them". As was the case in the colonial era, a wide gulf is created between the Government and the people. The masses feel alienated and have a strong sense of deprivation since they are not given the opportunity to become part of the decision making process. They tend to believe that everything has to come through the governmental agencies and that they are not capable of doing things on their own. This makes them dependant on the government and their own capabilities are never explored and rather get rusted. Government is held responsible for all ills of the society. The success or failure of a particular project becomes the headache of the government alone. Government property and its installations are treated in such a way as if they belong to a foreign power. It is a common observation that during riots and civil commotion government property becomes the first target. Since the government cannot possibly take care of the needs of different regions simultaneously this creates frustration and hatred amongst the people and results into political instability. Rather than being partners in the developmental activities the people simply receive development thus even the genuine difficulties of the governmental agencies are not appreciated (14).

Central planning is urban-biased. Therefore, it not only encourages rural-urban migration but is capital intensive and is usually based on high technology (20). It has a rigid administrative system and is incapable of adapting to local conditions. Consequently, an inappropriate pattern of growth emerges and the fruits of development go to a relatively small group of people (9). Thus the very purpose of many projects is defeated.

The resources of various regions are withdrawn to urban industrial centres according to the specific needs of a certain project. This aggregate allocation of resources on the whole results into disintegration of complementary regional resources which could otherwise have been more efficiently used in the region itself (20).

Mass participation and self reliance of course, means that the general public and not the government functionaries alone should be able to participate in the development process through mobilization of their own men and material resources. Essentially, it refers to the concept of development from 'below'. We will trace out the effects of mass participation and self reliance on the achievement of optimum growth as well as mobilization and maximum utilization of indigenous resources.

One of the fundamental problem of our economy has been the low productivity (22). This has resulted into high cost of production thus rendering our goods and services non-competitive in the international market. That is why, despite the government's best efforts, no real headway has been made to boost our export trade. As a matter of fact, some export markets, have been lost. At home, good quality products are not available to the consumers at reasonable prices. This has resulted into large scale smuggling and the mushroom growth of 'bara' markets which can now be seen having flourishing business even in smaller towns of the country,

Due to this phenomenon of low productivity optimum growth has not been achieved and the development in its true sense has always alluded us. It is our firm belief that in a country like Pakistan development is not possible without the active participation of the masses (19). In the words of Barcelow and Pelayo it is perhaps in

this area of grassroots awareness and effort to self development, where the promise is brighter (1). When people actually become part and parcel of the development process they tend to invest their every thing into it. They don't simply work for immediate monetary gains (wages and salaries) because they believe that a particular project is going to be beneficial to their community as a whole. They have a sense of pride in seeing their project coming out successful because it is more meaningful to them as compared to something imposed from above. This sense of belonging and the spirit of advancement results into substantial increases in the output per worker which of course, raises the level of national income.

Political will and commitment is a must for the success of any developmental plan (5) (6) (26). Our plans in general unfortunately lacked popular support, which cannot be had without mass participation. We have to take the people along the road to development. But since a sizeable portion of our population is poor, we need also to improve their capabilities first so that they can actively participate and share in the development process (13). Here again our aim has to be the people themselves and not the program per se.

Another problem area of our development planning has been the inadequacy of domestic resources. For proper mobilization and efficient use of resources, 'bottom up' planning involving people from all strata of population is needed.

Domestic financial resources are determined by private savings and the tax collections. It is a well known fact that our savings rate is dangerously low. Similarly, tax evasions are very high and the revenue collection is far from optimum. One of the main reasons for this is the lack of confidence in the revenue collectors and more so in those who are responsible for its disbursement and expenditure. If the expenditure programs are evolved from 'below' and people are fully convinced that they are going to be beneficial to them they will not only be more willing to pay their share of the taxes but would also like to save privately for raising the level of investable funds (8). It is the people of the area alone who can better identify their needs and priorities (11). Anything running contrary to their set of preferences has no chance of success.

Planning from below is by nature culture and area specific and the people derive extra satisfaction from the successful completion of such projects that fully take into account their traditional values (15). This reduces the negative effects of external dependence and makes the people self-reliant and more confident. Moreover, it ensures the maximum utilization of men and material resources of the area and hence the entire country (20). This type of planning is usually based on appropriate and not necessarily sophisticated technology. It no doubt will generally consist of small scale projects but will have the appreciation of the masses and hence their whole-hearted support (7). As a matter of fact, the countryside in many cases needs small scale projects. These projects are usually local resources based and do not need sophisticated technology and hence the foreign aid that has to be sought for it. Development with minimum spatial dislocation will also check rural-urban migration which has created unbearable burden on the urban facilities.

Misuse of resources is another area of grave concern. In a resource scarce country, utmost care needs to be taken in the utilization of resources. We have to get the maximum out of whatever is available because our people cannot be pacified on dubious promises any longer. Planning from below would not only activate the hidden resources but would also help reduce the wastage. The responsibility of the developmental projects will not be confined to that of a particular governmental agency but will rather be shared by the entire community. This will have a proper check on the use of resources and the wastage will be minimized if not eliminated altogether. Moreover, the public facilities having a common ownership in its real sense will be better maintained and protected.

This type of Planning does not lay emphasis on how much is produced. Rather the stress is on what is produced and how it is produced (13). The development thus is about the people and not merely in terms of aggregate number (24). This is where our biggest concern that is, the equitable distribution of the fruits of development is taken care of. The planning where the people themselves are involved not only motivates them to use all their energies for their own benefit but also inculcates in them the spirit of contentment.



They don't seem to be frustrated and put the blame on the government when things do not go their way. They know it was their own show and they had given it their best shot. So there is no reason to grumble about. This kind of attitude helps reduce the crimes in the society.

Let us end this discussion with a quote from Dudley Seers "The time is indeed ripe for another critical look at the meaning of development—the essential element to add as is being widely recognized is self reliance" (18).

### **An Outline of the Mass Participation and Self-Reliant Development Planning Model.**

Although main emphasis in Pakistan has been on the central planning, various institutions and programs like Basic Democracies, village-Aid, peoples works program, Integrated Rural Development Program and the Local Councils were established from time to time for local and rural development. Unfortunately the impact of these institutions and programmes on the local level development has been negligible even though their objectives were very noble. There may be several reasons due to which these programs could not achieve their objectives. The most important, however are the facts that these were imposed from above and their functionaries did not enjoy adequate administrative and financial powers. In other words, they did not involve the participation of the masses at the planning and implementation stages.

The model being proposed here is based on two fundamental principles viz. recognition of local power structure and development by the people themselves with the overall guidance and assistance of the government.

We are looking for a mix of both the centre down and bottom-up planning strategy. The projects of national importance such as the exploitation of natural resources, energy, communications, large scale irrigation dams and foreign trade etc., have to be planned at the national level (24, p. 26) (8, p. 315), (18), (21, p. 233), (25). Whereas most other projects could better be designed and executed at the Regional/local level keeping in view the peculiar conditions of a

particular area. The big national projects require a high degree of technical know how and are capital intensive. They are beyond the capabilities of any single area. Moreover, their benefits flow to the entire country. On the other hand, smaller projects should have spatial focus for the optimum utilization of indigenous resources and a more equitable distribution of growth.

These smaller or area specific projects should not however, be confined only to those of Agriculture. They should rather encompass the whole gamut of productive activity relating to agriculture, industry and services sector (21).

The following institutional structure as depicted in figure-1 shall have to be established in order to take care of this multilevel planning :—

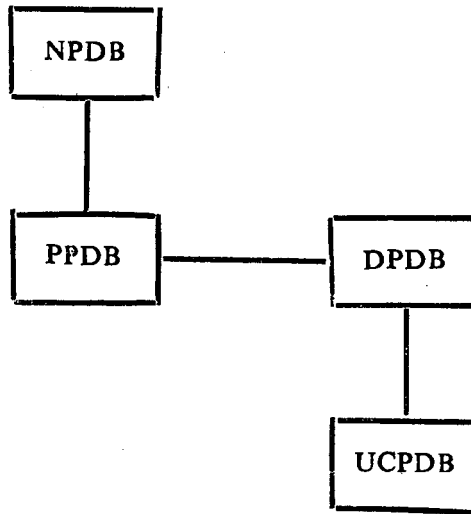


Fig : 1 —Institutional structure of a Multilevel planning.

The lower level Boards will not be subservient to the Board above them as is the case in official hierarchy. They will rather work in close collaboration to ensure participation in planning and development from below.

*National Planning and Development Board (NPDB)*: This will take care of the preparation and execution of large scale projects having national importance such as energy, communications, exploration of natural resources and large scale irrigation dams and foreign trade etc. All the National Development Plans will be approved in a

joint meeting of all the Provincial Planning and Development Boards and the NPDB. These projects will be fully financed by the Federal Government out of the general consolidated fund. The Board will also issue guidelines and arrange for the provision of necessary incentives for private investors who may undertake any project which is not specifically prohibited for the private sector. The Board will consist of official as well as non-official members and will be headed by a Federal Minister. The official members will of course be experts in various fields whereas the non-official members will be nominated by the Parliament, in such a way that every area with different resource base and characteristics is adequately represented. A province could have more than one member depending upon the uniformity or otherwise in the economic environment prevailing in the province. Besides being fully responsible for national level projects, the NPDB will also approve grants for the provincial projects submitted for such purposes. Moreover, it will also serve as a co-ordinator in the preparation of important provincial projects. This will be necessary in order to benefit from the complementarity of the economies of the provinces.

*Provincial Planning and Development Board (PPDB)* : This will prepare and execute all projects which are province specific such as Infra Province communications, irrigation, small dams, industrial establishments mostly based on provincial resources, including agro-based industries, agriculture, power distribution, small scale power generation, housing, health and other social welfare schemes and higher education including technical training centres etc. The general outlines of the Provincial Development Plans will be approved in a meeting of the PPDB, and the delegates from each District Planning and Development Board.

Since the benefits of most of these projects will go to the particular province, the resources will have to be provided by the province itself. However, some federal grant should be given to relatively resource poor provinces so that the projects having high degree of social welfare aspect could get started. Moreover, such projects whose benefits transcend the provincial boundaries must get federal grant. All such projects seeking federal help will be placed before

the NPDB for approval of the grant-in-aid. PPDB may propose special levies for financing certain projects on the basis of Benefit Principle. These funds will be earmarked for each project. Just like NPDB, the PPDB will also be responsible for the issue of guidelines and provision of necessary incentives for private investors.

Besides official members who will be experts in their respective fields, the Board will have non-official members to be nominated by the provincial legislature. The concerned provincial Minister will be the Chairman of the Board. Again, the non-official members will represent each area with different characteristics. Their number will vary from province to province depending upon the number of areas with different economic environments within a province.

The PPDB will also serve as a co-ordinator for the projects having inter district implications, prepared by the District Planning and Development Boards. Such district level schemes will therefore, have to be Okayed by the Provincial Board. Moreover, this Board will also approve grants for projects of the relatively poorer districts of the province.

*District Planning and Development Board (DPDB)*: This Board will be responsible for preparing and executing District level Developmental Projects which will primarily be meant for the District itself but may have inter district implications. Such projects may include infra-district communications that is, roads and extension of telephone and power lines etc., small scale industries, irrigation (Tube Wells and irrigation Channels), agricultural services including marketing facilities, education (College and School level) and other district specific social welfare schemes etc. The broad outlines of the District Development Plans will be approved in a meeting of the DPDB and the delegates from each Union Council Planning and Development Board.

The funding will be on matching grant basis by the Provincial Planning and Development Board. The later will however, sanction extra grants for the relatively poorer districts. The DPDB may propose separate taxes for some specific projects on the basis of Benefits Principle of taxation. Such proposals will be submitted to the District Council for approval or otherwise.

Besides the experts as official members, the board will have non-official members nominated by the District Council in such a way that every distinct area of the District is represented. The Chairman of the Board will be elected from amongst the non-official members of the Board. The members of the District Council will of course, be elected on the basis of adult franchise.

*Union Council Planning and Development Board (UCPDB)*: This Board will be crucial for the achievement of general welfare of the people in its jurisdiction. It will be responsible for the preparation and execution of all local level developmental schemes like Primary education, supply of potable water, establishment of cottage industries, farm roads, sewerage and sanitation, and marketing facilities for agricultural and other goods etc. All the schemes will be approved by the respective Union Council.

Because of its limited resource base, the UCPDB will provide one-fourth of the cost of each project while the rest will come from the District and Provincial Planning and Development Boards. It may however, propose levy of specific charges to be approved by the Union Council, in form of cash or men and material from a certain locality which is going to benefit from a particular project.

While the official member experts will be provided by the District Administration, the non-official members will be nominated by the Union Council. The Chairman of the Board will be elected by the Union Council. The members of the Union Council will be elected on the basis of adult franchise. The total number of seats in every Union Council should be set in such a way that every separate community or group of people of a significant size is given due representation. This will avoid domination of a single 'baradari' in a particular area.

#### SUMMARY

It has been demonstrated that real development and equitable distribution of the fruits of development is not possible without mass participation and self reliance,

The dependency syndrome has to be shunned by involving people in the development process. The government has only to guide and not impose plans from above. For this, a scheme of establishing planning and Development Boards at National, Provincial, District and Union Council level has been proposed. These Boards will have adequate public representation and will work in close collaboration without encroachment in each other's jurisdiction to come up with the plans having the support of the masses. The primary responsibility for development will be that of these Boards and not the government. Part of the finances will be raised from within the territorial limits of these Boards. This will be more efficient and just because the local representatives are in a better position to determine the beneficiaries and financial position of the residents of a certain locality. Thus sharing the goods and bads of development will make the people responsible, self reliant, energetic and hence more productive. The development process will continue un-interrupted because the people themselves would have set the course for it.

#### REFERENCES

1. Barcelow E and A. R. Pelayo "Approaches to local level Development in the Phillipines: A case study of Southern Mindanao" in R. P. Misra (ed) *Rural Development : National Policies and Experiences*. Hongkong 1981 UNCRD, R.D.S. vol. 4, p. 200.
2. Benham, F. *The Colombo Plan and other Essays*. London : 1956, Oxford Univ., Press, p. 77.
3. Bhooshan, B. S. "Regional Development : The search for Directions— A Report of the Seminar on Regional Development-Alternative held in Nagoya from 27 to 30 Aug., 1980" in Mobogunji & R. P. Misra (eds) *Regional Development Alternatives*. Hongkong : 1981 UNCRD, R.D.S. Vol. 2, pp. 214.
4. Burki, S.J. and Robert Laporte, Jr., *Pakistan's Development Priorities Choices for the Future* Karachi : 1984, Oxofrd Univ., Press pp. 23-25.

5. Chaudhry, A. H., "The Role of the Local Government in Community's Economic Development" *Econ. Jour.*, 1983 : 1 & 2), pp. 1-13.
6. Chow, Willardt. "Regional Development: The pacific way" in Mabogunji & R. P. Misra (eds) *Regional Development Alternatives*. Hongkong : 1981 UNCRD. R. D. S. Vol. 2, pp. 309-310.
7. Esman Milton J. "Field level organisation for Regional Development" in S. Cheema (ed) *Institutional Dimensions of Regional Development*, Hongkong : 1981 UNCRD, R. D. S. Vol. 8, pp. 21.
8. Friedmann, J, "The Active community : Towards a Political-Territorial Framework for Rural Development in Asia" in R. P. Misra (ed) *Rural Development : National Policies and Experiences*. Hongkong : 1981 UNCRD, R. D. S. Vol. 4, pp. 237-251.
9. Griffin, K. and Ajit K. Ghose, "Growth and Impoverishment in the Rural Areas of Asia" in R. P. Misra (ed) *Rural Development : National Policies and Experiences*. Hongkong : 1981, UNCRD, R.D.S. Vol. 4, pp. 55-90.
10. Khan M. R., "National Policy and Rural Development in Bangladesh" in B. Prantilla (ed) *National Development and Regional Policy*. Hongkong : 1981 UNCRD, R. D. S. Vol. 3, p. 207.
11. Khan S. S., "Local level Planning : The Pakistan Experience" in H. Nagamine (ed) *Human Needs and Regional Development* Hongkong : 1981, UNCRD. R. D. S. Vol. 7, p. 106.
12. Misra H. N. "Rural Roots of Urban Poor : Study of An Informal sector of An Indian City" in R. P. Misra (ed) *Rural Development : National Policies and Experiences*. Hongkong : 1981, UNCRD, R. D. S., Vol. 4, p. 216.

13. Misra, R. P. "Development where the People Matter : case for a comprehensive Social Policy" in Mabogunji & R. P. Misra (eds), *Regional Development Alternatives*. Hongkong : 1981, UNCRD, R. D. S. Vol. 2, pp. 28-32.
14. Misra, R. P. "Introduction" in R. P. Misra (ed), *Rural Development : National Policies and Experiences*. Hongkong : 1981 UNCRD, R. D. S., Vol. 4, p. 7.
15. Misra R. P. and B. S. Bhooshan, "Rural Development : National Policies and Experiences". in R. P. Misra (ed) *Rural Development : National Policies and Experiences*. Hongkong : 1981, UNCRD, R. D. S. Vol. 4, pp. 10-38.
16. Prantilla B. "Regional Development Policies and Planning in Four Asean Countries-An Overview". in B. Prantilla(ed) *National Development and Regional Policy*. Hongkong : 1981. UNCRD, R. D. S., Vol. 3, p. 107.
17. Sayed, Sajjad H. "Pakistan's Development Experience". *Econ., Jour.*, (1983, 1 & 2), pp. 47-62.
18. Seers, D. "The new Meaning of Development". *International Dev., Review*, Vol. 19, No. 3 (1977), p. 5.
19. Sinaceur, M. A. "Foreward" in Francois Perroux, *A New concept of Development-Basic Tenets*. 1983. Croom Helm/ UNESCO, pp. 9-10.
20. Stohr, W. and D. R. Fraser Taylor "Development from above or Below ? The Dialectics of Regional Planning in Developing countries" in Mabogunji & R. P. Misra (eds) *Regional Development Alternatives*. Hongkong : 1981 UNCRD, R. D. S., Vol. 2, p. 10-20.
21. Sundaram, K. V. "Experience of Area Development Planning In India : Alternative Approaches" in R. P. Misra (ed) *Rural Development : National Policies and Experiences*. Hongkong : 1981 UNCRD, R. D. S. Vol. 4, p. 162.



22. Syed S. J. "Pakistan's Development Experience 1955/6-1982/3 *Econ., Jour.*, (1983, 1 & 2) pp. 47-62.
23. Taylor, D. R. F., "Role and Functions of lower order centres in Rural Development" in Fu-Chen Lo (ed) *Rural-Urban Relations and Regional Development*. Hongkong : 1981, UNCRD, R D.S., Vol. 5, p. 265.
24. Thomas-Hope, E.M. "Regional Systems and the population component : The search for Development Strategy in the Caribbean" in Mabogunji & R. P. Misra (eds) *Regional Development Alternatives*. Hongkong: 1981, UNCRD, R.D.S., Vol. 2, p. 280.
25. Vagale L. R. "Integration of Socioeconomic and Environmental Planning : An Institutional Framework for Nigeria" in B. Prantill (ed) *National Development and Regional Policy*. Hongkong : 1981 UNCRD, R. D. S., Vol. 3, p. 315.
26. Yang-Boo Choe "Dynamics of Rural-Urban Relations and Rural Under development in the Republic of Korea-Towards an Alternative Development Strategy for Rural Development" in R. P. Misra (ed) *Rural Development National Policies and Experiences*. Hongkong : 1981, UNCRD, R.D.S., Vol. 4, p. 211.

## Political Economy of Communication Development in Third World

KARAMAT ALI\*

Communication development and economic development are interrelated. Communication development, such as increasing circulation of newspapers, increasing number of telephones, radio sets, T.V. sets and increasing use of computers, is considered as an indicator of economic development by "Economists" and of modernization by "Sociologists".<sup>1</sup>

Countries like U. S. A. and Japan are termed as "information societies" as a result of greater use of these facilities and changes or transformation taking place in these societies.

There is more and more realization to the importance of communication as a contributing factor to the increased productivity of land and labour leading to rapid growth of production and accelerating process of economic development of a country. Concept of human capital and considering information as a separate input from capital and labour are getting due considerations by economists in the literature on production and development. Paul Streeten in outlining a strategy for development is of the view :

"In order to meet the needs of the rural population, extension services, fertilizers, water, power and seeds must be made available so that these reach the small farmer. He must also be given security of tenure or secure ownership of his land and guarantees that he gains from the improvements he makes. He needs *inputs* including *information* appropriate institutions and incentives".<sup>2</sup>

---

\* Associate Professor at Economics Department, Bahauddin Zakariya University, Multan (Pakistan). The author gratefully acknowledges, helpful comments on an earlier draft of this article by Ms. Merrio G. Kalpp, Marine Policy Program, Woods Hole Oceanographic Institution, Woods Hole, Massachusetts, U. S. A.

Communication development has not only resulted in increased productivity and output in developed and developing countries but has also brought some structural, institutional, social, economic and political changes in these countries. It has created optimism toward solving the problem of illiteracy, increasing political and social consciousness, mobilization of human resources and making the world look more closer, and at the same time created many social, political and economic dilemmas in the Third World.

The issue being explored in this paper is how communication development has brought some of the changes mentioned above and how communication development has been affected by the institutional, political and socio economic arrangements of the Third World.

There are basically three issues which should be considered while discussing the adoption of modern technology of communication by developing countries and its impact on the politico-socio economic conditions of these countries. These are :

- (a) Given the limited resources in developing countries, and immense problems of storage construction, providing educational, shelter and health facilities to the people, and improvement of nutrition what can be the order of priority and where the adoption of modern communication technology can be placed and at the cost of what other projects? Comparing the costs and benefits of communication development projects with the other projects is very important for determining the adoption of such projects in the Third World.
- (b) The second issue is the diffusion of modern technology of communication and its benefits among the people of a developing country. The limited widespreadness of such technology and its benefits, due to insititutional, social and political conditions existing in these countries, will just result in more skewed distribution of resources and income. This will result in lopsided and retarded development. How masses can benefit from modern technology of communication given the social, political and economic institutions in these countries is the other important question.

- (c) The third issue is related to the world system and the position of dependence of Third World nations on developed countries. The adoption of modern technology of communication by Third World given the information and communication world order, will lead to its more dependence on developed countries and multi-national corporations of these countries. The political, economic and social implications of such dependence should be considered carefully while making the decision for the adoption of modern communication technology.

For an analytical analysis of the above issues and decision of adoption of modern communication technology, it will be essential to look at the "socio-economic structure" of these countries. Although there is no comprehensive data available on all the aspects of the socio-economic structure of these countries, an attempt has been made in table 1 to provide some information in this respect about twelve developing countries, by picking up data on some socio-economic indicators of these countries. There is variation on different socio-economic indicators between these countries. But, except for Hong Kong, Korea and Taiwan, all other countries are predominantly agricultural and nearly 70% of their population live in rural areas. They have highly skewed distribution of income, bad health facilities, low access to water and electric supply, fewer passenger cars and radio receivers, low adjusted secondary school enrollment ratio, high pupil-teacher ratio in primary schools and increasingly higher dependence on foreign loans as depicted by different indicators given in that Table for the most recent years.

The planners and policy makers in developing countries given the socio-economic conditions and limited resources should try to give priority to the development projects which are less expensive and more beneficial for the masses and solve their basic problems such as nutrition, health, education and employment. Let us compare the cost of some communication development projects with other development projects and one can decide the order of priority for these projects in this way. Some examples of typical communication development projects and their costs as mentioned by "International

TABLE 1  
Indicators for Socio-Economic Structure and conditions in 12 Developing Countries

Country	Population Total (000)	Mid-Year	Total G.N.P. U.S. \$		Per Capita G.N.P. U.S. \$		% of G.D.P. at current Factor Cost			Force in Agriculture		Urban percentage of total Population		Pupil-teacher ratio		Adjusted School Enrollment ratio	
			1977	Millions	1977	U.S. \$	Agriculture	Manufacturing	Other Industry	Services	MRE	MRE	MRE	MRE	Primary	Secondary	Primary
Bangladesh	81218		6188.14	80	55.1	8.1	4.7	32.1	76.0	9.3	55.0	24.0	83.0	23.0			
Hong Kong	4536		12061.99	2620	1.6	25.0	5.8	67.7	2.0	89.9	31.0	30.0	121.0	50.0			
India	631726		101471.44	160	40.4	16.4	8.8	34.4	54.0	20.7	42.0	17.0*	79.0	28.0			
Korea	35953		34405.78	980	24.0	24.2	10.5	41.3	44.6	49.0	49.0	38.0	109.0	63.0			
Malaysia	12961		12626.57	970	28.5	16.3	14.2	40.9	43.9	30.0	32.0	27.0	94.0	45.0			
Nigeria	78982		39911.18	510	33.6	8.8	34.5	23.1	56.0	18.1	34.0	25.0	49.0	10.0			
Pakistan	74905		15218.84	200	32.6	15.4	7.9	40.9	58.0	26.4	42.0	19.0	50.0	17.0			
Papua New Guinea	2857		1462.29	510	33.0	8.5	17.6	44.0	84.0	13.2	31.0	23.0	58.0	12.0			
Philippines	44473		20614.68	460	27.7	24.6	9.9	37.8	50.9	34.0	29.0	31.0	105.0	56.0			
Sri Lanka	14097		2341.12	160	39.4	15.2	5.4	40.1	54.0	24.3	29.0	—	77.0	55.0			
Taiwan	16793		19713.15	1180	11.7	36.3	9.4	42.6	34.0	50.8	40.0	26.0	104.0	47.0*			
Thailand	43326		18681.37	430	28.1	12.0	8.5	44.4	77.0	14.0	30.0	21.0	83.0	26.0			

Country	Indicators										Income distribution	
	Population per Hospital Bed	Population per Physician	Access to water % of total Population	Access to Electricity % of total	Passenger cars per (000) Population	Ratio receivers per (000) of Population	External total Public debt outstanding Million \$	External debt as Percentage of G.N.P.	Debt outstanding and disbursed Millions \$	Debt disbursed as % age of G.N.P.	Av. ratio of debt Service ratio to export (%)	Percent of Income top 10-20 % of Population
	MRE	MRE	MRE	MRE	MRE	MRE	1977	1977	1977	1970-73	MRE	MRE
Bangladesh	4430	11350	53.0	—	0.4	6.0	3411.2	56.4	2290.9	—	7.9	16.7*
Hong Kong	240	1350	—	—	27.0	527.0	785.2	6.5	163.5	—	5.6*	23.0*
India	1231	3135	33.0	—	1.2	24.0	18759.7	18.5	1453.0	24.3	6.7*	26.3*
Korea	1430	1677	62.0	49.9	2.7	144.0	13483.2	39.2	8472.3	19.5	7.1	17.1
Malaysia	270	4347	62.0	43.0	—	118.0	3559.3	28.2	2053.0	2.1	3.3	27.0
Nigeria	1170	14810	—	81.0	2.1	79.0	1338.8	3.4	891.4	2.2	—	—
Pakistan	2020	3780	29.0	17.9	2.8	16.0	8763.8	57.6	6772.4	21.8	8.0	17.8
Papua New Guinea	2190	14390	20.0	—	6.3	—	413.3	28.3	337.7	—	—	—
Philippines	880	3150	39.0	31.0	8.9	44.0	5627.3	27.3	2985.1	14.48	3.7	28.8
Sri Lanka	330	6230	20.0	9.0	6.8	38.0	1229.8	52.5	787.0	11.8	4.5*	26.4*
Taiwan	450	1590	—	94.0	8.0	97.0	3836.5	19.5	2613.0	—	5.6*	24.5*
Thailand	800	7800	22.0	24.6	6.4	131.0	2263.0	12.1	1050.6	3.1	6.1*	23.8*

Note:—The data for Socio-Economic Indicators are the most recent estimates (MRE) between 1974 and 1977 unless otherwise noted by \*. The income distribution data for Bangladesh, Hong Kong, India, Pakistan is for 1970 and for Taiwan and Sri Lanka, 1960. Secondary pupil-teacher ratio for India is for 1970 and Secondary School enrollment ratio for Taiwan is also for 1970.

Sources:—1. World Bank, "World Tables: The Second Edition (1980)", (Baltimore: John Hopkins University Press, 1980).

2. Karl P. Sakvant and Hago Hasenpflug (Ed.), "The New International Economic order: Confrontation or Co-operation between North and South", (Colorado: West-View Press, 1980), pp. 245-46. For Av. Ratio of Debt Service to Exports Percentage, 1970-73.

Note:—For Explanation of Socio-Economic indicators, see appendix I.

Commission for the study of communication problems" are as follows :  
"A UNDP-UNESCO-ITU three and one-half years project for the training of radio and television producers and engineers in Bangladesh calls for a UNDP contribution of 2.2 million dollars and the equivalent of \$250,000 in local currency by the government ; the budget covers an 18-member staff of local and international personnel, equipment, rental of premises, fellowships, etc.— Available cost data for satellite systems give an idea of the order of magnitude of investment requirements. In India, it was calculated that the SITE project satellite and ground station costs (\$125 million) were four times less than would have been required for terrestrial transmission for the same geographical broadcast coverage. Incidental figures related to space communication : at present, it costs approximately \$20,000 per kilo to launch a satellite and about \$500 for a cylindrical antenna to receive direct satellite broadcasting in the home".<sup>3</sup>

Cost of projects for construction of storage facilities, classrooms and village pharmacies as estimated by Willy Brandt commission are :

- (i) With one million dollars, improvement in storage facilities for 10,000 tons of rice can be provided which will save 4,000 tons of rice or more annually.
- (ii) 1,000 classrooms for 30,000 children can be constructed with the amount of one million dollars.
- (iii) With the amount of 20 million dollars, 40,000 village pharmacies could be established.<sup>4</sup>

Now comparing the costs of these projects for nutrition, health and education with some projects of communication development projects, one can easily argue that Bangladesh could be better off by spending one million dollars on improving the storage facilities and one million dollars for providing classrooms to 30,000 children instead of spending 2.2 million dollars provided by UNDP for training of radio and television producers and engineers. India could establish 240,000 village pharmacies with \$125 million being spent on SITE project satellite and ground station.

There is no doubt that communication can play role in the

process of economic development if the infrastructure is already developed. What role communication can play in development of a country where there is shortage of food, malnutrition is prevalent, education and health facilities are poor and few roads are few transport facilities connecting cities and villages and limited. It is true that if there is no communication, development efforts and process will be slow. But it is also a fact that communication development projects will not help in eliminating the poor socioeconomic conditions of the masses in rural areas of developing countries without the provision of basic nutrition, health, education and transport facilities.

While considering the development projects, important criterion is resource endowment of a country. In developing countries, abundance of labore can be utilized as a human capital for the development and progress of a country. But with the high rate of unemployment and disguised unemployment in Third World, the adoption of computer in big government and private corporations and automation of offices with more capital-intensive communication technology will lead to more unemployment of labor force and misutilization of a factor of production in which these countries are surplus. The number of jobs to be lost in U. S. A. as a result of no technological change but doubling the capital investment in the current information technologies are 914,000 as estimated by Dr. Porat.<sup>5</sup> Such labor displacement in developing countries which are using more labor-intensive methods in firms and offices can be more significant.

The displacement of labor due to adoption of capital-intensive communication technology will be a great social cost for developing countries. The social consequences of labor displacement need to be considered as a cost of adoption of modern communication technology and need to be studied carefully because of the complex, controversial and crucial nature of the problem.

The adoption of communication technology will also change the employment pattern and will create jobs requiring more education and sophisticated skills. A part of the displaced labor may be absorbed in newly created jobs but that will require learning new skills and making old skills obsolete. Human and capital-investment in learning new skills and making old skills as obsolete will be a great burden on developing countries with limited resources.



One grave social consequence or the cost which developing countries are going to pay for the widespreadness of modern technological development of communication such as radio, T. V., termed as mass media, will be in terms of cultural genocide in these countries and cultural imperialism of some super powers. The mass media in developing countries is not in touch with realities of these countries. More time is spent on showing movies, advertisements and events from Western and developed countries. This will lead to cultural alienation among Third World people and towards hegemony of foreign Culture. Professor Robert Underwood has rightly pointed out at a meeting of the Pacific and Asian Affairs Council about the situation in Guam :

“The cultural mismatchment between the media and local population”. “promotes a disengaging from Chamorro culture, the indigenous culture of Guam”. The television programmes are exhorting Guam residents “to buy from Caxpeteria, order records from companies which won’t acknowledge our existence and to purchase automobiles from the ubiquitous Cal Worthington”.

As a small society, Guam is especially vulnerable to “cultural reformulation”, Underwood lamented, which to make matters worse, is not “locally derived but imported”. “Cultural stupidity”, Underwood said, “results when the media fails to communicate at a level that’s understandable to their audience”.

Then, when residents don’t understand, the media invariably conclude the “local population is too unsophisticated, too sensitive or even too stupid to understand the import of the media message”, he said.

Also, he said, the media must become more sensitive to the local culture and break down the barriers of one-way communication from the “socially developed to the socially underdeveloped”.<sup>6</sup>

The statement made by Prof. Robert Underwood is not only true for Guam but is also true for most of other developing countries, too. Advertisement of luxurious commodities and demonstration effect is leading to alienation, frustration and violence in developing countries. But for multinational corporations advertisement in communication, is a major source of revenue.

"One of the most lucrative sectors of communication industry is advertising with national and transnational ramifications and channels. Although the colossal size and ever-growing extent of advertising firms in the United States creates the impression that it is primarily an American phenomenon, it has become an enormous world-wide activity. Annual expenditure on advertising is now reckoned at \$64 billion a year— —. The dependence of the mass media on advertising is also growing. Few newspapers in the world of private enterprise could survive without it. As for radio and television, advertising provides virtually the sole revenue for the privately-owned broadcasting companies which are dominant in the U. S. and in Latin America and is an important source of financing in various other countries".<sup>7</sup>

Realizing the devastating social distortions of advertisement in Indonesia, the Government of Indonesia has put a ban on the advertisement. Other Third World nations have to resort to such measures or face the disgruntled, alienated, frustrated and violent young people in their societies.

The Communication technology can be instrumental in economic development of Third World countries to some extent. There can be no controversy about it. The controversy centers around that given the "socio-economic" structure in these countries, how widespread can be the distribution of modern communication technology and its benefits among the population of developing countries.

Looking at Table 1, column indicating urban population as percentage of total population, one can say that a high percentage of the population in these countries live in rural areas and depends on agriculture for a living. The income distribution is highly skewed as evident from percentage of income received by lowest 20 percent compared to percentage of income received by highest 5 percent of the population. The figures of gini-coefficient of land distribution are not available for all the countries being discussed in the paper. But the figures for India, Pakistan, Bangladesh, South Korea and Taiwan indicate the skewed distribution of land in these countries. Although the distribution of land is less skewed for Korea and Taiwan as compared to Pakistan and India. The gini-coefficient of land distribution for Pakistan, India, South Korea and Taiwan is 65.0, 52.2, 46.3 and 38.7 respectively as estimated in 1960.<sup>8</sup>

Given the "socio-economic" structure of unequal distribution of resources and income as evident from the above figures, it is a plausible postulate that any communication development and its benefits will be limited to only few privileged groups among the population of developing countries. It is not the communication technology which will create a lop-sided development in Third World, but it is the given socio-economic structure with the limited diffusion of communication technology and its benefits which will result in lop-sided development and grave socio-political problems. The whole society will pay the cost while only few will benefit from communication development.

It can be argued that modern communication technology will be beneficial for everyone who use it. But the real question is who can afford it? Who ever can afford it will benefit from it. Who can afford the use of computer and automation of offices? Certainly multinational corporations or big corporations owned by few industrialists in developing countries. Small size or medium size firms and business corporations can not afford it. Who can afford television, radio and telephone. Not people who are under-nourished, and sick, who do not have the money to send children to school, and have no transport and road to go to city. Only few privileged people will benefit from these facilities. There is an impression that radio sets are so cheap that everyone can afford to have it in these developing countries. But look at the figures of radio receivers per thousand of population in these countries (Table 1). Excluding Hong Kong, the range of such radio receivers is from 6.0 per thousand population in Bangladesh to 144 per thousand population in Korea. Such figures lend support to the conclusion that not to talk of tele-communication, T. V. and other sophisticated and costly technology, people in these countries cannot benefit from the establishment of even radio-stations.

Modern communication technology with limited diffusion and unequal distribution of its benefits cannot be helpful in the development of the society in general and rural sector in particular.

The other main beneficiaries of the communication development in Third World will be multi-national corporations, a middle class

people employed in organization in communication industry, aid-giving countries and foreign donor organizations and agencies.

Earnings of multi-national corporations will increase with the increase in the exports of modern communication technology to the developing countries.

Following table shows the sales and number of persons employed by fifteen multi-national corporations during 1977, which mainly control the operations in communication.

TABLE 2  
Sales and Number of Employees of Fifteen Transnational Corporations in International Communication Business

Rank	Corporation	Sales (in million \$)	Employees
1.	IBM (USA)	14,436	288,647
2.	General Electric (USA)	13,399	375,000
3.	ITT (USA)	11,367	376,000
4.	Philips (Netherlands)	10,746	397,000
5.	Siemens (FRG)	7,759	296,000
6.	Western Electric (USA)	6,590	152,677
7.	GTE (USA)	5,948	187,170
8.	Westinghouse (USA)	5,862	166,048
9.	AGE-Telefunken (FRG)	5,187	162,100
10.	North American Rockwell (USA)	4,943	122,789
11.	RCA (USA)	47,789	113,000
12.	Matsushita (Japan)	4,677	82,869
13.	LTV (USA)	4,312	60,400
14.	XEROX (USA)	4,094	95,532
15.	CGE (France)	4,072	131,000

Quoted by Cees Hamelink, the Corporate Village (Rome : IDOC Europe Dossier 4, 1977).

Source : International Commission for the Study of Communication problems, op. cit , p. 109.

These multi-national corporations are from five countries and their sales run into million dollars. Some of them had more sales than the total GNP of some developing countries during 1977. The sales of IBM (\$14, 436 million) was greater than the GNP of Hong Kong and Papua New Guinea together. The sales of General Electric was also greater than the GNP of Malaysia. The sale of CGE, the lowest in sales, was also greater than the GNP of Sri Lanka. The first six multi-national corporations had greater sales than the GNP of Bangladesh, i. e., \$6, 188, 142 million.

Such big corporations are going to increase their sales and profits. They will benefit from communication development in the Third World because that will not only widen the market for their products and benefit them economically but will also increase their control and political power in developed and developing countries. These corporations are going to use or misuse their power for their own benefits when required. Richard J. Barent and Ronald E. Muller have rightly expressed their concern that :

“The torrent of articles, exposes, and impassioned speeches on the goobal companies, particularly in the underdeveloped countries, is a reflection of a second group of enemies, who are motivated as much by political feelings as by economic interest. The disclosures of ITT’s efforts to bring down the Allenda Government in Chile have confirmed widespread fears that global corporations not only have too much power but that they abuse that power. There is increasing concern around the world that global corporations are in a position to dominate governments, dislocate national economies and upset world currency flows.”<sup>9</sup>

Increase in the imports of luxury goods and consumption as a result of less emphasis on communication development and more on advertisements of goods by radio and T. V. in developing countries is also beneficial for the multi-national corporations and the countries to where they belong.

Middle class employed by T. V. and radio stations, by foreign organizations and multi-national corporations in the propagation and establishment of communication technology, is one of the beneficiary

of communication development in Third World and have an alliance of interest with these corporations and developed countries. A strong educated urban elite class is emerging as a result of communication development, controlling the information, and using for its own interest, interest of the ruling governments and serving the interests of multi-national corporations and foreign powers, in Third World.

Now let us examine the third issue of increasing dependency of developing countries on developed countries, as a result of communication development. In Table 1, there are three indicators, to show the dependence of developing countries on foreign loans : external public debt outstanding as percentage of GNP, external public debt disbursed as a percentage of GNP and average ratio of debt service as a percentage of total exports of goods and services. There are countries whose external public debts outstanding were more than 50% of their GNP in 1977. Their average ratio of debt services to exports ranged between 2.7 percent to 24.6 percent. With these figures in mind, imagine such countries requesting for more loans for costly projects of communication development. Take the example of India, whose 14.3 percent of exports earning went for debt services, getting another loan of 120 million dollars for telecommunications. The people of India have to pay this money plus amount of money for debt service as a cost of this project, while a particular class in India and foreign corporations and powers are mainly to benefit from it.

Following will provide us an idea that how much loans are being granted to the developing countries for telecommunications project and the burden of public debts and debt services being increased for the masses of poor countries. Similarly how much grants and aid poor countries are getting from donor agencies.

"The World Bank is the principal multilateral source of finance for telecommunications development. Through fiscal year 1978, the Bank and the International Development Association (IDA) provided 1,685 million US dollars for this purpose in 75 loans and credits to 35 countries. This amounted to approximately 3 percent of total Bank lending since 1960. Well over 85 percent of the Bank Group's lending for telecommunications has been concentrated in the last ten years. The volume of lending increased from 2.9 million dollars in

fiscal 1962 to 235.6 million in 1978 while the cost of related projects rose from 6.2 million to 1,233.1 million. The average size of telecommunications loans has been 22.5 million ; the largest loan has been to India for 120 million and the smallest to the Upper Volta for 0.8 million.

“In the period 1965-76 ITU provided developing countries with technical assistance amounting to approximately US\$108 million 60 percent of it during the last four years. The bulk of this amount (over \$94 million) came from the United Nations Development Programme (UNDP) ; the rest of the assistance was supplied on a funds-in-trust basis, through associate experts or through ITU participation in various assistance projects sponsored by the United Nations. The annual value of the assistance provided by ITU to the developing countries increased from \$3.36 million in 1965 to over \$20.2 million in 1976. This increase was not however, uniform throughout the period under consideration”.<sup>10</sup>

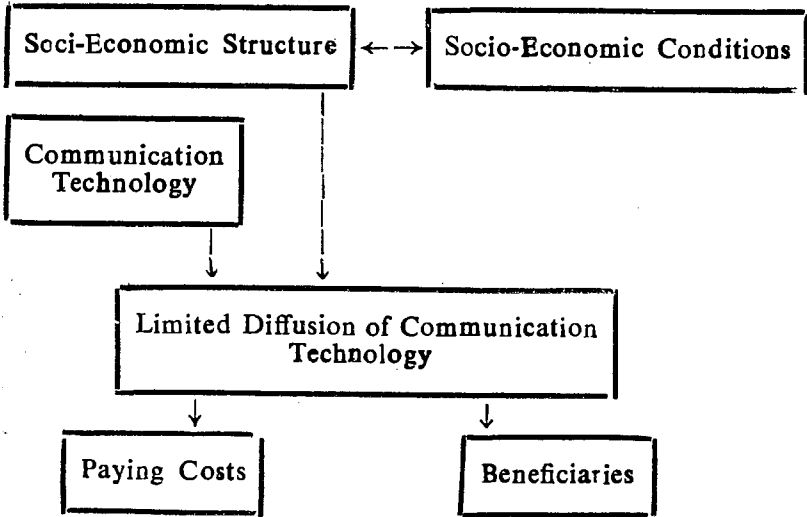
The increase in foreign loans and aid by donor countries and organizations, invasion of Western Culture and genocide of local culture, increasing power and economic interests of multi-national corporations, one way information flow and import of technology, emerging of a new middle urban elite of media class and alliance of ruling classes in Third World with foreign powers are the basis to conclude that the dependence of Third World will increase on developed countries with the communication development in the coming decade as depicted in figure 1.

Now, the last question to be answered is that given world system and socio-economic structure of developing countries, what role communication can play in economic development of these countries. There are three ways in which communication can be helpful in the process of change and welfare.

- (a) There should be more emphasis on communication projects such as roads, railways, to connect the rural people among themselves and so that they can benefit from the facilities in urban areas, Communication has to play a secondary role at this time in spheres of education, health nutrition and

FIGURE 1

IMPACT OF COMMUNICATION DEVELOPMENT ON ECONOMIC DEVELOPMENT GIVEN SOCIO ECONOMIC STRUCTURE AND CONDITIONS IN THIRD WORLD



A. PEOPLE

Other projects essential for public welfare such as Educational, Health, Nutrition.

Foreign Cultural Imperialism and Alienation from their own culture.

Rising expectations and increasing frustrations leading to crime and violence.

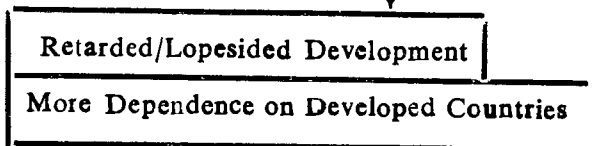
Increasing dependence on foreign aid/loans and burden of debts payment and serving.

A. MULTINATIONAL CORPORATIONS Increasing exports, sales and profits.

B. RULING GOVERNMENT Strengthening their control.

C. AID/LOAN GIVING COUNTRIES / ORGANIZATIONS Political, economic and culture influence.

D. EMERGING URBAN MIDDLE MEDIA CLASS Socio-economic, political gains.





family planning, Local media and point-to-point media can play more important role than mass media and one should lay more emphasis on that.

- (b) Mass media and people controlling mass media should not try to impose foreign culture and values. Rather they should highlight the importance of change and breaking the existing socio-economic structure in developing countries. There will be no change in attitude and behavior until and unless there is a change in the socio-economic structure. Cultural values of the Third World can be preserved with the increasing literacy and creating consciousness among masses to fight poverty and foreign dependence.
- (c) There can be more cooperation and cause of self-reliance can be pursued more vigorously through more communication among third World nations. Bagicha S. Miah has rightly pointed out :

“The cause of collective self-reliance is pushed forward by pinpointing areas of technology and products where assistance from other Third World countries could be of benefit to its members. There is an urgent need to develop a vehicle for the collection, evaluation, and dissemination of relevant information”.<sup>11</sup>

---

#### FOOTNOTES AND REFERENCES

1. Modernization is a multi-dimensional concept which has been interpreted in different ways. When talking about changes in socio-economic conditions, economists and sociologists differentiate between economic and social changes. Economists, when talking about changes in economic conditions taking place in society, usually use the terms “economic growth” and “economic development”. The former typically refers to the rate of growth of aggregate or per capita national income, and the latter to improvements in the living standard of the people with regard to factors such as employment, education, health, nutrition and the distribution of these improvements among the population. “Modernization” refers to changes in social conditions and attitudes. For a brief discussion of how economists

differentiate between these concepts see James E. Kocher, *Rural Development, Income Distribution and Fertility Decline* (New York : The Population Council, 1973), pp. 1-5.

There are three major themes in the literature on modernization by sociologists : (a) The process of structural differentiation. See Neil Smelser, *Social Change in the Industrial Revolution* (Chicago : University of Chicago Press, 1959) ; *The Sociology of Economic Life* (Englewood Cliffs, NJ : Prentice-Hall Inc., 1963) ; (b) The concept of individual modernity. See Daniel Lerner, *The Passing of Traditional Society : Modernizing in the Middle East* (Illinois : The Free Press, 1958) ; Alex Inkeles and David Smith, *Becoming Modern : Individual Change in Six Developing Countries* (Massachusetts : Harvard University Press, 1974) ; and (c) The Development of Structure and institutions similar to those of Western Europe and North America. See S. N. Eisenstedt, *Modernization, Protest and Change* (Englewood Cliffs, NJ : Prentice-Hall, 1966). For Criticism of these themes, see Reinhard Bandix, "Tradition and Modernity Reconsidered", *Comparative Studies in Society and History*, 9. (April 1967), pp. 292-346 ; Joseph Gusfield, "Tradition and Modernity", *American Journal of Sociology*, 72 (3), (1967), pp. 353-362 ; Everett M. Rogers, "Communication and Development : The passing of Dominant Paradigm", *Communication Research*, 3 (2), (1976), pp. 213-40.

For a neo-Marxian interpretation of modernization called dependency theory see John Galtung, "A Structural Theory of Imperialism" *Journal of Peace Research*, 8 (2) 1971 ; Emmanuel Wallerstein, *World System : Capitalism, Agriculture and the Origin of European Economy in the 16th Century* (New York : Academic Press, 1974) ; Andre Gunder Frank, *Capitalism and Underdevelopment in Latin America* (New York : Monthly Review Press, 1967), Samir Amin, *Accumulation on a World Scale* (New York : Monthly Review Press, 1974) ; Development Theory and Crisis in Development in B. John Hähne and Peter Wallerstein (ed.) *Emerging Trends in Development Theory* (SAREC Report R-3 : 1978, Swedish Agency for Research Cooperation with Developing Countries, Stockholm, Sweden) ; Theotemic Dos Santos, "The Structure of Dependence", *American Economic Review*, LX 12) (May 1970), pp. 231-236 and articles in a

book edited by Charles K. Wilber, *The Political Economy of Development and Underdevelopment* (New York : Random House, 1969).

2. Paul Streeten, *Development Ideas in Historical Perspective in Toward a New Strategy for Development*, (New York : Pergamon Press, (1979), p. 48.

3. International Commission for the Study of Communication Problems, *Many Voices, One world*, (New York : UNESCO, 1980), pp. 218-19.

4. The Independent Commission on International Development Issues 1980, "North-South : A Programme For Survival" (London : Pan Books Ltd ; 1980). p. 14.

5. Edwin B. Paker, "Information Services and Economic Growth", *The Information Society*, 1 (1) 1981, p. 74.

6. Alan Yonan Jr., Prof. "Media out of Touch with Guam" *Honolulu Advertiser*, May 27, 1981.

7. International Commission for the Study of Communication Problems op. cit., p. 109.

8 M. C. Hudson, *World Handbook of Political and Social Indicators*, second edition (New Haven, Yale University Press, 1972).

9. Richard J. Barent & Ronal E. Muller, *Global Reach, The Power of the Multi-National Corporations* (New Yerk : Simon and Suchuster, 1974) p. 23.

10. International Commission for the Study of Communication Problems, op, cit., pp. 220-221.

11 Bagicha S. Mihas, "The current development Debate" in *Toward a New Strategy for Development*, op. cit., p. 88.

# **The Impact of Economic growth on Distribution and Sectoral Productivities In Pakistan**

SHAH NAWAZ MALIK \*

## **I. Introduction**

The purpose of this paper is to present an analysis of the reflections of Pakistan's growth performance on income distribution during the period 1971/72—1978/79. The choice of the period is dependent upon the fact that the latest income distribution figures are available for these two years. The study presented in this paper lays emphasis on the importance of the interaction between economic growth and income distribution and, at the same time, offers an analysis on the general applicability of Kuznets relation in less developed countries which has been the topic of academic debate for many years. The paper is divided into the following sections :—

Section II : This section presents a statistical summary and interpretations of growth performance of Pakistan economy between 1971/72 and 1978/79 in terms of sectoral patterns of output, employment and income.

Section III : This section offers an analysis of the distributional impact of Pakistan economic growth during 1971/72—1978/79.

Section IV : This section briefly outlines the main conclusions of the study.

## **II. Growth Performance**

There are a number of key macro economic variables whose movements, variations and comparative interactions serve as important indicators of growth performance. These include the growth

---

\*Assistant Professor of Economics Bahauddin Zakariya University, Multan.

rates of population and labor force, total output, per capita income and important sectors such as agriculture and manufacturing. The behaviour of these important Variables help us to establish as to what happened to the economy during different time periods.

The overall dimensions of Pakistan's economic growth during 1971/72—1978/79 are reflected in the growth rates of aggregated and per capita income during this period. Aggregate domestic income at constant 1959/60 prices grew at average annual rate of 5.80 percent. With an average growth rate of population of 3.10 percent per annum, the growth of real per capita income during 1971/72—1978/79 was 3.15 percent per annum. Table I shows Gross Domestic product at constant 1959/60 prices during 1971/72—1978/79 and Table 2 shows the average compounded annual growth rates of gross domestic product, population and per capita income during the same period.

The sectorial distribution of both gross domestic product and employment serves further to indicate the economy's growth and growth process. Table 3 shows the sectorial distribution of gross domestic product and Table 4 shows the sectorial distribution of employment for 1971/72 and 1978/79 in relative terms. Figures in table 3 and 4 can be used to estimate the relative sectoral productivities in 1971/72 and 1978/79 as shown in Table 5.

As tables 3 and 5 indicate that a sectoral transformation of an insignificant magnitude took place in Pakistan's economy during 1971/72—1978/79. Agriculture sector was, however, an exception. The transformation in this sector is shown by the relative reduction in terms of both income and employment. However, this transformation cannot be considered a healthy one since as table 5 indicates agriculture was the poorest sector with a low relative productivity. Relative productivity of Agriculture declined from 0.67 in 1971/72 to 0.59 in 1978/79. At the same time, relative productivity of manufacturing sector declined from 1.25 to 1.11 over the same period. Whereas the former may be due to low increase in the value added of the later, most probably, reflects the worsening productivity in the small scale and nationalized industries.

**Table I**

Pakistan : GDP 1971/72 to 1978-79 at Constant 1959-60 market prices (In Million Rs)

Year	GDP
1971/72	32812
1972-73	35179
1973-74	37901
1974-75	39393
1975-76	40699
1976-77	41866
1977-78	45022
1978-79	47530

**Table 2**

Average Compounded Annual Growth Rates of GDP, Population and P.C. Income 1971/72 to 1978/79

Description	Rates of Growth (1971/72-1978/79)
GDP	5.80
Population	3.10
P.C. Income	3.15

**Table 3**

Pakistan : Sectoral Distribution of GDP at constant 1959-60 Market Prices (In percentage)

Sector	1971-72	1278-79
1. Agriculture, Fishing, Hunting & Fishing	38.43	31.27
2. Manufacturing, Including, Mining & Quarrying	16.12	16.27
3. Construction	3.54	4.99
4. Electricity & Gas Distribution	2.38	2.87
5. Transports, Storage & Communication	6.17	6.88
6. Whole sale & Retail trade	13.55	13.63
7. Services	14.23	17.71
8. Others	5.58	6.38

**Table 4**

Pakistan : Employment by Economic sectors (In Percentage)

Sectors	1971-72	1978-79
1. Agri. F& H, and F,	57.27	52.65
2. Mfg, Incl, M & Q.	12.91	14.66
3. Construction 3.41	3.41	4.92
4. Electricity & Gas Distribution	0.37	0.74
5. Transport, Storage & Comm.,	4.83	4.73
6. Whole sale & Retail Trade	9.67	11.08
7. Services	11.24	10.10
8. Other	0.30	1.12

**Table 5**

Pakistan : Estimates of Average Relative sectoral productivities  
1971-72 1978-79.

Sector	1971-72		1978-79			
	Relative Employment (E) (%)	Relative Income (%) (Y)	Relative Productivity (Y/E)	(E)	(Y)	(Y/E)
1. Agri., F & H & F.	57.27	38.43	0.67	52.65	31.27	0.59
2. Manfg. Incl. M&Q.	12.91	16.12	1.25	14.66	16.27	1.11
3. Construction	3.41	3.54	1.04	4.92	4.99	1.01
4. Elect. & Gas Dist.	0.37	2.38	6.43	0.74	2.87	3.88
5. Transport & Storage & Communication	4.83	6.17	1.28	4.73	6.88	1.45
6. Whole sale & R. Trade	9.67	13.55	1.40	11.08	13.63	1.23
7. Services	11.24	14.23	1.27	10.10	17.71	1.75
8. Others	0.30	5.58	18.60	1.12	6.38	5.70

### III-Income Distribution

Rates of economic growth are not by themselves a sufficient indicator of economic performance. The same growth rates achieved with increased inequality of income or expenditures is less preferable to that with reduced inequality. The computation and analysis of distribution of income and consumption expenditures has been based on Gini coefficient which is one of the several but

the most commonly used measure of inequality. Its value ranges from zero to 1 with zero representing perfect equality and 1 perfect inequality.

As mentioned in section I the distributional analysis relate to two years, 1971/72 and 1978/79. Table 6 shows that in both years the degree of inequality as measured by the Gini coefficient was greater in urban than in rural areas. However, if adjustment is made for the proportion of income paid in taxes, which in the urban areas is much higher than in rural, the urban concentration would be lesser than that reported in the table.

Regarding the trend of distribution over time the evidence suggests a slight increase in income inequality between 1971/72 and 1979, although paradoxically, consumption expenditure became more uniform. The deterioration in income distribution in the 1970's can be explained by the sharp acceleration of inflation in the early 1970's the deterioration in industrial relations and the decline in productivity both in agriculture and in manufacturing. As a result income distribution is thought to have deteriorated during most of the 1970's.

The improvement in consumption distribution during this period, on the other hand, implies that population in low income brackets had been dissaving to increase their consumption while the high income groups had saved substantial proportion of their income. This is reflected in the trends of household savings which in the trends of household savings which increased to 7.2 % of income during 1979 as against 0.8% in 1971/72

Despite the deterioration in income distribution in the 1970's even in 1979 the distribution of income in Pakistan was much better than in many comparable countries. As is evident from table 7 the income share of the lowest 20% households in Pakistan is 7.5% which is higher than that observed in many low-income as well as industrialized countries.



**Table 6**

**Pakistan : Income Distribution 1979 & 1971/72**  
(Gini Coefficient of Inequality)

<b>A : Income</b>	<b>1979</b>	<b>1971/72</b>
Total	.373	.345
Rural	.325	.308
Urban	.399	.381
<b>B : Consumption Expenditure</b>		
Total	.316	.326
Rural	.268	.271
Urban	.340	.352
<b>C : Average Rates of Savings</b>		
Total	7.2	-0.8
Rural	3.6	-1.7
Urban	10.7	-1.2

**Table 7**

**International : Household Income shares (% share in Income)**

<b>Country</b>	<b>Year</b>	<b>Lowest</b> 20%	<b>Lowest</b> 40%	<b>Highest</b> 20%
Pakistan.	1979	7.5	19.2	45.0
Sri Lanka	1969-70	7.5	19.2	43.4
India	1975-76	7.0	16.2	49.4
Bangladesh	1973-74	6.9	18.2	42.2
Indonesia	1976	6.6	14.4	49.4
Thailand	1975-76	5.6	15.2	49.8
Hong Kong	1980	5.4	16.2	47.0
Philippines	1970-71	5.2	14.2	54.0
Nepal	1976-77	4.6	12.4	59.2
Turkey	1973	3.5	12.5	56.5
U.K.	1979	7.3	19.7	39.2
France	1975	5.3	16.4	45.8
U.S.A.	1972	4.5	15.2	42.8

**IV : Concluding Remarks**

The Pakistan's data for the period 1971/72—1978/79 confirms the Kuznets, hypothesis which asserts that changes in economic welfare

of the population are positively related to changes in the level of national income and negatively related to changes in the level of national income and negatively related to changes in inequality of income distribution using the Gini coefficient of inequality. The Pakistan's Gini coefficient may be considered moderate by international standards i.e. less than 0.5.

The higher value of Gini coefficients in 1979 for all three regions-urban, rural and combined Pakistan-indicate that the level of living of masses deteriorated during the period under study. These estimates, thus, support the Adelman Morris assertion 4 that growth at low income countries leads to worsening absolute income for the poor.

#### **Notes and References**

1. Latest figures on the basis of Household Income and Expenditure Surveys, carried out by the Central Statistical Office of Pakistan, are available for the years 1971/72 and 1979.
2. Kuznets, Simon "Quantitative Aspects of the Economic growth of Nations, VIII: Distribution of Income by size" in *Economic Development and Cultural Change* (1963).
3. Derived from GDP, population and per capita Income figures reported in Pakistan Economic Survey, 1984-85.
4. As cited by Edmar L. Bacha, "The Kuznets Curve and Beyond: Growth and Changes in Inequalities", paper submitted to workshop on Analysis of Distributional Issues in Development planning organized by the world Bank at Bellagio, Italy, Apr. 22-27 (1977).