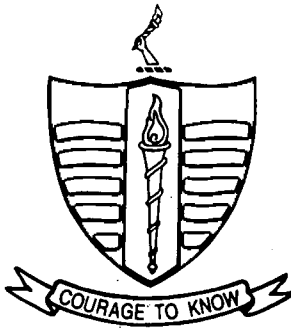


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# GOVERNMENT COLLEGE ECONOMIC JOURNAL

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DEPARTMENT OF ECONOMICS  
GOVERNMENT COLLEGE, LAHORE - PAKISTAN



# FOREIGN AID AND NATIONAL SAVINGS: A CASE STUDY OF PAKISTAN

*By*

**MS. MEHNAZ AHMED and MR. SOHAIL JAVED\***

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## Introduction

The impact of foreign aid on saving has attracted immense attention in the recent years. This is because foreign aid plays an important role in developing economies; if it is properly utilized results in enhancing development of the country and if not deters the economy from the desired path of growth. The present analysis is related in finding whether foreign aid has acted as a substitute or a complement to national saving. Exploration of such relation is vital because saving is responsible for increasing investment and improving the country's economic performance. Most authors initially considered a positive relation between the two. The thinking behind it was that aid would generate investment which would increase income that in turn would accelerate saving. Professor Griffins and J. Enos (1970), A. Rahman (1968), H. Chenery and P. Eckstein (1970) and many more had put forward a revisionist approach, that foreign aid increase leads to a decline in the level of saving admitting a substitutibility between the two. The reason being that the aid receiving countries do not utilize aid

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University of Karachi.

properly in increasing investment but engage in increasing government expenditure with a failure to collect taxes efficiently.

This proposition was criticized on the grounds that there are other factors besides foreign aid to affect the level of saving any by solely taking foreign aid into account will create biasness in the specification of the parameters. G. Papannek states that the other omitted variables might be wars, income etc., that must be taken into account while analyzing the saving behavior. Jacques Moresset (1989) had proved the substitutibility between the foreign capital inflow and domestic saving for developing countries. He too admits that using foreign aid alone would create specification bias in the analysis and thus had taken into account the other variables like, real interest rate, GDP, rate of inflation along with foreign capital inflows. Donald Synder (1991) had tested the relation between the foreign aid and domestic saving separately and by the inclusion of per capita income in the analysis. His finding supports the revisionist hypothesis.

Pakistan over the past decades has witnessed poor performance in regards to its savings. Although the growth rate has registered to be fairly high of about 6% in the last decade. Many reasons can be given for such kind of behaviour. One of the major cause is that the foreign aid has been misappropriately utilized to generate enough capital formation for raising desired income and saving. But is used for financing excess expenditure undertaken by the government along with the failure to collect taxes efficiently. Another reason is that Pakistani society is consumption oriented in nature where there is little incentive to save and more to spend. It is in this background that this paper seeks to analyse the impact of foreign aid on national saving separately and along with

inclusion of other variables so as to overcome the problem of specification bias. Besides an effort is made to see the effect of change in various variables on the level of change in national saving to confirm whether same relationships are obtained from the analysis.

The framework of the paper is organized as follows: section II explains the theoretical analysis, section III lays down the empirical findings, section IV gives the conclusion and policy implications.

### Theoretical Analysis:

Starting with the simple model that begins by analyzing the impact of share of foreign aid (FRAGNP) in the GNP to the share of national saving to GNP(NSGNP). Ordinary Least Square Technique (OLS) is adopted in the analysis and the model specification is as follows:

$$\text{NSGNP} = a_0 + a_1 * \text{FRAGNP} + e \quad \dots(i)$$

The hypothesized sign between the ratio of foreign aid to GNP and national saving to GNP is negative as it is seen that foreign aid is not being utilized for the generation of saving but is used to finance huge government expenditures and deficits both external and internal. As mentioned earlier in order to remove the specification bias. other important variables that affect the national saving are introduced in the analysis as follows:

$$\text{NSGNP} = a_0 + a_1 * \text{FRAGNP} + a_2 * \text{INFL} + a_3 * \text{RINTDP} + a_4 * \text{GGNP} + a_5 * \text{DTEXP} + a_6 * \text{CTOT} + a_7 * \text{TB1464} + a_8 * \text{IMGNP} + e \quad \dots(ii)$$

Where:

INFL = Inflation rate.

RINTDP = Real interest rate.

GGNP = Growth rate of GNP.

DTEXP = Debt to export ratio.

CTOT = Change in terms of trade.

TB1460 = Share of total working force between the age of 14 to 60 out of the total.

IMGNP = Ratio of imports to GNP.

e = Error term.

Most authors have initially considered a positive relation between foreign aid and saving, the thinking behind it is that aid would generate investment which would increase income that in turn would accelerate saving. Professor Griffins and J.Enos (1970), A.Rehman (1968), T. Weisskoff (1972), H.Chenery and P.Eckstein (1970) had put forward a "revisionist approach", that foreign aid increase leads to a decline in the level of saving admitting a substitutibility between saving and foreign aid. The reason being that aid receiving countries do not utilize aid efficiently. It is mostly used on unproductive expenditure and on consumption.

There is a difference of opinion about the relation between saving and inflation. Juster and Watchel(1972) are of the opinion that inflation leads to an increase in saving, this is due to the fact that inflation creates variability in expectations of real income and thus leads to an increase in saving in developed countries. But according to Lahori (1989), in developing countries inflation leads to a decline in saving because people prefer to keep their money in the form of



consumer durable rather than in money and this increases consumption.

Mc Kinnon (1973) and Shaw (1973), proposed that physical capital plays a complementary role due to the lumpiness of investment in the presence of imperfect capital markets. Thus with the rise in the prices the return of money goes down and so do saving and investment. Secondly, high inflation with ceiling on nominal interest tends to make the real interest rate low and the existing funds are not allocated efficiently, because the market price rationing system is not at work and firms do not have knowledge about the true shadow price of capital, rely on a low non-market price signal. Thus in response to this problem it is suggested that real interest rate should be increased through enlarging the pool of saving for investment to be channeled and at the same time increase the efficiency of the intermediation process. Giovannini (1983) had discovered a positive relationship between real interest rate and domestic saving.

Growth rate acts as an important factor in affecting saving. Countries with high growth rates of GNP tend to have high saving rates if income is utilized efficiently. The rationale behind it is that the life cycle approach for savings suggests that people at young age earn and save to finance the consumption for their old age. Thus higher the growth rates higher will be savings as is suggested in the studies made by Collins (1988) Fry (1989), Giovannini (1983). Thus this reasoning hypothesizes a positive relation between the two. But in a country where the growth rate is high and is accompanied by a large population most of which are dependents (of age below 15 and above 65) then the saving rate is bound to decline. Thus if the working population (of age between 15-64) increases then the saving rate increases but when the number of

dependents (percentage of the population below 15 and above 64 out of the total population) rise then saving rate is bound to show a decline.. The work on the effect of dependency ratio on savings dates back to Leff (1969) who had found a negative relation between the dependency ratio and saving and his work is supported by Lahari (1989). Leff,s finding was objected by Adams (1971), Ram (1982, 1984) as they proposed no significant relationship between the dependency ratio and saving.

A positive relation is hypothesized between the change in terms of trade and saving and this effect is termed as Laursen - Metzler - Harberger effect. However, Svensson Razin (1983) and Persson Svensson (1985) have shown an ambiguous relation between the change in terms of trade and saving rate. The relation between imports and savings is said to be negative as savings are depleted by increase in imports. Similarly a positive and weak relation exists between remittances and saving. Remittances are said to increase savings although this increase may be small due to the fact that Pakistan,s economy is said to be consumption oriented and increase in remittances are likely to have contributed to an increase in consumption of luxury consumer durables, for financing of external deficit and for the payment of huge debts. Thus a very small part is saved.

The persistence of debt acts as a deterrent to saving, it drains of the country,s precious savings and makes it dependent on foreign aid. Debt to export ratio has been chosen in the analysis to see the impact of debt burden on savings and a negative relation is hypothesized between the two.

In order to make the analysis more convincing, the variables of Eq.2 have been changed from absolute values to

introducing change in the absolute values of all the variables. Thus the transformed equation is as follows:

$$\text{CNSGNP} = a_0 + a_1 * \text{CFRAGNP} + e \quad \dots(\text{iii})$$

Where:

CNSGNP = Change in the national saving.

CFRAGNP = Change in the ratio of foreign aid to GNP.

$$\begin{aligned} \text{CNSGNP} = & a_0 + a_1 * \text{CFRAGNP} + a_2 * \text{CINFL} + a_3 * \text{CRINTDP} \\ & + a_4 * \text{CGGNP} + a_5 * \text{CDTEXP} + a_6 * \text{CTOT} + a_7 * \\ & \text{CREM} + a_8 * \text{CIMGNP} + e \quad \dots(\text{iv}) \end{aligned}$$

Where:

CINFL = change in the inflation rate.

CRINTDP = Change in the real interest rate.

CGGNP = Change in the growth rate of GNP.

CDTEXP = Change in the debt to export ratio.

CTOT = Change in the terms of trade.

CREM = Change in the remittances from abroad.

CIMGNP = Change in the ratio of imports to GNP.

e = Error term.

**Empirical Findings:**

Table 1 shows the results corresponding to eq. # 1, where the hypothesis that foreign aid affects the savings negatively is proved and it clearly indicates that a rise in the foreign aid will lead to a decline in the national savings by 100%.

**Table - 1**

Sr.No	Variable Names	Coefficient
1.	Constant	0.1516 (20.5849)****
2.	FRAGNP	-1.0189 (-4.7261)***
	R <sup>2</sup>	0.587
	DW	1.686
	Standard Error of the Regression	0.141

Values in the parantheses are the t-ratios.

\*\*\* shows 1% singificance.

In order to avoid the specification bias in the analysis other variables are introduced that corresponds to eq.# 2. These variables are used in varied combinations and all give the desired results. A difficulty was experienced that when debt to export ratio was taken into account along with foreign aid the two variables showed high correlation and thus each one is used in the anlalysis separately.

According to Table. 2 foreign aid has shown a negative relation with the saving but has been reduced to almost half, inflation has shown the hypothesized negative sign and is significant at 1% in three out of four cases approving that economic instability acts as a deterrent to private savings. Real interest rate has minimal positive but a significant relation with the saving. Increase in the growth rate of GNP is said to lead to increase in saving and the variable shows high significance in all cases. The hypothesis that debt burden acts as a deterrent to saving is proved and change in terms of trade affects the saving positively. The increase in the ratio of imports to GNP is said to lead to a significant negative impact on saving.

Table - 2

Sr. No	Variable Names	Coefficients	Coefficients	Coefficients	Coefficients
1.	Constant	0.2393 (4.5338)***	0.0641 (2.7487)***	0.1104 (7.2726)***	0.2086 (3.7575)***
2.	FRAGNP		-0.4174 (-2.0011)*	-0.5527 (-2.4185)**	
3.	INFL	-0.5473 (-4.3516)***	-0.4697 (-3.5489)***	-0.3563 (-2.3755)**	-0.5923 (-4.3187)***
4.	RINTDP	0.0073 (2.2704)**	0.0119 (3.6537)***	0.0092 (2.9553)*	0.0070 (1.9729)*
5.	GGNP	0.3086 (2.4352)***	0.3259 (2.6473)**	0.2692 (2.0254)**	0.3521 (2.5421)**
6.	DTEXP	-0.0918 (-2.7135)***			-0.0735 (-2.0486)*
7.	CTOT	0.0003 (1.9212)*		0.0003 (2.8274)***	0.0020 (1.7112)*
8.	IMGNP	-0.6848 (-3.1054)***	-0.2503 (-1.8229)	-0.1788 (-1.2358)	-0.5491 (-2.3845)**
9.	TB1460		0.0008 (3.1804)***		
	R <sup>2</sup>	0.8519	0.8376	0.8271	0.8833
	DW	2.1781	1.8182	2.1953	2.1734

Standard Error of Regression	0.0099	0.0099	0.0105	0.0111
Number of Observations	15	17	16	18

Values in the parantheses are the t-ratios

\*\*\* shows 1% significance.

\*\* shows 5% significance.

\* shows 10% significance.

The theoretical analysis is further proved by regressing the change of independent variables on the change of the dependent variables as is shown in Table No.3 and Table No.4 corresponding to Eq.3 and Eq.4. In this all the variables have shown the desired sign with significance but the variable of remittances has a positive correct sign but does not show significance, approves that a great part of the remittances is not saved but is utilized for paying debts and deficits or for consumption.

**Table - 3**

Sr.No	Variable Names	Coefficient
1.	Constant	0.0009 (0.1861)
2.	CFRAGNP	-0.6269 (-1.6829)*
	R <sup>2</sup>	0.1065
	DW	1.9298
	Standard Error of the Regression	0.0199

Values in the parantheses are the t-ratios

\* shows 10% significance.

Table - 4

Sr.No	Variable Names	Coefficients	Coefficients	Coefficients	Coefficients
1.	Constant	-0.0122 (-2.7011)**	-0.0069 (-2.0312)*	-0.0057 (-1.9202)*	-0.0017 (-0.9302)
2.	CFRAGNP	-0.5288 (-2.7861)**	-0.3608 (-2.5657)**	-0.2883 (-2.6533)**	
3.	CINFL	-0.2097 (-2.3979)**	-0.3971 (-4.9210)***	-0.4052 (-5.1853)***	-0.4829 (-7.9777)***
4.	CRINTDP	0.0081 (2.5868)**	0.0057 (2.5948)**	0.0053 (2.5418)**	0.0004 (0.1756)
5.	CGGNP		0.2524 (3.3419)***	0.2855 (4.6590)***	0.3044 (5.2688)***
6.	CDTEXP	-0.0516 (-2.1118)**	-0.0154 (0.7878)		-0.0286 (-1.4842)
7.	CTOT	0.0004 (3.9867)***	0.0003 (4.8993)***	0.0003 (4.9588)***	0.0001 (1.8982)*
8.	CIMGNP				-0.3244 (-2.9777)**
9.	CREM	0.000009 (1.5116)	0.000003 (0.7757)	0.00003 (0.6543)	
	R2	0.7074	0.8712	0.8773	0.9088
	DW	2.2096	2.4176	2.7346	1.9628
	STANDARD ERROR OF REGRESSION	0.0092	0.0061	0.0059	0.0053
	NUMBER OF OBSERVATIONS	15	15	15	14

Values in the parantheses are the t-ratios

\*\*\* shows 1% significance.

\*\* shows 5% significance.

\* shows 10% significance.

#### IV. Conclusion and Policy Implications

The aim of the present study is to show that foreign aid plays an important role in influencing the country's economic performance. If it is not utilized in an efficient manner leads to

depletion of saving and may affect the country's economic performance adversely. Unfortunately it has been found that in the case of Pakistan, the foreign aid has not been utilized adequately on productive sectors and with efficiency which has had an adverse effect on the economy and has led the international agencies to impose conditionalities and dictate their own terms and conditions.

But considering foreign aid as the sole factor responsible for affecting saving creates specification bias and thus other factors that influence the national saving are also taken into account in the analysis. It has been found that improvement in the growth rates, terms of trade and increase in interest rate on time deposits enhance saving, whereas persistence of huge debt burden, escalating prices and ever increasing imports are said to be deterrent to saving.

Faced with this state of affairs, it is suggested that efficiency of external aid can be improved through a closer link between aid and policy reforms designed to alleviate poverty, foster development of human capital and physical capital formation rather than efficient utilization of resources and reducing the element of corruption in the government organizations. It is suggested that saving can be improved by following export oriented strategies relying less on imports and following an efficient debt management strategy.



### Appendix

The variables used in the analysis are computed as follows:

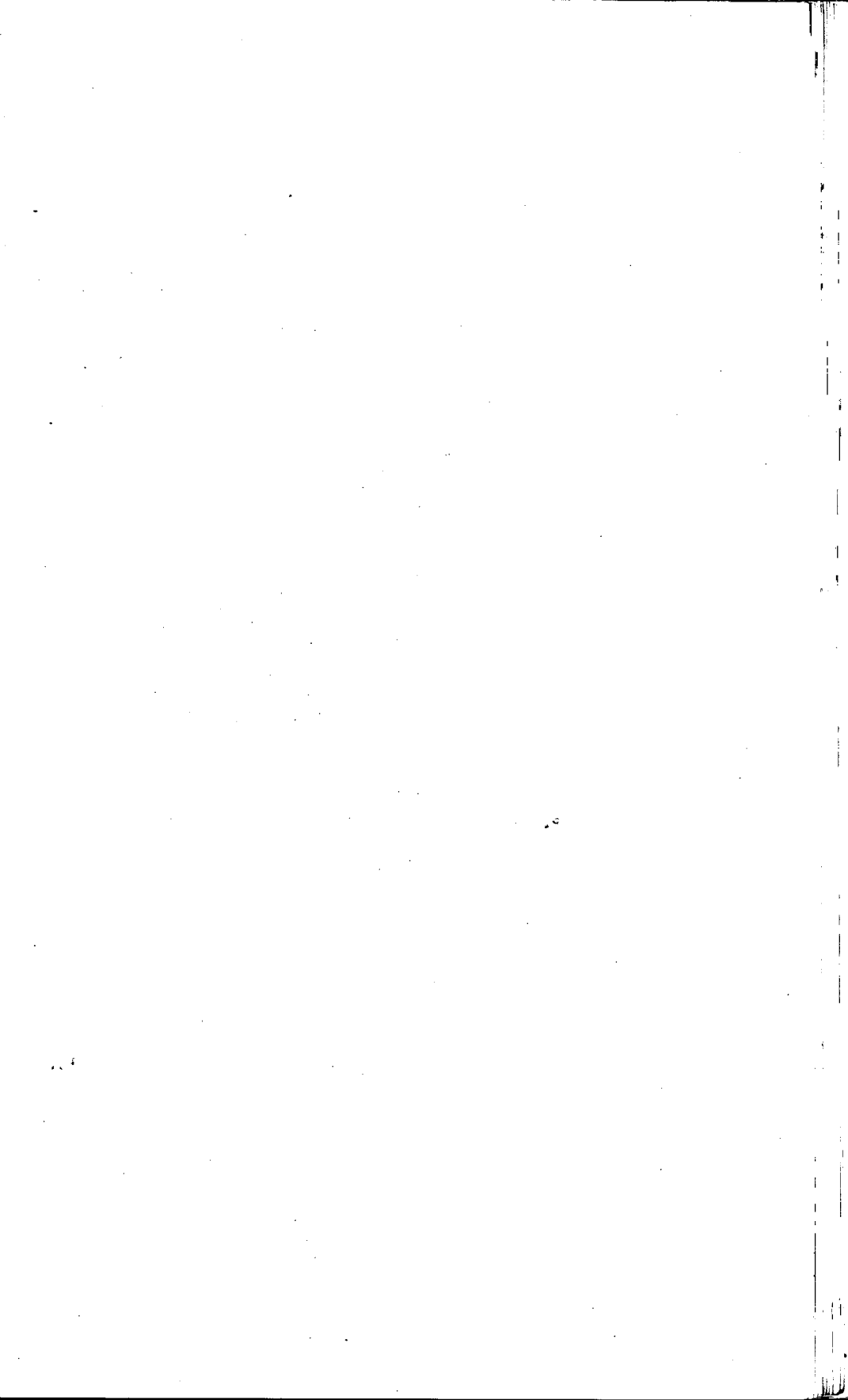
1. NSGNP = National saving / GNP.
2. FRAGNP = Foreign aid / GNP.
3. INFL =  $(\text{GDPFL} - \text{GDPFL} (-1)) / \text{GDPFL} (-1)$  where GDPFL is the GDP deflator.
4. RINTDP = Interest rate on time deposits less the inflation rate.
5. DTEXP = Debt / Exports.
6. GGNP =  $((\text{GNP} - \text{GNP} (-1)) / \text{GNP} (-1)) + 1$ .
7. FOREIGN AID = Foreign financing + grants received.
8. TB1460 = Data relating to population distributed age wise is taken from the census of 1971 & 1981 and growth rates of each year is applied to it from 1973 to 1990 to generate the series of the variable between the age of 14 to 60 years.

The data for the analysis has been collected from various Government Publications, Pakistan Economic Survey, various issues, Annual Report of State Bank and International Finance Statistics.

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# AGRICULTURAL WAGE DETERMINATION IN PAKISTAN

*By*

**SHAHNAWAZ MALIK\***

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## Introduction

The consumption of wage goods as well as the satisfaction of basic needs in rural areas are primarily determined by level of income of the rural masses. For predominantly vulnerable class among these e.g. agricultural labourers - an important measure of the changes in income levels is the movement of agricultural wage rates. The long term movement of agricultural wages may be regarded as an indicator for a durable improvement in the living standards of a large proportion of the rural labour force.

✓ The measurement and analysis of wages in Pakistan's agriculture sector represents a rather neglected field. What makes it especially difficult is the non-availability of adequate and reliable data on wages. Presumably this explains why little effort has been made to study rural wage behaviour.

It may be pointed out that Pakistan's record on rural wages, on average, has been quite impressive especially upto 1983-84. Since then, however, the wages could not maintain the

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earlier tempo and increased with a slower rate. As to the declining trend in rural poverty, witnessed during the seventies and early eighties, it may be said that the same must have been helped considerably by the rising wage levels. ✓

v8

The main purpose of present paper is twofold. Firstly, an attempt to explain the mode of agricultural wage determination in Pakistan over the period since the early seventies. Secondly, to offer some policy judgement on the basis of present analysis.

The paper is organised as follows. In section 2, we briefly review earlier studies. Section 3 outlines the framework for evaluation. Section 4, undertakes estimation and discussion. Finally, in section 5 we offer some concluding remarks.

## 2. Existing Studies

Thus far, as noted above, only a few researchers have endeavoured to address the subject under consideration. Khan and Bose (1986) using a variety of information reported a daily wage rate for casual labour ranging from Rs. 1.50 in 1952 to Rs. 2.00 in 1960 and Rs. 2.50 in 1967. This rise in money wages for the period 1952-67 represents, more or less, stagnation and a decline in terms of real wages. Eckert (1972) in his survey of the Punjab province conducted during 1971 reported a rise of 50 to 55 percent in money wages during the 1966-71 period while the price index for agricultural labours increased by 40 percent during the same period.

During the seventies the most systematic investigation of the subject was carried out by Guisinger and Hicks (1978). In this study, they examined the indices of real wages for the sixties in four major sectors, one of these sectors being agriculture. Their analysis, based on the data reported in wage surveys conducted in 19 districts of Punjab, suggested that real

wages stagnated during 1960-66 and increased subsequently during 1966-73. A major source of improvement being the rapid pace of growth in agriculture.

Hussain (1988) made an effort to estimate the real wage changes during 1960-78. The information pertaining to 1960 (based on the memory of the respondent) was collected in a field survey of 1978 carried out in the six districts of the Punjab. According to his estimates a rise of 29.2 percent in real wages in 1978 occurred compared with those obtained in 1960. For a more recent period, Irfan and Ahmad (1985) studied the wage structure in Pakistan during 1973-84. According to their conclusion, the real wages of agricultural workers registered a decline during 1973-76 and thereafter picked up again and rose consistently.

Most of the above studies suffer from a common limitation. Whereas the emphasis has been to assess the time-trend in the wages of agricultural workers, no attempt was made to study the possible causes/factors behind these trends. Keeping in view the contentious nature of the subject, however, the common neglect is quite understandable. The present study is hoped to make some contribution in offering explanation to agricultural wage trends during 1970-71 to 1985-86.

### 3. Factors Affecting Agricultural Wage Rates

The determination of wages in agriculture in LDCs is a widely debated issue. To put it in the words of De Janvry and Subbarao (1986), the 'empirical evidence on wage determination is clouded with uncertainty' (p-39).

To explain variations in agricultural wage rates completely contrasting views are expressed in the literature on various LDCs. For India, Studies of the supply and demand for

rural labour by Bardhan (1984) and Evenson and Binswanger (1983) suggest that both functions are highly inelastic with respect to wages and that wages are fixed neither according to efficiency theory of wage nor by custom. Ahmad (1981) and Khan (1984) for Bangladesh found that the agricultural wage rates were responsive to the demand and supply factors and also the terms of trade of agriculture.

The relative price of agricultural products (or the terms of trade of agriculture) as a determinant of agricultural wage rates has been a debatable issue. For instance, Sah and Stiglitz (1987) and Ravallion (1990) suggest that agricultural wage rate is responsive to foodgrain prices. On the other hand, De Janvry and Subbarao (1986) assume that the nominal wage rate in agriculture is exogenously fixed implying zero elasticity of agricultural wage rate to foodgrain prices.

It is hard to obtain a consensus on this subject of vital importance. Situation may vary from country to country. Our knowledge enables us to specify with some degree of certainty the role various factors might have played in the determination of agricultural wage rates. Further, on the basis of our on-going research, we are in a position to emphasise that certain structural factors in the economy could have affected the demand and supply of casual labour which had a bearing on the agricultural wage rates in Pakistan. In the following we identify and explain, briefly, the potential determining factors.

(i) **Demand Side Factors:** Labour demand in agriculture during certain periods of the year may increase more than proportionately. For instance, the seasonal nature of crop production may demand the land preparation, irrigation and harvesting which may simply double the demand for casual labour.



The monthly data of agricultural wages in Pakistan, collected by the Federal Bureau of Statistics (FBS), clearly shows seasonal variations as determined by the cropping intensity (see table 1). As the data for 1986-87 illustrates, the months of October-November and April-May and August are quite striking. The wages attain a peak during these months due to land preparation, sowing, irrigating and harvesting of major crops. For remaining period of the year the wages drop to a lower level when such activity is relatively low. This suggests that the wage rates do reflect the changing demand conditions.

For representing non-seasonal demand, we have used two factors. Firstly, an important factor would appear to be cropping intensity. A high cropping intensity will effectively mean more cropped land and will raise total demand for labour. Cropping intensity may be defined in various ways. For the present, we have defined cropping intensity as the total cropped area as a percentage of net sown area. We expect a positive relationship between the wage rates and the cropping intensity.

A second important factor has to be productivity in agriculture. A rise in productivity, by stimulating demand for labour, would have a positive effect on wage rates. In the present exercise we take average agricultural productivity per worker to represent the variable.

**Table - 1**  
**Month-wise Wages of Agricultural Labourers in**  
**Pakistan, 1986-87** (in Rs.)

Months	Pakistan
September	24.91
October	26.20
November	26.11
December	25.21
January	24.39
February	24.27
March	24.58
April	27.95
May	28.21
June	26.33
July	25.78
August	26.51

Source: Monthly Statistical Bulletin, FBS

(ii) **Supply Side Factor:** The exodus of labour from Pakistan to the Middle-East, which commenced in the early seventies, is a well documented fact. Over a short span of time millions of workers emigrated while attaining peak in 1981-82. Thus, the intertemporal outflow influenced labour supply conditions through the supply side by reducing the labour supply and easing the extra pressure on domestic labour market considerably.

In the present analysis the supply side variable is represented by the proportion of labour force engaged in agriculture each year. Keeping in view that precentage of labour force engaged in agriculture has gradually declined over

the period we expect a negative relationship between wage rates and labour supply.

**(iii) Institutional Factors:** The government's labour and wage policies and trade union activities constitute the mechanism of institutional intervention in the wage determination process. The introduction of new labour policy in the early seventies extended a number of benefits to working labour force. This obviously applies to formal sector labour force (Irfan and Ahmad, 1985).

We believe that the workers in the unprotected informal sector like agriculture might have benefited from the spill-over effects of the wage policies of the formal sector as described above. In the present exercise, therefore, we have included the daily wage rates of unskilled workers in the formal sector as a determining factor. We expect this to be positively related to the agricultural wage rates.

**(iv) Trend Factor:** Another determining variable consists of the so-called set of trend factors. We expect that the trend factor as an explanatory variable would pick up the effects of those variables which could not be included due to various reasons.

There could be many reasons for not including other potential determinants of agricultural wages. For instance, (i) we have a time-series with sixteen observations. The inclusion of other factors would have resulted in very low degrees of freedom. (ii) The inclusion of such variable as area under HYV would be plausible. However, the same was left out due to a high degree of correlation with the cropping intensity.

#### 4. Estimates and Results

The determination of wage rates of casual agricultural workers in Pakistan is carried out by estimating the following two equations:

##### Equation 1

$$W_a = b_0 + b_1CR + b_2PR + b_3LA + b_4WM + b_5T + u$$

where  $W_a$  = average daily wage rate for agricultural workers in Rs. (in log)

$b_0$  = estimate of constant for the equation

$b_1$  = estimate of coefficient of the  $i$ th independent variable

CR = cropping intensity defined as the total cropped area as a percentage of net sown area (in log)

PR = average agricultural productivity per worker (in log)

LA = proportion of labour force engaged in agriculture (in log)

WM = average daily wage rate for the manufacturing workers in Rs. (in log)

T = trend factor

u = error term

##### Equation 2

$$dW_a = b_0 + b_1dCR + b_2dPR + b_3dLA + b_4dWM + b_5T + u$$

This is same as equation 1 except that the variables are estimated in different form to avoid the possibility of multicollinearity. For instance, in equation 2:  $dW_a = [W_a - W_a(-1)]$ .

As noted above the period covered in this exercise is 1970-71 to 1985-86. The macro level data comes from

information collected and published by various government and international agencies. The data alongwith sources is given in appendix table at the end. The estimates of the regression coefficients for the two equations are reported separately in tables 2 - 3.

As the estimated statistics in table 2 show (for instance, very high  $R^2$ s) there is every possibility that variables pertaining to equation 1 are collinear. This is as we suspected above. Hence, we shall base our discussion on estimated coefficients of equation 2 as reported in table 3.

By estimating two versions of equation 2 (equations 2.1 and 2.2), as reported in table 3, we have, in fact, experimented alternatively by excluding as well as including trend factor in our specification. The difference in results is only minor. This means we can safely consider equation 2.1 to be the representative one on the basis of slightly higher significance.

The coefficients of all explanatory variables are highly significant (in the range of 1 percent to 10 percent). Together the four independent variables explain 72 percent of the variation in agricultural wage rates. The signs of all the explanatory variables are in conformity with expectations. The wage rates responded positively to the cropping intensity (CR), agricultural productivity per worker (PR) and average daily wage rate for manufacturing workers (WM) and negatively to proportion of labour force engaged in agriculture (LA).

The results suggest that the demand effects over the period remained stronger as compared to supply side effects. However, the two cannot be seen in isolation with each other. These developments were brought about by increasing agricultural productivity and rising demand for labour together

with reduced labour supply during harvest periods. The latter was made possible through a large scale emigration predominantly from rural areas of Pakistan.

The results also imply that without general and rapid increases in agricultural output per capita it would be hard to raise levels of rural incomes and thus further redress rural poverty. In this regard there seems to be much weight in the following remarks by Singh (1990) for countries in the Sub-Continent, "...it is stagnation, not growth, that has brought impoverishment" (p:35). However, the growth under which institutional setting will be more effective is a separate issue.

**Table - 2**  
**Determinants of Agricultural Wages in Pakistan,**  
**1970-71 to 1985-86.**

Variable	Equation 1.1	Equation 1.2
Intercept	-6.13 (0.28)	-27.26 (2.61)
CR	-0.65 (0.48)	2.36 (1.46)
PR	2.89 (3.23)	2.91 (3.97)
LA	-1.51 (1.21)	-0.94 (0.91)
WM	0.84 (5.14)	1.88 (4.41)
T	-	-0.17 (2.57)
R <sup>2</sup>	0.985	0.989
DW-test	1.89	1.76
F-test	251.00	304.00

Note: Figures in parentheses are t-values.

**Table - 3**  
**Determinants of Agricultural Wages in Pakistan,**  
**1970-71 to 1985-86.**

Variable	Equation 2.1	Equation 2.2
Intercept	-0.24 (3.07)	-0.29 (2.51)
dCR	4.28 (2.48)	4.55 (2.45)
dPR	3.71 (4.59)	3.81 (4.44)
dLA	-1.94 (1.72)	-2.28 (1.70)
dWM	2.09 (4.67)	2.15 (4.52)
T		0.003 (0.55)
R <sup>2</sup>	0.72	0.69
DW-test	2.24	2.25
F-test	9.80	7.35

Note: Figures in parentheses are t-values.

## 5. Main Findings and Policy Implications

The agricultural wage rates in a developing country like Pakistan are considered an important indicator of levels of income derived by its rural labour force. In the analysis of determinants of wage rates carried out, we have found that the agricultural wage rates in Pakistan over the period 1970-71 to 1985-86 were responsive to certain structural factors that could have affected the demand and supply of casual workers. Further, some institutional factors also proved helpful in the process.

Various factors combined together created a rare economic condition which proved conducive to the rural working labour force. It may be fair to say that the Middle-East emigration during the post 1970 period to the tune of over 2 million workers helped in absorbing a large part of the rural Labour force. Further, it has been established by some studies that worker's remittances, having been invested in heavy construction and other related activities, generated employment opportunities (ILO-ARTEP, 1984). In other words a large part of employment generation in rural areas can be attributed to forces which practically were outside the rural economy.

The important question which remains unanswered is the sustainability of these trends once the effects of Middle East emigration are worn out. The evidence pertaining to wage rates for the most recent sub-period (1983-84 onwards) is hardly satisfactory. There is a need to consider effective policy measures towards employment generation and wage rates in order to keep the living standards of rural workers from further deteriorating. Some of these may be outlined as follows.

First, to ensure that demand side factors remain strong its instruments (e.g. cropping intensity, agricultural productivity, etc.) need to remain operative. The changing prevailing size distribution of land holding can play an important role in this respect. Second, the out-migration and remittances of rural labour force has attained its peak long ago. The evidence shows that some repatriation of emigrants is already under way. There is immediate need for appropriate policy action for their proper rehabilitation and employment. For that, more reliance on various off-farm activities (e.g. rural industrialization, etc.) out of their remittances would be a prudent policy.



Appendix table: Data Used in the Analysis.

Year	Agri. Wages (Rs/Day)	Manuf Wages Rs/Day)	Cropping <sup>*</sup> Inten. Index	Agri. Prod. Index	Agri. Lab. Index
1970-71	3.00	5.00	100	100	100
1971-72	3.15	5.40	103	102	100
1972-73	3.30	5.80	105	105	98
1973-74	5.75	7.30	108	107	97
1974-75	7.88	9.40	106	112	95
1975-76	7.53	10.80	106	109	94
1976-77	7.69	11.70	108	110	93
1977-78	9.06	12.70	109	112	92
1978-79	10.00	14.00	111	110	91
1979-80	11.31	17.30	112	109	92
1980-81	13.30	19.80	111	110	92
1981-82	19.53	22.60	111	120	92
1982-83	20.00	25.30	116	117	92
1983-84	20.50	29.40	117	116	90
1984-85	23.20	32.00	117	117	89
1985-86	25.00	35.20	120	123	93

Note: Agri. = Agricultural; Manuf. = Manufacturing; Inten. = Intensity; Prod. = Production; Lab. = Labour

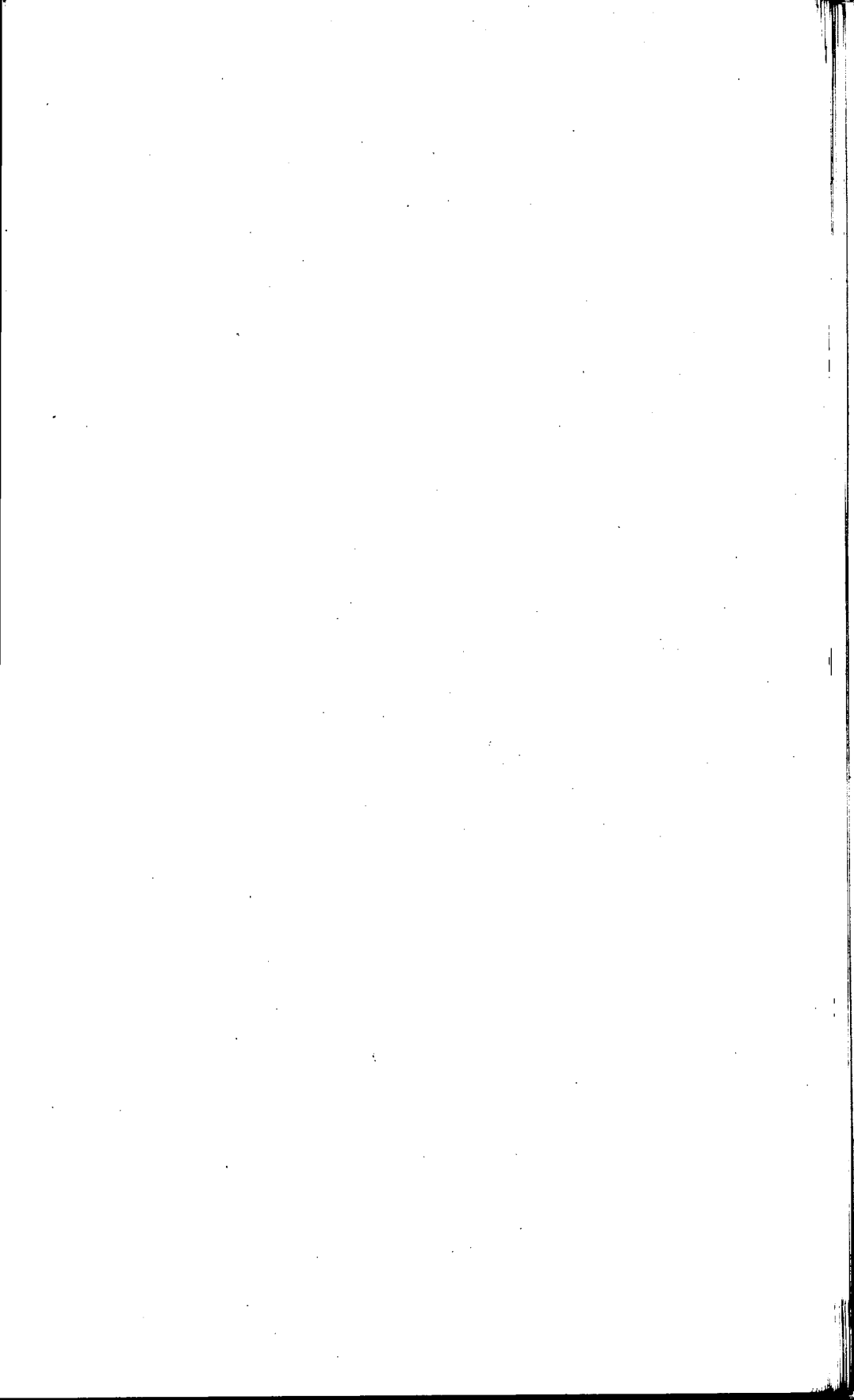
Source: (i) ILO Yearbook of Labour Statistics (various issues)

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# POPULATION GROWTH AND PAKISTAN'S ECONOMIC PROBLEMS

*By*

**DR. QAIS ASLAM\***

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## Introduction

Population has a two-fold role in economic development - as the consumer and as the producer of goods and services. The more the population, the more there is a need to produce, which ultimately leads to pressure on the country's economic and human resources.

The poor nutritional status and low standard of living of the people of Pakistan is probably the most dramatic indicator of the failure of conventional development to improve the quality of life in this country. Two-thirds of the country's population live in absolute poverty; they neither contribute to economic growth nor share equitably in its benefits, but live in conditions dramatically limited by the illiteracy, malnutrition, disease, high infant mortality and low life expectancy into which they are born.

A UNFPA document points out that, "The vicious cycle of high infant, child and maternal mortality, on the one hand, and of high fertility on the other, continues to pervade a large

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number of developing countries. The greatest tragedy, however, is that these deaths could be prevented through simple, effective and inexpensive measures." \*(1) Pakistan is one of the developing countries caught in the web of this vicious cycle. Whether it gets out of it for the sake of its population, its children, and its own economic survival is a question for its economists, politicians, policy makers as well as for its people to decide, before it is too late.

Pakistan's economic development and growth are hampered by uneven distribution of population and resources, environmental pollution, erosion of land and colossal military and unproductive spending. At the same time there is a shortage of food, energy and natural resources, and a low level of industrial and agricultural production in the country. The result is poverty and misery among the population. What makes the situation more serious is that the main victims of poverty, famine and malnutrition are children, who are the human resource reserve and future of every nation. Research shows, that small children are particularly vulnerable to brain damage as a result of poor nutrition and that such damage is not reversible. The root of malnutrition lies in poverty. With thousands of children dying each year, and many others with mental and physical disorders because of the undernourishment and poverty that they live in, the future of the country is at stake. If the rapid growth of population is not somehow checked; if the level of poverty and illiteracy of the existing population is not immediately decreased; if the overall economic plans are not somehow oriented towards long term sustainable economic development and scientific education for the population it would become extremely difficult to check the rapid decline of the economy and depletion of resources leading toward famine and disaster.

It should be noted that human poverty and misery are not inevitable. These arise out of poor planning in population growth and economic development programmes of any country. Excessive population growth, backwardness and poverty are closely related to a wide range of political, social and economic issues. These include a lack of international economic co-operation, the discriminatory economic policies of the developed countries, inadequate terms of trade and unjustifiably high interest rates on loans to the country, all of which increase foreign dependence and hamper economic development.

Pakistan continues to find itself at a very low level of economic development and in continuous debt to the foreign banks. Debt servicing and non-productive military expenditure take up the major portion of its budget, leaving no space for satisfying the needs of its population or getting them out of the vicious circle of poverty and raising their very low standard of living.

The aim of this study is to point out the interrelationships between population growth and economic development. Whereas if properly planned and used, population contributes in the economic development of any country; if left to grow out of proportion, it can as easily hamper the development of a country and contribute to its acute problems as is the case in Pakistan.

### **Effects of Population Growth on Pakistan's Economy**

The population of Pakistan is about 117.3 million, with an annual growth rate of 3.1%. \*(2) The level of mortality has declined by more than half while fertility has remained at a relatively high level. Hence the high rate of population increase. The population of Pakistan will more than double by

the year 2000 if the present growth rate continues. Also in Pakistan there is a high dependency ratio placing a greater burden on the economically active population and swelling the ranks of the reproductive age groups. The country's rapid population growth places strains on its food production as well as its general level of economic growth.

Pakistan's economy is primarily agricultural with about 72 % of the population living in the rural areas. \*(3) The country's GNP, \*(4) is characterized by slow development because of primitive modes of production, the prevalence of small holdings of under 10 acres of land which constitute above 90 % of the number of farms in the country, owning about 65 % of the entire cultivated land, \*(5) lower forms of mechanization, insufficient water resources, vulnerability to frequent natural calamities. Insufficient aid from government and limited private investments hinder its development. Meanwhile, industry in Pakistan is insufficiently developed and produces only about 18 % of the GNP of the country. \*(6) Different regions of the country are at different stages of development, causing further problems.

Debt servicing takes up most of its budget resources followed by colossal military allocations and administrative spending, leaving absolutely no money in the State kitty for annual economic development plans, uplift of the people's standard of living; nor for fulfilling any of the social welfare objectives like population planning, education, health, housing and sanitation. Pakistan's budget deficit as well as its foreign debt are continuously rising. On top of it all, most of the country's five-yearly plans have fallen short of their respective objectives.



The effect of this sharp rise in Pakistan's population on its economic development can be categorized as follows:

### **1. Food Production**

Lack of food and malnutrition are the number one concern facing Pakistan and the world today. Infant mortality in the country is 107.7 per 1000 births or about 10.8 %. \*(7) Most of these children die because of malnutrition and preventable diseases, which are directly linked with lack of healthy food and hygienic conditions in most of the rural areas. Food output in the county is rising more slowly than demand which responds to increasing population and increased prosperity among some sections of that population.

Statistics show that out of every hectare of cultivated land in Pakistan an average of 1.7 tons of good grains, and about 10 tons of cash crops were produced in 1991-92, \*(8) which is much lower than the production standards in other agricultural countries, and even to maintain the current level of consumption of grains and food stuffs, their output will have to be more than doubled in Pakistan.

### **2. Availability and Use of Land, Labour and Capital**

The density of population in Pakistan in January 1992 was 142 people per sq. km, \*(9) which is not much, but most of the population is concentrated between the rivers in the Indus delta and the rest of the territory is practically unpopulated. Pakistan, with a territory of 796 thousand sq. km. and a population of 117.3 million, \*(10) becomes the eighth biggest nation in the world by population. The land under cultivation is relatively low because of the feudal structure of the agricultural economy - big landlords on the one hand who do not cultivate the land themselves, but distribute it to their serfs

in small pieces; and small holdings of small farmers, whose holdings are far below official subsistence levels and therefore these lands do not contribute to the economic development of the country, although they contribute to sustaining the disguised unemployment and the major portion of the country's population which live off it.

The quality of labour is low because of the high rate of illiteracy, low form of technology used in most economic activity, lack of education and the general level of poverty in the contry. With a fast increase in the population, the human reserves of the country should be enough to sustain its economic development. But the low standard of living of the people and the effects of absolute poverty on their working capability transforms them into a burden upon its already strained economic potential.

There is a lack of capital because of low saving capacity among the population, low investment opportunities, because of imperfect market conditions, flaws in the economic structures and low public and private spending in the country. General economic activity is being channelized towards unproductive military and administrative spending and non-economic activity like smuggling and hoarding.

Pakistan's mineral and energy resources are sufficient to ensure accelerated development for an extended period. However, these resources are not being used in a planned and optimum manner, nor are they being utilized economically.

### 3. Unemployment

In Pakistan unemployment is a major social and economic problem. A considerable part of its population, able and willing to work, is jobless. Although official statistics show

that the total working age people in the country in 1991-92 were 78.2 million (66.6 % of the total population), the people employed in the same period were approximately 33 million (28 % of the population, and 42.2 % of the working age groups).

\*(11) But the real volume of unemployment in a country whose economy is based on agriculture is difficult to determine due to a sizeable portion of its hidden unemployed in this sector. It is also difficult to determine because of the very low level of participation of women in the production process. Data suggests that on average male employees outnumber women considerably in the non-agricultural sectors of the economy of this country. Also most of the job opportunities are male-oriented in Pakistan due to the socioreligious conditions. But it should be noted that the cause of serious unemployment in the next 15 years along with a high birth rate will be social and economic factors and the nature of technological progress in this country. Equally, whereas there are millions of adults unemployed, there are a large number of children in Pakistan who work and do not attend school.

#### **4. Women's Problems as Mothers and their Participation in Economic Life and Compensation for Work**

Statistics show that the participation of women (age 10 Years and above) in the civilian labour force of Pakistan is only 5 % as compared to 38 % of men (10 years and above). \*(12) Most of Pakistan's women today are literally just bearers of children, drawers of water and hewers of wood, and are treated like unpaid servants in their husband's home. Although they work harder and more than their men all day long, their work is not considered as labour, because they cannot indulge in any form of recognized economic activity due to the social and religious norms and practices prevailing in the country. The role of women both in the family and in the society needs to be

enhanced through equal rights and opportunities and through the provision of an equal say in the number of children they have. Present conditions of high fertility, limited job opportunities, poor education etc. for women restricts their full participation in the country's social and economic life.

Although the economists, politicians and policy makers in the country do acknowledge the importance of the role of women in the production, processing and marketing of food and their central role in the family's uplift, the last some years have witnessed slow progress in the promotion of the role of women in this country. Unfortunately, they overlook women's need for paid employment, their role in food production, or in the specific cases of women-headed households, women's equal rights in land reforms, equal wage policies, maternity leave in labour contracts etc. Although men are encouraged to take greater interest in health care, usually women are overlooked in spite of their importance as nurses, midwives and mothers.

This also brings us on the problem of compensation for work for people which are employed in different sections of the economy. Salaries for most working men and women in Pakistan are very low and even reach below subsistence levels. This is more acute for labour performed by women and children. Meanwhile the ratio of dependency upon the working population is increasing with the rapid expansion in the population. Households face plummeting living standards.

In extreme patriarchal societies like Pakistan and especially the Punjab, the irony is that women, even in educated families simply ignore the needs, education and health of their girl children and prefer the birth of a boy child which serve to further entrench inequalities in society's social, political and economic structures. The entrenched religious

beliefs and backward thoughts in most of the lower stratas of the society do not help solve the problem of bigger family units and participation of women in normal economic and educational life.

### **5. High Fertility Rate and Importance of Women's Education**

Another contribution to economic underdevelopment in the country is the unfavorable age structure caused by high fertility rates in which children comprise a major portion of the total population. - 44.5 % of the total population of Pakistan are children below the age of 15. \*(13) This many dependents put added strain on the productive members of society, many of whom are themselves unemployed.

In order to reduce the birth rate in the country it is important to educate women, to ensure their participation not only in the economic life of the country, but to give them more participation in decision making, especially the decisions of how many children they are going to have. In Pakistan the decision on the number of children in each family usually rests with the husband and the other members of his extended household, and women who actually go through the process of child birth are excluded from such decisions.

It has been noted that in almost every country educated women have been found to have fewer children than their uneducated sisters. Education is more important than even sanitation in saving the lives of children. A United Nations Population Fund's document states that, "Education is fundamental to the process of raising the status of women in general and of limiting fertility and bringing down population growth rate in particular. Population education, in turn, offers

women the possibility of improving their knowledge and skills in the area of family planning and health, child spacing, and nutrition, among others. It also helps women develop leadership potential." \*(14) This can be attributed to the fact that, education is a spring board to the modern world, as well as an instrument to enlighten the family about ways of keeping itself within healthy limits. In other words, girls who attend school will marry later than girls who do not, particularly in Pakistan where it is quite normal for girls to marry at puberty; an educated, literate woman is far more likely to make use of clinics, post-office or transport system, mainly because education makes her more confident, more able to find her way around and less dependent on men; educated women are better equipped to keep their children alive and healthy; an educated woman is far more likely than her uneducated sister to get her children immunized and keep medical cards for them. When her child is sick she will tend to take him to a clinic rather than a traditional healer, without having to wait for the approval of her husband. More appropriately, women who are better educated demand better health care; being able to keep their children alive has a huge psychological impact on parents. In families where a child has died, a parent will tend to produce more children than they originally wanted.

But education for girls is no guarantee of better life styles and development. A society's norms may hold back even educated women in their normal share of participation in socioeconomic activity. For example if they are paid much less than men for the same job, or if senior jobs are reserved for men, or if they have no access to credit, or land, or family planning services, then they are reduced to a secondary role of just child bearers, which adversely effects the economic

development of any nation. This is true for most of the Muslim countries, including Pakistan.

## 6. Health and Education

In Pakistan like most of the Third World, the development of the education system is slow. If this trend continues, a large number of people in the country will continue to be without education and without health care.

Forty years after Independence, Pakistan has a literacy rate of about 26 % \*(15) and more than half of the primary school going age children do not actually go to school. This makes Pakistan among the least developed nations as far as education and literacy is concerned. Data shows that the level of education in Pakistan in both Males and Females as compared to other Muslim countries is the lowest, giving Pakistan the lowest number of enrollments in primary and secondary schools among these countries. This also gives a female literacy rate of only 16 %. \*(16)

The country's expenditure on health 1990-91 came to 0.7 % of its GNP, \*(17) which is the lowest among the Muslim countries. Health facilities in Pakistan are expensive and largely limited to the urban areas, where a large number of doctors are unemployed but are not ready to go to the rural areas because of lack of facilities and bad pay structures.

## 7. Official Redistribution Programmes

There is practically no social security system in Pakistan, and its official redistribution programmes are limited to major cities and they are also mostly ineffective as they are halfheartedly taken up by the government because of bad planning, lack of budget resources, red tapeism and corruption

in its bureaucratic structures. Although the prices of the necessities of life are increasing rapidly, the increase in wages is slow. Real incomes of the population are decreasing, a problem worsened by a lack of social security programmes, low pensions, the high cost of living, education and medical care as well as ever increasing transport, electricity and gas rates.

Lack of social security programmes in the country not only keeps the population at a poor level, but also promotes the belief that more children are an insurance to a secure old age for the parents, thus encouraging the fast population growth in the country.

### 8. Urban Migration

Cities in the developing countries including Pakistan, are expanding faster than ever before. Slums in the older parts of towns may hold half a city's population. An example is Lahore's Walled City. About one-third of the occupants of new slums are migrants from rural areas - people vigorous and motivated enough to leave their villages to try to seek a better life in the big city.

Urbanization reducing the amount of arable cropland that can be farmed. A lot of the land has already been taken out of production because of mismanagement, land erosion, waterlogging and salinity. Urbanization is further aggravating the situation.

The country is losing people from land so rapidly that agricultural production is threatened. The population can keep food prices artificially low through their greater political pressure. The result is that farmers who produce food can no longer make a living and are forced to join the trek to the cities.



In the cities, housing may be beyond the means of up to a quarter of the urban population of a developing country. Therefore, they have to live in makeshift homes of cloth, bamboo and mud. Usually they occupy river beds, land next to railway lines or factory walls. These slums are always without water, sanitation, waste removal, power and proper streets. International development agencies have noted, poor people may spend much more money for their water having to buy it from vendors than people with running water in their homes. Slum dwellers also use on average much more water than people with taps in their homes. Settled on land usually belonging to others, they are frequently harassed by the law and organized mafia called 'Kabza groups' in Pakistan.

Rapid population growth and migration produces an ever increasing amount of waste; the environment is used as general garbage dump, increasing carbon dioxide in the atmosphere which contributes to pollution of air and water. It should be noted that part of the presently determinable strain on the environment is a result of the poverty of a large part of the population. An example is the environmentally harmful cooking and heating methods used by the poor, such as wood and kerosene stoves. These stoves are cheaply made and apart from causing pollution are responsible for the deaths of many women in Pakistan. Since the threat of this environmental pollution increases with the expanding population, the next decade might bring serious problems if no action is taken in time.

The problems of village electrification, poor sanitation, housing and lack of water facilities also remain in the rural areas where the people live a self-contained life of extreme poverty and where their number is increasing far more rapidly than that in the urban areas, because of population explosion.

Statistics show that about 22% of Pakistan's 49 thousand villages are without electrification; \*(18) About 56 % of the rural areas are without clean drinking water and only 24% of the country has proper sanitation - 88 % of the rural areas and 45% of the urban areas are without proper sanitation / drainage facilities. \*(19).

Almost all the population in these 49000 villages live in mud houses where large families and their animals share the same scanty living space.

### Conclusion

In order to check the fast growing population and poverty in Pakistan, more down to earth and economically viable economic development plans and programmes have to be introduced in all sectors of the economy. It is important to use and channelize the existing human and economic resources so that they can raise the standard of living of the people, break the vicious circle of poverty and at the same time put the country on the track of self sustained development. For this the basic requirements of the people, their quality of their life, their needs and aspirations must be kept in view. Enrichment of human lives through satisfaction of their basic needs represents a real measure of development. Also there is a need for the introduction of newer and environmentally friendly technologies, the recycling of energy and raw materials as well as for the preservation of clean water, air and other environmental safeguards. The problem would be approached more successfully under a structure of economic development which involves the co-operation of all the countries of the region and both developed and developing nations, as well as a programme of intensive population planning. It is important to promote peace, security and regional co-operation in order to

reduce defence spending. This will allow colossal resources to be channalized towards the uplift of human life and the improvement of the demographic situation in the country.

History tells us that the slow level of population growth in most of the developed world was not due to any population planning in these countries, but was possible mainly due to the high level of economic development, scientific education and literacy rates in these countries; because of an intensive participation of women in the every day economic life and decision making; and the vast amount of recreation, sports and leisure facilities available to the population of these countries.

The key to the relationship between population control, healthy families and a sustained economic growth in Pakistan or in any country is the participation and education of women in all fields of economic life, especially in the decision making in their own and the country's future. Integrating family planning along with health care problems and providing due emphasis to improve the quality of life for women can go a long way towards solving some of the basic problems facing the country today.

In order to check the population explosion in the country, it is recommended that the Government should develop comprehensive population policies for sustainable economic development; should mobilize political, religious, intellectual, economic, social and other resources for an aggressive and integrated family planning approach; should use, promote and expand information, marketing and advertisement techniques, education and communication through all possible means in order to tackle the high birth rate; should use all possible means at the disposal of the public and private sectors to lower the infant mortality rate;

should improve social and economic conditions in the rural areas for a better and healthy living of the poor strata of the society; should make possible that the population has easy access to population control information and methods of birth control; use all possible means in reducing female literacy, expanding general level of education, especially to girls and providing income generating opportunities for women; make legislations marked at securing the women's legal and social status and their greater participation in decision making, especially in their choice of marriage and in the number of children that they want to bear; should, through legal means raise the marriageable age of both sexes to at least twenty, while promoting the lowering of child bearing age of women to thirty-five at the most, in order to shorten the child bearing time span among Pakistani families. All this and an introduction of some sort of sex education and knowledge of family planning in school and colleges and at local village levels will go a long way in reducing the population pressures on the country's economy and will help promote smaller healthier families in the country.

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- \*7. Ibid pp 9.
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- \*10. Ibid pp 13.
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# PLANNING IN THE POST-SOCIALISM ERA

*By*

**DR. MUHAMMAD ASLAM\***

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## **Ringling the Bells Backward:**

Bolshevik Revolution in Russia in early 20th Century changed the world beyond recognition. The revolution was inspired by Karl Marx - a German ideologue and sociologist whose epoch-making book "Das Kapital" was called the "Bible of Socialism". Marx was primarily an analyst and a forecaster. In the role of an analyst, he elaborated his materialistic interpretation of history. He explained historical events in terms of the never-ending struggle between the 'haves' and 'have'-nots' or to use his expression, between the 'bourgeoisie' and 'proletariat'. As a forecaster, he prophesied the eventual collapse of Capitalism, as in his view, it contained in its womb the germs of its own destruction. He visualised bloody revolutions and violent overthrow of capitalist states in Europe and their replacement with the 'dictatorship of the proletariat'. Marx however did not consider it as an end but means to an end - the end being "the truly participating democracy of freely associating citizens". Such was the power of his ideas that Marx Weber was obliged to interpret the 20th century as one long dialogue with the ghost of Marx.

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Marx was falsified as a forecaster. The revolution he visualised did come but not in the industrial West, it came in the backward agrarian Russia instead. The revolution also did not lead to the 'dictatorship' of the Proletariat; instead it culminated in the dominance of another elitist group - the so-called State Bourgeoisie who were more interested in their self-perpetuation and less in the logical crystallisation of Marxian ideas. Thus the state established after the revolution did not 'wither away' and instead became more and more oppressive, losing sight of the 'humanist vision' of Marx.

Marx also could not visualize a modified and reformed capitalism grafted with planning as a substitute for revolution. This is what actually happened in the West. The West adopted a flexible and pragmatic approach and showed a remarkable capacity for compromise and adaptability. They embarked upon 'humanising' capitalism and mass production made it possible to eliminate poverty and to ensure a reasonable standard of living to everyone. The synthesis evolved in the form of the 'Social Democracy' and 'Social Democrats' in the West were successful in building 'Welfare States'. Marx however deserves credit for engineering this compromise through his scathing attack on Capitalism and his prophecy of its eventual downfall. It was a compulsive and enlightened response of the West threatened by the rising tides of Communism.

While the West responded in a positive manner and engaged itself in self-introspection, in the revolutionary Russia the new elite group that came to power became engrossed in self-perpetuation. Thus the phase that was to be a transition towards real socialism became an end in itself. And in their enthusiasm for speed and quick results, civil liberties were curtailed, democratic aspirations of the people were steamrolled; private initiative was stifled and spirit of



competition banished from the system. The obsessive preoccupation with rapid industrialization, an exaggerated emphasis on heavy industry and the relative neglect of agriculture proved disastrous. The important work of modernization of plants and upgrading of technology was paid scant attention. The absence of competition and the availability of captive markets of Eastern Europe precluded the necessity of any action in the desired direction. Also the matters of soul and spirit did not carry favour with the stalwarts of the revolution and Ruskin's clarion call that "cry cry for your food but cry for your soul first" was not properly headed.

Thus the Soviet Union by the mid 80s looked like standing on the threshold of a second Revolution and the advent of Gorbachev on the political scene proved to be a turning point, thanks to his policies of 'Perestroika' (restructuring) and 'Glasnost' (openness). This set in motion a process that eventually led to the overthrow of the socialist order.

### **Blowing of Cold Winds for Planning**

The collapse of Communism in the Soviet Union and the Eastern Europe has been as dramatic an event as the Russian Revolution of 1917. The present Counter-revolution or the Second Revolution like the First Revolution has also changed the world beyond recognition. Soviet Union, or to be more precise, its successor Russia, is no longer a super power, turning the world into unipolar instead of bipolar. The U.S. is the Sole Superpower dictating its terms to everyone. There is talk of a 'New World Order' to be essentially designed and tailor-made in terms of the priorities and preferences of the lone Superpower. The world will never be the same again.

What is the implication of this development for planning? Is the demise of Socialism to be construed as an end of the road for planning technique? Is there an element of inevitability between socialism and planning? Has planning outlived its utility or are the original factors necessitating the use of the planning technique still valid and relevant? Will planning be discarded altogether or will it continue its coordinating role with some modifications in content as well as emphasis? These are important questions and call for clear-cut answers.

Socialism may not be dead and over, but there is no denying the fact that it has been administered a serious jolt. It has lost substantial ground to the Market System. Market economy is the new trend in fashions and every country is outdoing others in expressing her allegiance to it. Will it lead to saying farewell to planning? The answer is NO. Because there is no inevitable relationship between socialism and planning.

Planning has been and is wrongly attributed to Marxism or Communism. Marx was not a planner and he never used the word 'planning' or 'planned economy'. There is no trace of it in his prolific writings. The West opposed planning due to its supposed ideological links with socialism and on account of the fear that it will destroy their democratic institutions. The advocacy of planning was regarded a revolutionary activity destined to opening up the floodgates of bloody revolutions. It was thus termed as "Creeping Socialism" and a "Road to Serfdom". It was also interpreted as "an attempt to build another tower of Babel", which implied inviting a tragedy or a catastrophe. A planned economy was dubbed as an economy "where arts sicken, science withers and charity declines".

### Turning of the Tide:

Planning faced a very hostile environment in the West. That is why it could not be introduced in a comprehensive fashion. Instead it made inroads into the Western economies in a gradual, phased and piecemeal manner. It was modified to suit the western democracies. France was the first country to take the initiative and Jean Monnet was the famous visionary who coined the expression of "Concerted Economy" (L'économie Concertie) and evolved a new type of planning called 'Indicative Planning' or French Planning' that was compatible with market economy and stood for persuasion rather than coercion in realising the targets of planning.

Other developments which paved the way for introduction of the planning technique in the West were: Great Depression of 1930, Keynesian Revolution and successful experiment of the "Marshall Plan" devised by the U.S. for rehabilitating the war-ravaged European economies. All this evolutionary process is traced in order to show that planning was not imposed from above and its introduction was a gradual, and premeditated affair. This voluntary and evolutionary character of planning in the West will ensure its continuity even in the post-socialism era.

Market Mechanism has certain in-built drawbacks such as an implicit bias against production of capital goods, distorted pattern of prices, neglect of externalities of projects or spill-over effects of an investment decision, illusive and unrealistic assumptions (such as perfect competition, absence of natural monopolies, perfect knowledge, market responsiveness to price incentive etc) and last but not the least, inability to change status quo. Planning technique may be employed to make up deficiencies, to plug loopholes and to strengthen the 'invisible

hand' of market mechanism. Thus liberal thinking and a realisation that planning does not aim to supplant market mechanism; it is on the other hand, designed to supplement it, also contributed in making western mind more receptive to planning.

### **Silver-Lining for Planning in the Sky:**

In addition, the reasons or compulsive factors of planning, in terms of the fundamental changes in the modern economies are still as relevant as these were in the formative years of the planning technique. I shall dwell upon this point i.e. of the fundamental changes in market economies and their continued relevance, in a bit detail.

One of the fundamental changes was the technical revolution and the sophistication of modern production. The lead-time or preparatory-time of modern production increased greatly and also inversely to the actual time of production. As there is greater time lag between conceiving of a project and its actual commissioning and operation, the chances of mistakes multiply, resulting in over-production or under production, thereby causing dislocation of economy. The example of a slow burning stove will be quite illustrative here.

The stove is lit by coal and takes time to operate at peak. The fact of its slow working is not fully grasped as we continue filling it with coal to bring the room temperature to the desired level. But when coal gets piled up in the stove and it becomes red-hot and starts emitting heat, it becomes impossible to stay inside due to excessive heating. There is no regulatory mechanism to tell when to stop. What is true of a slow burning stove is true of modern production. It is precisely

here that planning aims to coordinate production through forecasting at the behest of central authority.

Another fundamental change relates to the vast expansion in public utilities. Modern states are no longer in the mould of 'nighwatchman state'. High standard of living is becoming almost a new passion and a religion and according to a sociologist "is the primary if not the only aim, something for which even the most hardened atheist will offer up his daily prayer". Hence modern states have turned into 'welfare states'. As private sector, devoid of the 'social conscience' fails to provide a multifarious nature of public services and utilities such as education, health, welfare, postal service, road system, judicial service, drinking and irrigation water, gas and electricity, railways, telecommunication, air travel and records and statistics. The future demand for public services and utilities needs to be forecast; resources to be organised; production to be coordinated. All this can more efficiently be done through planning.

Planning is also a sociological need of modern day states. An economic development plan provides a ray of hope for future. It binds people together in a common cause. It stimulates them to greater hard work. It motivates them to more sacrifices and discipline. They toil together for a future vision - a vision of greater prosperity and elimination of hunger. This strengthens bonds of unity among them. Says a French philosopher; "The citadel I shall construct will be in the hearts of men. make them all work together to build a tower and they will become blood brothers". How ideals unify nations is illustrated by our cricket team. The Captain, Imran Khan, had an ideal of winning the World Cup and become champion. The corridors of the hotels where the team had been putting up, echoed with the chants: "we are the champion". The ideal

transformed the whole team and starting as underdogs in the tournament, they finally won the coveted World Cup. The sense of achievement further cemented the bonds of unity. Who is not aware of the great surge of the nationalist sentiment? Who can forget the love and ovation showered on the team at various provincial metropolises? The nation after a long time, basked in the sunshine of glory of the victory and every heart in the land throbbed in unison. An economic plan, properly designed and presented, may also prove a rallying point for the nation and an anti-dote to fissiparous tendencies. How sense of achievement of an ideal works upon human beings dawned on me recently when I had an opportunity to visit great Tarbela Dam. We were participants of a course having different ethnic and regional backgrounds. We were escorted around this largest earth-filled dam of the world and every heart was filled with awe and pride and each face radiated with an inner-most feeling of achievement. Europe is uniting on the basis of an economic ideal. It was the ideal of planned social development that united the Soviet Union - comprising different people of white and yellow races, consisting of some one hundred national units, speaking innumerable languages and professing some ten different religions. It is true that the Soviet Union has been disintegrated, but laurels already won by her provide eloquent proof of the planning technique being an instrument par excellence for unifying a nation.

In UDCs, problems of absolute poverty, change of the status quo, structural reforms, feudalism, development of banking and financial institutions, population explosion, manpower development, foreign sector mismanagement, including servicing of huge debts stare in the face and can be tackled only in terms of planned development.

### Clearing Some Doubts and Misconceptions:

Planning is generally considered synonymous with formulation of economic plans. It is however not a gospel truth. There may be planning without a formal plan and there may be plans without planning. The important thing is the observance of the planning process in economic decision-making. Planning is an act of coordination carried out through a process of forecasting with a view to achieving specific social and economic ends. A budget or annual development programme may be used for this purpose. The formulation of a formal plan is not an absolute necessity for undertaking planning, although it may facilitate the process.

Secondly, Planning will still be possible if there is no independent Planning Commission. The coordinating role implicit in planning may be assigned to any other organ of the state such as a federal ministry, or a division in the federal ministry or a high-powered committee of the cabinet especially constituted for the purpose. There was some speculation in recent past regarding Nawaz Government's intention to abolish the Planning Commission of Pakistan and this was taken to mean an end of the planning technique. This is not the necessary conclusion. Planning spirit may pervade through economy even in the absence of a formal, independent planning organ like Planning Commission of Pakistan.

I shall venture here to record a personal view of the PCP. The track record of the Planning Commission is not very reassuring. Despite the power and privilege bestowed upon it, it failed in its primary duty i.e. generation of fresh ideas and a steadfast defence of its policies. During the Ayub regime, it pursued the growth strategy. The policy paid dividends as there was a rapid acceleration of the growth rate. But it also led to

income disparities. The opposition was able to engineer a popular agitation against the Government. This was the time for the Planning Commission to defend the strategy of growth adopted by it. The top brass of the Planning Commission instead were the first to abandon the sinking ship and chief architect of the strategy was the man who threw the first stone. These very people, in the early sixties, had articulated the growth strategy and were of the firm opinion that inequalities at the initial stages are not only inevitable but also desirable for economic development. This somersault and time - serving attitude was a sad reflection on the character of this national economic organ.

They also stood by when Bhutto Government was embarking upon a hasty and large-scale nationalization, stifling the private initiative. Presently they are again playing the role of silent spectators as Nawaz Government is going to the other extreme i.e. a hasty and large-scale privatization. This inability of the PCP to stand up and defend or criticise policies keeping in view the larger and long term interests of the economy has seriously impaired its reputation.

I shall also like to compare the PCP with the 'General Planning Commission' (GPC) of France. It was established in 1945 by De-Gaulle, the then Prime Minister of France. He was prevailed upon by Jean Monnet, its first chairman, and one of greatest French-men whose remains were shifted to the Pantheon in Paris in 1988 on the occasion of his birth centenary. He was great visionary who also dreamt about the unification of Post-War Europe. He was the first President of the European Coal and steel Community. In recognition of his services, he was given the title of "Honorary Citizen of Europe."



During his period, General Planning Commission of France worked with a limited staff, never overflowed with funds and was not vested with vast powers to interfere in French Economy but it came to command great prestige. The credit went to the small brilliant and devoted team of the Commission's staff that worked for it under the inspiring leadership of Jean Monnet. They distinguished themselves with the freshness of their ideas and firmness of their convictions and did not compromise for sake of expediency or convenience. The performance of our Planning Commission in comparison pales into insignificance.

### Concluding Remarks

Last but not the least, it may be remarked that a man is planner by nature and instinct. Human beings plan education, professional careers, travel, traffic, holidays, environment and even matrimony. All these social and cultural ends would be less attainable and even lesser enjoyable without planning. Thus it can be safely concluded that planning technique will remain in use in one form or the other, no matter what is the ultimate fate of socialism.

The main points of the paper are summarized as under:-

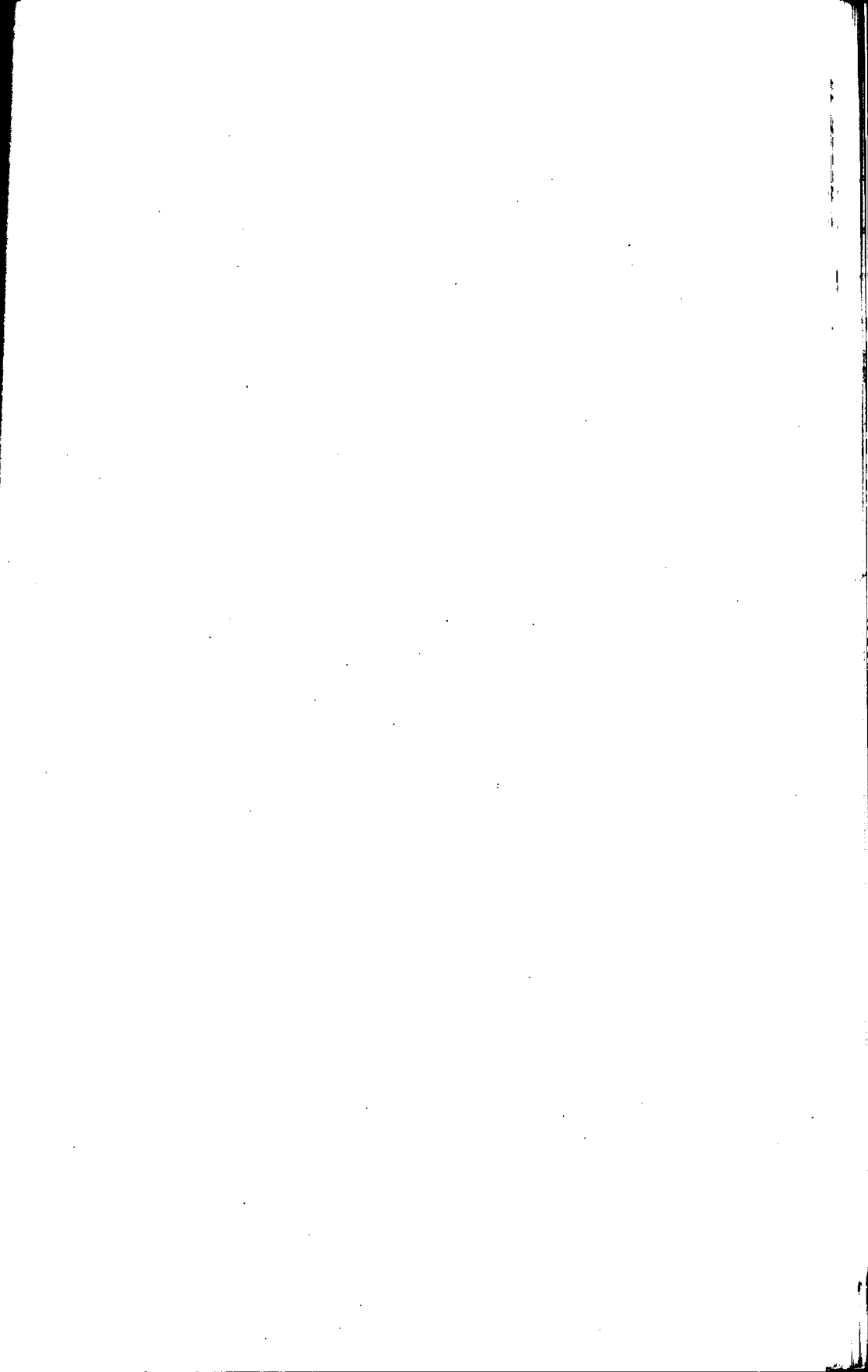
1. It may be too early to write the obituary of socialism.
2. Planning is in no way aligned to Marxism or socialism.
3. There is no incompatibility between planning and market mechanism. Planning plays a supportive role to market mechanism.

4. Imperative planning may fade out but indicative planning will continue to coordinate and guide a free enterprise economy.
5. Planning is possible without a formal economic development plan and even without an independent planning commission.
6. Planning in the West was made indispensable due to certain fundamental changes in modern economies. As there is no reversal of these fundamental changes, planning cannot be rolled back.

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## BOOK REVIEW:

### **CULTURAL DIMENSIONS OF DEVELOPMENT IN THE OIC MEMBER STATES**

*Edited by Ekmeleddin Ihsanoglu, prepared by Zeynep Durukal and Muhammad Aslam, Published by OIC Research Center of Islamic History, Art and Culture (IRCICA), Istanbul 1991, pp 114.*

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"Cultural Dimension of Development in the OIC Member States" is a nicely designed book, printed and published by OIC, IRCICA in Istanbul, Turkey. It is prepared jointly by a Turkish and a Pakistani researcher. It is a study on cultural development in the Muslim countries and consists of an Introduction, six chapters and a conclusion. References and notes as bibliography have been added at the end of each chapter.

This study concentrates on the cultural heritages, advancement of culture and forms of cultures in the Muslim world, which the authors recognize as comprising one-fifth of the world population, living in different geographical and political units and all defined as 'developing countries', but all "participants in a great cultural heritage prevalent in a wide part of the modern world". The authors of the book, with this study, aim at assessing the level of activities and the position of Muslim countries, in those areas of culture which are subject to development planning and policies. The book takes up study of areas such as education, as a major component and determinant

of culture in any country; science and technology, as a method of research and development of culture; libraries, as influential institutions which reflect the cultural development of a society; museums, as the aspect of heritage of each nation; mass media & means of communication, as promoter and propagator of culture and creator of powerful influence on the lives of people; and cinemas and theaters, as vehicles of information and products of cultural activity. The study has also tried to look upon national development efforts in the Muslim countries and international cultural cooperation between these countries.

In its Introduction, the study attempts to give a comprehensive definition of the word 'culture'. It deals with the debate on the term 'culture' as used and defined by different thinkers and writers in different social sciences. "The concept was developed further through these debates, and it was recognized that culture consists not only of 'learned behaviour' but also a system of norms, values and ideology which forms the framework and essence of culture." "First of all, it is a continuous process whereby it absorbs and enriches without altering fundamental values and beliefs. Second, it is also a sum total of intellectual and artistic products, and finds expression in the 'artifacts of culture' such as languages, literature, music, art and architecture." After defining culture it goes forth in introducing its direction as a study. The purpose of this book is to study the aspects of culture and its development in the Muslim world. This study attempts to bring about the basic difference between the Western conception of culture and its understanding as in Islam. "In Islamic context, religion provides the basis of culture, whereas in the contemporary Western sense religion is only one of the main elements contributing to the evolution of culture. As a complete code of life, Islam covers both temporal and spiritual aspects of existence." Further, it goes on to say, "One of the realization

that man needs not only the material progress brought by industrialization, but also moral and creative activity, which would match technological achievements with cultural achievements and moral satisfaction." It points out the importance of modern means of communications in universalizing culture and increasing people's awareness about cultures and knowledge of other nations and nationalities. Also in its introduction the study touches on the role of Mass media at increasing the mutual recognition and appreciation of the world's cultural heritage. It also emphasizes the right of all to share in scientific advancement and its benefits.

Chapter One, deals with Education, particularly the educational scene in OIC countries. In this chapter the study deals with problems of literacy; schooling; government expenditure and policy issues in the Muslim countries. Education is accepted to be a strong determinant of cultural development, and therefore, an area of policy action. It is referred to in the study as the means by which cultural elements are preserved, held in common and transmitted to future generations, in short as 'the best exponent of culture'. "Education thus occupies a fundamental place in the Islamic conception of the ideal society and should be the very *raison-d'etre* of a Muslim." "The Quranic injunction of placing men of learning in a position second only to Prophets was indeed revolutionary." After accepting the collective position of educational facilities from economic, cultural and social viewpoints; recognizing them as an act of investment; and having direct bearings on development policies - especially cultural development policies, literacy rates, school enrollment ratios, qualitative levels of effects of education in each of the OIC member countries are discussed in this Chapter with the help of tables. The problems of literacy as causes as well as the results of economic underdevelopment in these countries are

shown. Attempt has been made to show that in spite of the high importance given to education in Islam, the level of literacy and quality of education in the Muslim countries is alarmingly low. "Out of 38 countries .... only 18 have a literacy rate above 50% of the population over 15 years and only 11 countries have it above 60% "The study goes on to prove that the literacy rate of female adults in OIC member countries is much lower compared to the literacy rate of male adults in these countries. Moreover the study shows that, over 50 % of the population of 15 years and above in these countries is illiterate. The study also discusses the flaws in the system of schooling in all these countries. It points to the low level of primary, secondary and higher education enrollment; disparity in the ratio of male - female students and differences in pupil / teacher ratio in different Muslim countries. This chapter also evaluates with the help of tables and statistics the share of education of total government expenditure in these countries. Public policies regarding education and literacy in these countries have also been briefly discussed. It underlines that the educational issues which required policy action on the part of governments of these countries are numerous. They include illiteracy, low enrollment rates, high rates of repetitions and drop-outs, brain drain and an insufficient supply of teachers and trainers. According to this study the improvement of the relationship between education and the socioeconomic environment is also among the problems planners in the OIC member countries must come to grips with. Further the study notes that each educational issue need to be dealt with not only with respect to the quantifiable aspects of education, but also with respect to its quality. "In broader sense, policies related to the quality of education also involve the setting of goals; this sometimes requires a re-evaluation of the education system being applied, in the light of national and / or religious principles in order to ensure the community's integrative development in its



intellectual and moral aspects." In respect to the western - type of education which exists in almost all of the world and co-exists with some forms of 'traditional' Islamic education in the Muslim countries the study observes that they have different aims and objectives, therefore an integration of the two systems has not been possible in most cases and this has caused a fundamental problem in both objective setting and results of education in the Muslim countries. The study in the end of this chapter hints at the "remarkable attempts" which are being made in different OIC member countries "to derive imaginatively from the highest valuations of the Quran educational goals in the social context of secular phenomena such as modernization, nationhood, development."

Chapter Two, deals with Science and Technology and assesses in particular, keys to development; existence of research and development (R&D) methods in OIC countries; and major issues facing planners in these countries regarding science and technology, research and development as forms of culture and knowledge. The study acknowledges the importance of modern science and technology and its role in expanding the dimensions of knowledge. It points out that research and experiment are a creative and systematic activity which is undertaken to increase the stock of knowledge and devise new applications for further enhancing human development. But notwithstanding their brilliant scientific achievements in history, the Muslim countries today are part of the less developed world and among those nations which have not only lost control over their national resources, but are dependent on imported science and technology. The study shows with detailed tables, the position of scientific and technological research and development; ratio of engineers and scientists; and development; ratio of engineers and scientists; and expenditure - share of their GNP - among the Muslim and

non-Muslim developing countries and briefly discusses major issues facing planners regarding development of science and technology in these countries. The study states the fact that although a 'precondition' of a moral and intellectual environment favorable to progress is a commitment to scientific development, there is a lack of this commitment at the societal and community level in all the Muslim countries. The study emphasizes that 'generalizing interests and commitments to science' in the society is essential in order to transform OIC member countries from technology users to technology producers. Because disparities between the countries of the world in participation and sharing the benefits of this unprecedented growth of human knowledge, process of scientific discoveries and technological achievements exist, and if OIC member countries want to promote their socioeconomic and cultural development, then the prerequisite for it is research and development in the field of science and technology. The study emphasizes that along with the necessary international cooperation and technical assistance in the field, development of science and technology in individual countries will only be possible if national efforts and resources are fully mobilized.

Chapter Three deals with Libraries. The stress of this Chapter is on libraries in Islam: particularly libraries in OIC countries. The chapter looks into book production and translations in these countries and takes up issues of their development. The study asserts that libraries perhaps are the oldest source of stored, and classified knowledge and information. It goes on to say that, one indicator of the educational, intellectual and cultural level of a society in the modern world is the existence of libraries in that society, and rightly adds that libraries are an indispensable component of education and research institutions in any country. Further the

authors point out that "Islamic culture and civilization have developed around books." Then proceeding to the present day situation of libraries in the OIC member countries, an evaluation based on the commonly accepted criteria of libraries in the world today is made with the help of tables and statistical data. The number of libraires, number of volumes of books and annual additions of books both in Muslim countries and their contrast with the developed nations of the world are shown and analyzed in these tables. The results based on this statistical data shows that the number of libraries in OIC member countries is not up to the standard which can contribute to the socioeconomic and cultural development of these countries. Not only that these libraries are few, but the books in these libraries are old and few. The study in this chapter also analyzes data on the number of books produced and translated, both in the Muslim countries as well as in the developed nations in recent years. The study observes that "More than one-half of the translations in the listed OIC countries were done from works in English; French, Arabic and German following. The share of Arabic is only 0.5% in industrialized countries and in the world at large." In 13 OIC countries its share is 9.9 %. Issues of development regarding libraries and books have also been discussed in this chapter. The problem of library administration and new practices in library administration, with all its implications in the preservation and flow of information have been briefly reviewed. The study recommends that the Muslim world should modernize and expand their libraries and render these services more efficient. Also it recommends that these countries should take advantage of the advancement in international inter-library cooperation and stresses the need for expanded book production and marketing in OIC member countries.

Chapter Four covers Museums. It deals with museums in OIC countries, their development patterns and future needs in these countries. The study in this chapter points out that no nation can exist without an awareness of its past, therefore, by housing the intellectual and artistic products of mankind, museums help in preserving the cultural heritage and increase people's consciousness. The chapter also traces a short history of museums in the world, and goes on, with the help of tables and statistics of visitors to these museums, to give their review in the Muslim world. The study points out that, the number of art museums in the Western sense is very low in the OIC countries compared to other countries, because there is a basic difference in concepts, interpretation and the very terms 'Islamic' and 'Western' art, then goes on to explain this difference by stressing that "Islamic art generally appears as embodied in or combined with each other in a functional use, such as calligraphic arts complementing architecture or marbled paper and illuminations to decorate manuscript books. The museums of the West display the products of the 'arts of excellence' such as painting and sculpture." The other reason given in the study for a lack of museums in the OIC countries is that the traditional crafts exhibited in these countries are in ethnographic or anthropological museums and not as works of art, therefore the lack of museums in these countries. The study also points out that the experience of museums is relatively new in the Muslim countries, but goes on to state, that with a rich amount of historical and ethnic museum materials that can be found there is a need for the OIC countries to cooperate with each other and enhance their theoretical and technical know how on museum classifications and exhibitions in the future.

Chapter Five focuses on Mass Media and glances at the media situation in the OIC countries. It defines 'mass media'

while categorizing it into news and non-news media, and stresses its importance in the modern world. The study with the help of tables glances on the media situation. It looks into the printed media density in the OIC member countries and finds that this density is extremely low in these countries. Giving the plausible reasons the study points out that, "Literacy rates and particularly per capita GNP seems to be directly correlated with media densities." The chapter concludes on the note that, being the 'powerful vehicle of communication' and a 'gateway to cultural influence', mass media is a 'double edged weapon' in the hands of every country or group of nations which can possess and manage to use it to their advantage. The study points out that, all the Muslims have, at varying degrees and extent, included media, means of information and mass communication in their national development plans, but the policies of these countries on the supply side need to be complemented by a promotion of the demand side, especially for electronic media, and recommends international cooperation - exchanges of media material, production of joint educational and entertainment programmes - among OIC countries in overcoming the challenges faced in this area and to reduce the heavy reliance on imports from abroad.

Chapter Six deals with Cinemas, Theaters and Feature Films in OIC countries. This chapter reviews with the help of tables the production and imports of feature films, number, seating capacity and attendance of cinema halls and performing arts establishments in the Muslim countries. Statistical data is used to illustrate the troupes, their performance and international tours from these countries. The study notes that theater based on written plays are still at a development stage in OIC countries and at the same time traditional types of theater have lost ground although some sort of folklore or 'village theater' is still performed in the rural areas. The study

implies the importance of cinemas and theater not only as a leisure and income generating activity, but also as an educational activity developing aesthetic tastes, knowledge, values of social life and historical events. The study pin-points the areas of supporting arts and culture which need improving and governmental attention in the OIC countries.

This book sums up its suggestions and observations in its Conclusions and ends with remarks that, "This overview of some salient aspects of cultural life in the OIC member countries did not purport to be exhaustive; it would have fulfilled its aims by providing an insight into the issues involved in the areas covered, pointing to subjects requiring further study, and showing its results in the perspective of cultural development both in individual countries and in the overall framework of the Organization of the Islamic Conference."

The book, *Cultural Dimensions of Development in the OIC Member States* has succeeded in attracting the attention of research workers, economists, cultural activists and general readers on the problems of lack of development in the field of education and culture in these countries. The book offers not only large number of References on the topic at the end of each chapter, it also gives vast statistical information on the subject, in the many tables in its chapters. The study shows that the OIC member states, have a treasure of cultural heritage as part of their historical past, but these countries have done little to maintain this cultural heritage, or to develop it in present times, compared with industrialized nations and other non-Muslim countries of the world, hence the relatively lower level of overall development in these countries.

The study like all studies made with ideological purpose tries to distinguish Islamic and Western culture, but fails to pin-point the difference in the purpose of the distinction. Maybe the authors assume that the readers already know of this distinction in the purpose of educational and cultural activity in the Muslim and non-Muslim world, or maybe they could not afford to go into the discussion. But the argument can be put forward that all religious ideologies, especially the other two major religions developing from the same source as Islam and revealed to man by God through His Messengers would have the same purpose in developing their educational and cultural basis. As far as the modern world and its economic and cultural development is concerned, it is true that their purpose is derived from the 'material and non-material welfare' of humans under the norms of market and / or planned economies. but it is interesting to note that the authors of the present study have taken the same modern economic parameters to judge the development of cultural activity in the Muslim countries, although they are, repeatedly in the study, trying to distinguish the purpose of cultural and educational activity in these countries from the Western purpose and meaning of the word 'culture'. Also, the present study has not determined any other parameters which might have judged the cultural development in OIC countries, distinguishing them as different from or better than the rest of the non-Muslim underdeveloped countries. More so that the states under discussion have not been able to break out of their present state of economic and cultural underdevelopment both in comparison to their own Islamic past as well as in comparison to the contemporary Western world. For the sake of argument it can be added that the governments in the OIC member states have not been able to preserve as successfully as the West the remnants of the rich cultural heritage from their own past. This aspect has not been fully revealed in the present study.

Although this study is not enough to reveal all the undercurrents of the problems, aspects and modes of culture discussed on its pages, the authors should be congratulated for having a right approach in recommending that the answer to the development problems in OIC member countries is to concentrate and develop better methods of education and culture with their own resources, and through inter-OIC cooperation.

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## GOVERNMENT COLLEGE ECONOMIC JOURNAL

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