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Good economics is inclusive politics

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The defeat of Finance Minister Mr Hafeez Sheikh in the Senate elections is not just a defeat of Mr Imran Khan but a rejection of the idea that ‘economic-technocrats’ are the solution to Pakistan’s economic woes.

I am not implying that economic-technocrats can’t be useful; I am just problematizing the ahistorical and undemocratic approach of preferring malleable technocrats over independent-minded politicians with strong roots amongst the people.

The powerful quarters in Pakistan falsely assume that economic technocrats can deliver economic development despite the broader political and institutional instability created by the narrow-vested interests of the former. This is tantamount to wishful thinking because history tells us that economists/technocrats cannot deliver economic development; it is always delivered by a forward-looking visionary political leadership by creating political-economic settlement/consensus in society.

For example, at the height of the Great Depression in the US in the 1930s, it was a progressive American politician/President Franklin Delano Roosevelt who created a broader political-economic consensus between liberals, conservatives and progressives, and pulled the US out of depression making it a leading superpower in the Northern Hemisphere. Similarly, politicians like Ronald Reagan and Margaret Thatcher championed the ideology of supply-side trickle-down economics at the global level and changed the economic landscape of their countries. In China, it was the leadership of Deng Xiaoping which put China on a transformational path. In Malaysia, Dr Mahatir envisioned Malaysia Vision 2020 and charted a new course for his country. The bottom line is that through inclusive politics leadership creates a socio-political, institutional and cultural ecosystem in the country which paves the path for economic development.

In sharp contrast, the PM in Pakistan promotes ‘divisive politics’ rather than inclusive politics, and dehumanizes his political opponents and critics in the media and civil society. This is extremely dangerous for social cohesion in our society. The PM is entitled to criticize his opponents but dehumanizing them is a quasi-fascist tactic, and a recipe for economic catastrophe.

Consequently, Mr Hafeez Sheikh under the aegis of Mr Imran Khan was rejected by parliament because of our extreme economic woes. One shocking and depressing fact which I hope will also

jolt the powerful quarters and force them to critically reflect on their own approach is that: Pakistan has become one of the worst performing economies in the region since the PTI government assumed power and this trend is set to continue in the future, if left unchecked. According to ADB projections, Pakistan's growth rate will be 4 times and 3.5 times slower than India and Bangladesh, respectively. On the other hand, the inflation rate in Pakistan is projected to be 27 percent and 46 percent higher than Bangladesh and India in 2021, respectively.

If we do a comparative analysis of per-capita income of Pakistan with other countries in the region, we find out that in the last four decades, other countries have overtaken Pakistan because of our internal political turmoil and crisis. Given the low growth trajectory under the PTI government, India and Bangladesh are definitely going to further pull away from Pakistan in terms of per-capita income. We must ask how and why they have been able to develop so rapidly and we couldn't.

In today's global economic order, economic development is primarily tied to investments and exports. The share of total investment is hovering around 10-12 percent of the GDP in Pakistan, whereas in Bangladesh and India, it is around 25 percent of the GDP. In particular, India and Bangladesh have been able to successfully attract FDI in the past two decades, while Pakistan could not keep up the pace. In fact, FDI in Pakistan has declined by 11 percent in the year 2019-20 as compared to the 2017 level. The net inflow of FDI in Pakistan is only \$2 billion, whereas in India it is more than \$50 billion and it has now crossed \$16 billion in Vietnam.

Similarly, Pakistan has failed to keep up with its peers in terms of growth of exports. As compared to Pakistan's meager \$20-\$25 billion range of annual exports, India's exports stand at \$528 billion, Bangladesh is about to touch \$50 billion and Vietnam stands at \$279 billion.

This should ring alarm bells even among the country's powerful quarters because if 'business as usual' prevails then Pakistan's strategic geo-economic position will be further compromised.

Pakistan's current economic trajectory is simply unacceptable. At the current pace, we will be unable to offer decent employment opportunities to our two million young population entering the job market annually which will create numerous social, cultural, economic and security challenges for us. The way out is very simple: we do not need to invent a new wheel; we simply need to learn

from the successful experiences of other countries. Therefore, Pakistan cannot afford the sheer incompetence, recklessness, vendetta and arrogance of the current PM.

Every decent economist will tell you that Pakistan's poor economic performance is connected to constant political instability/uncertainty and fissures between different organs of the state. This has stifled our economic potential and we now have to leapfrog to catch up. But before we start our journey, we must acknowledge some basic facts.

Economic development cannot be separated from the broader political, socio-cultural and institutional environment in a country. Economic development requires a conducive ecosystem. No country in the world can economically develop under a volatile and hostile environment of political engineering and political victimization. We have to decide between these two choices: 1) stick with the old ways of political engineering and provide political life-support to the hybrid regime; 2) Learn from our past mistakes and begin a new chapter and let the people of Pakistan decide their fate through a fresh, free and fair election.

That is where Pakistani politicians, judiciary, establishment and media need to improve. We need to unlearn the old ways of political engineering and victimization and learn new ways of inclusive governance based on research-backed policies. Most importantly, we need to promote socio-politico-institutional harmony among diverse organs of the state and society for sustained and inclusive economic growth. This is the only way forward we have as a nation, if we want to leave a prosperous, peaceful and progressive Pakistan for our future generations.

The path of incremental economic growth is no longer an option with our growing population. The fall of many empires took place when they were unable to support the burden of big armies and growing populations due to stagnation in economic growth. We stand at a threshold; either we depart from business-as-usual or sink in the dustbin of history as a crippled country. One of the biggest reasons for our failure is political instability, political engineering and experimentation.

The current juncture reminds me of John Maynard Keynes' famous quote: "The difficulty lies not so much in developing new ideas as in escaping from old ones".

The choice is clear: status quo or constitutionalism, incrementalism or leapfrogging, narcissistic egos or development.

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