

Economic fallout the changed political

Javed A. Malik

After Nawaz Sharif's government's dismissal of April 18, four economic aspects of the resulting political situation have emerged: A political consensus on the basics of economic policies; reaction of private business entrepreneurs; the hold of feudals on economic policy making; and prospects of the coming budget.

Though by default, a consensus of all major political forces of the country on the fundamentals of economic policies has been achieved. A rare phenomenon in developing countries, it has been necessitated by the demands of the times. The government succeeding Sharif had no choice but to continue these policies whose introduction was not the sole credit of the Sharif government anyway. Moreover, a government can hardly change the thrust of a country's economy in just three months. As a matter of fact free market policies were accepted as part of the country's future as early as by late President Zia-ul-Haq's government though the Sharif government did increase the pace of their implementation.

Soon after taking over, the caretaker administration pledged to continue the free market policies of its predecessors and repeatedly assured the public it had nothing against these policies ideologically speaking.

Pakistan's dilemma has been the irresistible urge among successive governments to scrap all the policies of their predecessors and start from scratch. In many instances, these new policies have not been different from the older ones. The result has only been wastage of resources and valuable time. However, since the formation of LJI before the 1988 elections, it was clear that there was not much difference about the economic policy between it and the Pakistan People's Party. The similarity continued in the 1990 elections too, when it was difficult to differentiate between the economic part of the manifestos of both major alliances.

Nevertheless, it is for the first time a successive government has publicly given an undertaking to continue policies of its predecessors. The caretakers have, however, emphasised transparency in privatisation and other economic spheres deciding to review the priorities of development expenditure as well. Both these decisions were expected, as in third world countries it is very easy to allege corruption because of lack of transparency and Pakistan is no exception. Similarly, for development expenditure every government has its own priorities. As the present government's mandate is only for three months, it is not expected to be able to do much on both these counts. But the intentions, nevertheless, are plausible.

In all those countries which have shown considerable development in short periods of time, one trait is common. There were no abrupt changes in economic policies and the politicians agreed on the basics of economic management. ASEAN countries are the most commonly quoted example and Benazir Bhutto's PPP has made a major contribution in this direction in Pakistan. The caretaker Finance Minister, Farooq Leghari, by taking a bold decision to continue the previous policies, despite the President's clear opposition in his speech, has set an example worth following by all future governments.

The second development, also for the first time in Pakistan, is the reaction and strike called by business entrepreneurs at the dismissal of Sharif's government. Though effectively tackled by businessmen sympathetic to the PPP, making the strike only "partially successful," the strike itself is important and is being misunderstood by many. It was not for the Sharif government or against the caretakers. It was, in fact, for saving the interests of the business community and against any losses which might have occurred had the government reversed the free market policies. As such, giving a political colour to the strike is not justified.

The business community has defied common wisdom that it is always in support of the government in power. By deciding



to strike work at a time when this might have been perceived as an act of support for the deposed politicians, the businessmen have shown rare courage. Given the tremendous gains this community made as a result of the liberalisation policies of the past government, it has become much stronger than before. Having an industrialist Premier, who after all did bring fundamental changes in the economy, also resulted in enhancing the public's confidence. Successive governments of Pakistan will have to keep this strength of the business community in mind. This strength is bound to increase with the passage of time as the free market flourishes.

The uncertainty created as a result of the political change was bound to slow down economic activity resulting in losses to individuals and the nation as a whole. The sharp decline in the Karachi Stock Exchange Index, overplayed by many, was a normal reaction to the political change and would have been there even if instead of Sharif, X, Y or Z's government had been sacked. Despite the caretaker government's assurances, the uncertainty and resulting slack in business is going to stay till such time a new government is elected and settles in office. If the change had not occurred the uncertainty created by a continuous tussle between the President and the Prime Minister would have lingered on much longer.

The third aspect is of the feudals versus the business class. The caretaker finance minister, Farooq Leghari, addressing a press conference said, "Having a businessman prime minister does not mean the interests of the businessmen would be better served." One could not have disagreed with him had there been proper institutions in place in the country and experience of more chief executives from the business class.

The experience of the only industrialist prime minister in the country has, however, also revealed that he did not do anything to curb the undue influence of the feudals and did nothing to bring them into the direct taxation net. The committees formed under the Sharif government for resolving the issue, a major one in Pakistan, were mere delaying tactics. The gov-

