Pakistan Journal of Applied Economics, (1994), Vol.X Nos.1&2, (21–46)

THE STRUCTURAL ADJUSTMENT PROGRAMME AND PAKISTAN: External Influence or Internal Acquiescence?

S. Akbar ZAIDI*

For nearly two decades, the International Monetary Fund and the World Bank have been implementing stabilization and structural adjustment programmes in underdeveloped countries. These policies have focussed principally on attempts to improve balance of payments, cut inflation, reduce the budget deficit, and ensure increased economic growth. Institutional and structural arrangements within the economy are also transformed so that the package can be implemented in the appropriate conditions. The results of the structural adjustment programme are mixed: some countries have shown growth, others have not; for the most part, the budget deficits have not been adequately cut; many programmes have been outright failures with disastrous consequences. There is almost complete agreement that the social welfare and human repercussions of the structural adjustment programme have been all too severe. Pakistan has adhered to a structural adjustment programme since 1981. The central argument of this paper is that Pakistan's economy is in fairly good shape and does not need an IMF/World Bank sponsored structural adjustment programme. Pakistan does not suffer from the ailments and afflictions which a large number of countries, who have requested and followed structural adjustment programmes, do. The economy has grown markedly in the past, and can continue to show growth, development, and progress, without structural adjustment programmes. However, reforms and better management are needed. The paper concludes with an attempt to understand why our governments and our intellectual elite fail to question and evaluate the agendas set from abroad.

I. Introduction

To state that governments, particularly in underdeveloped countries, are dependent on, dominated, influenced or pressurised by events, factors, agencies and institutions outside the realm of what itself constitutes "the government", is to state the obvious. Governments are affected by happenings within their

*Senior Research Economist/Associate Professor, Applied Economics Research Centre, University of Karachi, Karachi, Pakistan.

own geographical domain, as well as by factors determined by outside interests many thousand miles away. Foreign patronage of third world governments has often been the norm, where local and indigenous sensitivities have been trampled upon and ignored by governments whose existence has depended on approval from abroad. The three decades of the '60s, '70s, and '80s, with the likes of Pinochet, Samoza, the Shah of Iran, Zia and Marcos, provide ample proof that most governments in the third world were imposed by, and dependent on, factors which one can safely categorise as "external influences on the government". And to be fair, nor was Washington responsible for this alone: puppets of the now extinct Soviet empire were also ruling their own countries with a severity that wrecked their societies.

However, this is the 1990s, which we are told - the choice of words is deliberate - is the New Age of freedom, and economic and political liberalism, where the market and democracy have now acquired the status of softer, disciplining factors. With the Soviet threat no longer existent, we can now talk of *one* world, rather than two or three, as hitherto. There no longer seem to be different visions or agendas and the only image of the future seems to be a linear extension from what can loosely be termed "the West" running to the non-West, with various levels and degrees of westernisation and/or modernisation differentiating countries. Economic and political liberalism - the market and democracy - in vogue today need to be seen in that context [see Banuri, (1991); Banuri and Schor, (1992); Zaman, (1993)].

The purpose of this paper is to examine this new thinking, particularly with regard to economic liberalism in general, with special reference to the tool being used to make the underdeveloped world a more advanced and modern place. The IMF and World Bank policies of stabilization and structural adjustment, influencing almost all underdeveloped countries, probably constitute the most dominant instrument in this thinking. The general guidelines and principles of the IMF/World Bank view are discussed in this paper and some of the consequences of the implementation of these policies worldwide are also examined. Some evidence from Pakistan is also presented and an attempt will be made to present some arguments which may suggest that external influences on government cannot be seen without their links with the internal influences and consequences of government.

II. The Development and Export of Development Thinking

The few critics of the stabilization and structural adjustment programmes seem to be rather perturbed that the IMF/World Bank thinking - or the Washington Consensus as it is called - has suddenly taken over the world and is now influencing it to suit its own interest. While it is true that today, these two agencies in Washington exert the strongest external influence on underdeveloped countries (udcs) and their governments, this sort of outside influence is not something new. While political pressure in its more covert forms has existed for many decades - and in fact one can argue that since the time of colonialism has *always* existed and has never really gone away, and all but its form has changed - economic ideas and packages have been exported from Washington since the formation of the World Bank and the IMF.

In the 1950s and 1960s, the model which was suggested and developed by academics and government officials in the US, was one whose focus was almost only on growth. This model, where the general aim was to increase growth in the economies of the relatively advanced underdeveloped countries - Latin America and some Asian countries - wrested on the premise that increased growth should be the fundamental focus of all policy and eventually the fruits of growth would "trickle down" to the population at large. The doctrine of "functional inequality" was promoted where the general aim of the policy was to focus on the already well-to-do and to increase their wealth on the premise that they had high savings rates and would thus reinvest their incremental wealth. Industrialization was the mechanism for this enhanced growth and underdeveloped countries began to produce goods, particularly consumer and intermediate goods, which they imported earlier - this was the import-substituting-industrialization popular everywhere. During this phase of development, agriculture was neglected and the internal terms of trade were biased against agriculture. Urbanisation increased and the process of "modernisation" of the underdeveloped countries is said to have begun.

Soon after, the detrimental policies towards agriculture were corrected and with the discovery of higher yielding varieties of grain, an agricultural Green Revolution, in countries as diverse as Mexico, Pakistan and the Philippines was initiated, often at the insistence of US officials, where the Ford Foundation and other agencies played a distinctive role.

Towards the end of the 1960s, Washington discovered that these policies of growth had caused as many problems as they had sought to solve. Economic growth had indeed taken place, but development was not assuming a particularly pleasant trend. All the countries which were being praised for being high achievers in terms of growth, were castigated for being poor performers on human indicators. This gave rise to other World Bank packages such as Basic Needs, and Redistribution With Growth. Growth was still important, but countries were advised to look after their poor and provide basic facilities to them as well. The 1970s also saw huge amounts of dollars being loaned to (mostly) Latin American countries which were to supplement their own efforts at raising capital for investment.

After the debt crisis of the 1980s, and with deteriorating balance of payments positions and with inflation in excess of 10,000 per cent in many countries, the Washington agencies stepped in agair 'o offer programmes and loans for stabilization and structural adjustment. While the Washington view in the past may have been more advisory and suggestive and somewhat covert in the era before the 1980s, with the stabilization and structural adjustment programme (SAP) it has become much more involved, direct, aggressive and overt than ever before. In the 1980s, the IMF and World Bank have been the driving force on a global level and have facilitated and guided economic restructuring in dozens of countries. "Structural adjustment became the lending vehicle by which the official financial institutions gained access to policy makers and, through conditionality, tried to induce profound changes in development policy and economic structures" [Reed, (1992), p.3]. It would not be wrong to say that many countries have given up their own economic programmes and have accepted, in totality, the packages devised in Washington. Many national ministries of finance are now run by the International Ministry of Finance.

In many important ways, the 1960s and 1980s seem to be quite similar with many parallels. Most important have been the broad overall macroeconomic perspectives, where growth mattered most, and issues of equity and welfare were somewhat secondary. Trickle down and functional inequality were revived under SAPs. It is now believed that "economic growth, unencumbered by ancillary concerns, remains the unquestioned imperative of development strategy and that the benefits derived from economic growth can best provide the means for addressing ancillary concerns, whatever they may be" [Reed, (1992), p.4]. There are numerous differences too, especially where state intervention in the late '80s was to be minimised and protectionism was - only for underdeveloped countries, though[1] - impermissible. The market is the new institution which is to distribute the benefits of growth and/or development.

Strangely enough, while there are similarities in the '60s and '80s, the 1990s also seem to resemble a stage in the 1970s. The incomplete success of the 1960s led to the Basic Needs approach, and in the 1990s, following the SAP of the 1980s, concepts like social action programmes, sustainable development, adjustment with a human face, and sustainable poverty reduction, have now been introduced to address the incomplete success of the adjustment programmes of the 1980s. History does seem to follow a strange sort of repetitive logic, albeit with significant innovations. However, since history came to an end for

[1] While the emphasis of this new thinking has been on removing protectionism and making economies more open, most underdeveloped countries still face severe restrictions. 51 per cent of Pakistan's exports to the US, 53 per cent to the EC, and 11 per cent to Japan, are subject to quota restrictions [Nabi and Hamid, (1991), p.72].

many scholars, it would be difficult to predict the next round of developments regarding Washington's worldview.

While Washington's economic policies have influenced, if not dominated, much of what has happened in the underdeveloped countries since most of them acquired (a misnomer called) "independence", the last dozen years have seen an active and much more involved presence. For this reason we now turn to an examination of what constitutes a stabilization and structural adjustment programme, and then examine its subsequent effects.

III. Structural Adjustment Programmes: Theory and Effect

A structural adjustment programme seems to be a fairly general programme in the sense that its basic principles are applied to countries irrespective of the differences that exist - and this is one of the major criticisms of this approach [Taylor, (1988); (1991); Banuri, (1991)]. Specifics may vary regarding timing of the programme or specific rates regarding policy, but the general formula can be summarized as below.

The focus of a SAP is around improving the balance of payments position, cutting the fiscal deficit and lowering inflation. The different arenas around which these and other policies revolve are as follows [see Thomas, et al., (1991); Ferreira, (1992); Reed, (1992); World Bank, (1988); (1989)]:

i) *Trade Policy:* Countries are advised to adopt competitive real exchange rates, and the mechanism to do this is through devaluation. A consistently depreciating currency is recommended to keep real exchange rates competitive. The lifting of restrictions on exports is advised so as to encourage exports. A decrease in quantitative restrictions on imports, i.e., quotas, and a reduction in tariffs, is recommended to strengthen the international competitiveness of domestic industry. Essentially, the principle is that the economy should follow an outward-oriented export-led path.
ii) *Fiscal Policy:* The reduction and elimination of fiscal deficits by curtailing public expenditure is a high priority and an increase in prices in the public sector so as to meet costs and increase revenues is recommended. The tax system is supposed to be reformed and rationalised, essentially to improve the revenue raising ability of the government and by creating new sources of revenue. Subsidies to the energy and agricultural sector are supposed to be either substantially cut, or eliminated altogether .
iii) *Public Enterprises:* The preferential financial treatment to state economic enterprises is to be eliminated and their performance is to be brought to par with the private sector. Public enterprises are to be reformed to improve efficiency and profitability. Unprofitable public enterprises are to be

closed down or are to be privatised in order to reduce the government's fiscal burden.

iv) *Financial Sector:* Improving the regulatory framework to facilitate better and smoother functioning and to restore public confidence is top on the list. Institutions are to be restructured so as to facilitate resource mobilization and to reflect costs. Interest rate ceilings are to be relaxed. Time deposit rates and lending rates are liberalized.

v) *Industrial Policy:* Protection is to be removed from the industrial sector so as to make it more competitive internationally, and price controls over goods are to be removed so as to improve resource allocation. Those industries which produce for exports are to be encouraged and promoted.

vi) *Agriculture:* The bias against agriculture is to be eliminated by adjusting the exchange rate and by removing the protection offered to industry. Agricultural prices are to be liberalized and subsidies to be discontinued.

To summarise, then, the SAP is meant to improve the balance of payments position with the help of devaluation which is supposed to encourage exports; it should cut the fiscal deficit by increasing some prices and cutting subsidies, and by decreasing government expenditure; and it should cut inflation and foster growth. As much as possible, intervention in the market should be eliminated and an attempt should be made to get prices right. "Balanced budgets, production and trade liberalization are everywhere the buzzwords" [Veltmeyer, (1993), p.2080].

The Washington Consensus [Veltmeyer, (1993); Zaman, (1993)] is essentially a worldview of a neo-liberal model of market led development where these international financial institutions "overwhelmingly work within a neo-classical economic paradigm" [Jolly, (1991), p.1817]. This model of liberalization, with trade and financial openness, outward orientation, with a liberal economy with minimal government restrictions in all markets, is meant to constitute "policy reform to take an economy from 'illiberalism' to 'liberalism', i.e., to *laissez faire*" [Banuri, (1991), p.9]. The neoclassical thinking which has found ascendance in the North, has been imposed on udcs, and "economists, politicians and policy makers from the North (have) pressed financial liberalization upon the nations of the South" [Banuri and Schor, (1992), p.2]. However, the application of this model of economic liberalism has shown that it does not lead to improved economic performance and the conclusions from a comprehensive study state that "the perception of liberalising all conceivable markets in countries in every conceivable political circumstance ... are neither feasible nor desirable, and are likely to cause greater damage than the malady itself" [Banuri, (1991), p.25]. In Sub-Saharan Africa where the IMF/World Bank package of stabilization and structural adjustment has been most ambitiously imposed, the severely underdeveloped nature of property rights has caused problems in identifying and working with the "market" [Platteau, (1992); also see IDS, (1993)]. Even the World Bank, in one of its more candid moments "has openly accepted the fact that the scores of conditions attached to structural adjustment loans may contribute little to the ultimate success of individual adjustment packages simply because they are too complex and do not correspond to institutional conditions and managerial capacities in an adjusting country" [Reed, (1992), p.34]. The Bank has recently realized that "frequently, the necessary markets or other institutions are not there, or they do not work well or as expected. Failure to take into account institutional characteristics specific to the country can lead to poor advice ... The blanket recommendation of generally accepted policies can be disastrous in particular circumstances" [Thomas, et al., (1991), p.524]

In general, then, the market friendly neo-liberal philosophy of which the SAP is a part does not always seem to be either appropriate to most underdeveloped countries and nor does it produce particularly positive results. Let us now examine the more specific effects of the structural adjustment programme applied worldwide.

Since there are 64 countries which have had recource to IMF and World Bank loans in the course of their stabilization and structural adjustment programmes, and many of these countries have had repeated access to these loans, there are numerous studies which examine the consequences of these programmes. Furthermore, there are many cross-country studies which compare the performance of those countries which followed SAPs with those that did not [see Khan, (1990); Thomas, et al., (1991); World Bank, (1990); (1992)].

Examining a large number of studies which look at the macroeconomic effects of Fund-supported adjustment programmes, and summarising their results, Khan (1990) shows that the general conclusions from these studies is that in some cases the balance of payments due to Fund programmes improves, but not in all; inflation is usually not brought down by the programme; growth falls in the first year, but may then rise. He concludes his review by saying that "on the basis of existing studies, one certainly cannot say whether the adoption of programs supported by the Fund led to an improvement in inflation and growth performance. In fact, *it is often found that programs are associated with a rise in inflation and a fall in the growth rate*" [Khan, (1990), p.222, emphasis added].

World Bank studies argue that those countries "that have carried out major adjustments have performed better on average in terms of their aggregate economic activity than those that have not. There is a general and positive connection between adjustment lending and this relative improvement, but the connection is not a tight ono and performance varies substantially among loan recipients" [Thomas, et al., (1991), p.544]. Regarding a cut in fiscal deficits, the

Bank itself concludes that "the short-run impact of budgetary retrenchment has generally been recessionary, with a fall in investment and growth"[Thomas, et al., (1991), p.39]. This stringent fiscal adjustment which is central to the SAP has led "to sharp decline in public investment (which) may be leading to serious infrastructure bottlenecks to development" [Reed, (1992), p.24]. The budget deficit was cut almost always due to a cut in expenditure because "deep seated institutional weaknesses" did not permit an expansion of revenue. In those countries where the attempt to cut the deficit was made, debt service payments rose sharply because of the increase in interest rates, and because of the devaluation of the domestic currency, as a result of which "a widening gap between the fiscal deficit and current account deficit put increasing pressure on the private sector to generate a net surplus. This lead to cuts in private investment and growth, often accompanied by higher inflation" [Thomas, et al., (1991), p.14].

There are critics of the programme who challenge the significance of adjustment lending's impact on restoring growth. If the adjustment effect on growth is weak, adjustment lending creates a negative investment effect: "The influence of structural adjustment programmes on aggregate investment *is almost everywhere negative*" [Reed, (1992), p.32, emphasis added] and, "this negative impact on investment runs counter to one of the basic objectives of adjustment and thereby questions the assumptions on which policy lending was predicated" (ibid, p.32) UNECA has accused the World Bank of "stark manipulation of data" to prove that its programmes work (ibid, p.32). There is also evidence that not only do "many resource-poor countries experience severe economic contraction and social dislocations in the short term, draconian austerity measures had a serious negative impact on the ability of many countries to improve economic efficiency and rekindle growth in the medium and long term" (ibid, p.32). Furthermore, the attempt to correct the balance of payments position with the help of devaluation and the immediate and undifferentiated reduction in import tariffs has not given national industries adequate time to improve their competitiveness with foreign firms. "Consequently, deindustrialization in many countries resulted from sudden trade liberalization and further eroded the industrial base of many fragile economies" (ibid, p.37).

Severe criticism of the IMF/World Bank SAP has been directed at the welfare consequences of these programmes, and political unrest in countries as diverse as the Dominican Republic, where 55 people were killed in the early 1980s in a wave of protest against the severe economic austerity measures, or in Egypt, Morocco, Tunisia, or Zambia, on the occasion of attempts at sharply reducing food subsidies within the broad guidelines of adjustment programmes, must suggest that these programmes do have some negative effects on the poor. "Social unrest has often followed the implementation of stabilization and adjustment policies which severely curtail the purchasing power of the poor as well as their access to basic services" (Helleiner, et al., (1991), p.1825].

In a UNICEF report written in 1984 which was the first of its kind to examine the effect of the SAP on the human condition, the authors concluded that in many countries "the declines in child welfare appear to be closely associated with stabilization and adjustment policies" [Helleiner, et al., (1991), p.1826; also see Stewart, (1991)].

Moreover, Hoeven, (1991) found that it was mostly the extreme poor who were affected by the SAP, since "the economic environment in which they lie is often more closely related to the external sector, and their principal source of income - wages - has often decreased drastically as part of structural adjustment policies" (p.1835). These findings have been supported by Veltmeyer (1993) who argues that between 1973-85, "in almost every country in Latin America where the structural adjustment programme has been imposed, the share of labour in income derived from value added in manufacture has fallen" (p.2082). In the case of Chile, which is considered an "economic miracle" by Washington, Veltmeyer (1993) found that there was a widening and deepening of various social inequalities in the distribution of income and other economic resources, as "well as a dramatic decline in the purchasing power of wages and an associated deterioration in living standards" (p.2083). The percentages of those living below the poverty line in 1969 in Chile was 29 per cent of the population; this figure had increased to 42 per cent in 1990. This increasing income concentration and income inequality was also found in the other success story, Turkey, where studies indicate a "significant worsening in both, the size and functional distribution of income in the 1980s" [Senses, (1991), p.226]. There was a sharp decline in the share of both agricultural incomes, and wages and salaries. The worsening income distribution arose due to the "removal of subsidies following price decontrol in the public sector, a neglect of essential public services in health and education, as well as a sharp fall in real wages and agricultural terms of trade" [Senses, (1991), p. 226] all which were implemented due to the SAP [also see Stewart, (1991); Zuckerman, (1991)]. The effect on the environment, due to the SAPs, is also harmful [Reed, (1992)].

Stewart (1991) has offered an extensive critique of the SAP on the grounds that it has negatively affected welfare. In the 1980s, she argues, in Africa and Latin America, the "balance on the whole was *undoubtedly negative* " (p.1848, emphasis added). Per capita income declined as did investment, while inflation "accelerated"; the budget deficit "showed no improvement in Sub-Saharan Africa and a *considerable worsening* in Latin America" (ibid, p.1848, emphasis added). The real income of the low income population was particularly affected by rising food prices where specific conditions in the adjustment programme required subsidies to be removed, producer prices to be raised, and a devaluation of the local currency affected imported food.

Stewart's work also substantiates those of others, where cuts in real per capita government expenditure following IMF advice to decrease the budget deficit, affected resources available for health and education. She shows that in the majority of countries following Fund/Bank programmes, health and education expenditure per capita were cut in the 1980s. Zuckerman (1991) finds that in non-adjusting countries, the majority of countries *increased* their expenditure on health and education. Reed (1991) also argues that "it is worth noting that defense spending suffered significantly smaller reductions than social expenditure and investments (p.9)". And also, that "draconian cut backs in government expenditure have frequently led to dramatic and often extended reduction in public investment in infrastructure. Deteriorating and inadequate infrastructure in turn, has become a major bottleneck to economic expansion and often in terms of developing domestic markets" (ibid, p.36).

Even World Bank staff admit that the social cost in adjusting countries has been high, with higher unemployment, lower real wages and worse social welfare. They even admit that their policies have given birth to a new breed of people which they call "the new poor" which are "the direct victims of adjustment" [Zuckerman, (1991), p.248]. By the removal of subsidies on food, public transport, energy, water and fertilizers, all standard SAP requirements, the impact on the poor is deemed severe.

However, the IMF continues to reiterate that it is not in the business of solving the poverty problem, and as its Managing Director has said, its programme involves "first and foremost, macroeconomic discipline, beginning with the reductions of fiscal deficits and monetary measures aimed at achieving price stability and realistic exchange rates" [in Stewart, (1991), p.1985)]. These policies are said to "serve the poor".

Other World Bank staff argue that "it is debatable ... whether reducing structural poverty *ought to* figure prominently in a discussion of adjustment programmes." [deTray, (1991), p.272, emphasis added]. They continue that "countries under adjustment are often short of resources and of the capacity to implement programmes. Asking them to add to the already large demands on their economic system the task of developing programmes to reduce poverty permanently *may be very dangerous indeed*" [deTray, (1991), p.273, emphasis added]. The Bank repeatedly emphasises the point that adjustments "necessarily carried transitional costs (mostly for the poor) that had to be accepted before economic growth and enhanced efficiency would generate broader economic improvements" [Reed, (1991), p.17]. Today, the "World Bank approach limits itself to the hope that efficient pricing and outward orientation usually suffice, in due course, to raise incomes and hence diminish the levels - or reduce the growth - of poverty" [Ferreira, (1992), p.53)]. There seems to be a return to the thinking of the 1970s were the trickle down approach was in vogue. But, Veltmeyer (1993) argues: "medium or long term benefits of economic reform do not automatically trickle downwards or spread, and that the most vulnerable groups, particularly those in dire poverty, need to be protected and compensated with target policy measures" (p.2080). World Bank/IMF thinking has failed to learn its lesson from the experience of the 1960s and '70s and today for them, "the preferred approach to poverty reductions is to let markets work" [Salop, (1991), p.3].

IV. (Some) External Influences on Pakistan

Pakistan must count itself lucky to be amongst those countries in the world which have always supported the Washington Consensus, whatever that may happen to be at that particular time. An examination of the political processes from the early years when Pakistan came into existence, shows that numerous important political and government decisions were influenced, if not directed, by the relationship with Washington. While Washington may not actually have manoeuvered the process of history as it has evolved in the political arena in Pakistan, it has had a grave interest due to geopolitical and other reasons, over the outcome of events. Subtle pressure and suggestive decisions have changed the course of history in this country on more than one occasion [Tahir-Kheli, (1982); Venkatramani, (1984); Jalal, (1990); Nabi and Hamid, (1991); Wirsing, (1991)]. Furthermore, with the resurgence of Islam as a perceived threat to the West, and with the birth of a number of Muslim Central Asian Republics, it is probable that Egypt, Turkey and Pakistan will play important roles according to Washington's gameplan in the future.

The critical link through which the relationship between the US and Pakistan has been concretised in the past, is the military. Few would disagree that the most important and dominant institution in Pakistani politics, and for many years in its economy, is the omnipresent military. With direct military rule in Pakistan from 1958-70, and then again from 1977-88, the control of the military in the political areña was obvious. However, even after, and despite, the wave of democracy which has shaped world events since the late 1980s from Santiago to Manila, one cannot deny the very strong presence of the military in Pakistan's body politic. The 1988 elections held in Pakistan produced a government and a prime minister who had to give numerous guarantees to the more permanent pillars of the state before she could be permitted to take office. Subsequent events, especially following the Army action in Sindh since June 1992, and the involvement of the military in the wrangles over power in Islamabad this summer, with the subsequent dismissal of the elected government of Nawaz Sharif, suggest that while the military does no longer rule directly, it does control what happens in government [also see Zaidi, (1993b)].

Since it has ruled over Pakistan for so long, it is not surprising that the military has played an active role in the economic sys`m of this country [Zaidi, (1988); (1990); (1992c); (1993b)]. And while military aid in the form of weapons and grants, etc., has been forthcoming in more covert and through unobservable channels, Washington's economic interest in Pakistan is more visible [see Nabi and Hamid, (1991); Gardezi and Rashid, (1983)].

The import-substituting-industrialization of the 1950s and '60s, functional inequality, the Green Revolution, and other concepts in vogue in Pakistan at that time were incorporated in the country's economy by the Ayub Khan government on the advise of the Ford Foundation, the Harvard Advisory Group, and other scholars from the US who felt that Pakistan, along with Korea, would become one of the first underdeveloped countries to break out of the trap of underdevelopment. "The Harvard Advisory Group ... played a dominant role in preparing the development strategy and policy guidelines for Pakistan's Planning Commission" [Nabi and Hamid, (1991), p.52]. Pakistan became a laboratory for the policies being propagated then, and there is little doubt that Pakistan was, in many cases, a success story in the 1960s. Significant leaps were made in industrial and agricultural production, where growth rates in excess of 20 per cent per annum were witnessed in the large-scale manufacturing sector. Overall, both industry and agriculture witnessed extraordinary growth rates. At the same time, however, there was growing social and regional inequality, real wages did not rise, and there was a general awareness that poverty or inequality had somehow reared its head despite the apparent development that was taking place [Amjad, (1982); Ahmed and Amjad, (1984); Nabi and Hamid, (1991)].

However, what would have been surprising at that time is the lack of the "controversial" and contradictory development. Capitalist development necessarily implies unequal development, but it also causes growth in the productive forces, in the proletariat, in urbanization, in the growth of a skilled working class, etc. In essence, despite the underside in the Ayub period, there was extraordinary growth. Also, a nascent middle class was born which gave rise to the bourgeois revolution which began in the agricultural sector and spread to the small towns adjacent to it, giving an impetus to the small and large scale manufacturing sector which took over the economy and society, essentially in Central Punjab and Karachi. There is no denying the fact that Ayub Khan's Decade of Development was a progressive era in the evolution of the economic, social, and political processes that is Pakistan. The "controversial" repercussions were inbuilt and inevitable. Moreover, without the external involvement, and without financial aid provided in that period, it is improbable that Pakistan would have progressed at the rate and in the direction that it did.

The second military regime between 1977-88 had a somewhat different external influence on it. The debate whether General Zia was asked by the

Americans to take over or whether he did so in the interest of the country on his own initiative, is unresolved. Whether he was a stooge of the Americans is also a debatable point. What is clear is that Zia exploited the situation on Pakistan's border after the 1979 Russian invasion in Afghanistan and made sure that Washington gave him the respect, arms, and aid he demanded.

While aid meant for the Afghans transformed the economic, political and social structure of the NWFP, and forced the demise of the secessionist brand of nationalism amongst the Pakhtuns, there were other factors which gave Pakistan a second round of growth and development. Essentially, it was the sense of "stability" which the military provided and its unabashed pro-business and pro-capital policies which ensured growth and further expansion of the capitalist economy [see Zaidi, (1988); (1991); (1992a); (1992b); (1992c)]. For some scholars, the single most important economic event during the 1970s and 1980s was the large scale migration to the Middle East. Addleton (1992) argues that no other occurrence had such a pervasive impact on so many areas of Pakistan's economy and society. While foreign exchange earnings increased to unprecedented amounts, changed social relations, increased expectations, and an observable buoyancy were the direct effects of this migration and of its subsequent remittances.

The argument being presented here is that both the military governments, of Ayub and of Zia, were different in form and had a different relationship with Washington. The Ayub era was *critically dependant on foreign aid*, and technical and managerial advice, to the extent that the nature of subsequent developments could not have materialised at the pace they did. *Without aid Pakistan would have been in a worse position.* The Zia period was more dependant on patronage of a political kind, where favours were extracted by Islamabad in exchange for allegiance. Economic development took place *on its own* and unlike the dependance on aid as in the Ayub era, the direct dependance resulting in enhanced economic growth was secondary, and not of critical importance[see Zaidi, (1990); (1991); (1993b)]. While Zia may have been in power due to the blessings of the Americans, essentially because of the situation in Afghanistan and in Khomeini's Iran, oddly enough at times, he did acquire a position of some strength vis-a-vis the Americans. However, the nascent democracy in Pakistan and the political process since1988 shows that the relationship has become more dominant from Washington, and Pakistan has had to agree to terms and even individuals which may not have particularly favourable repercussions for our development [see Zaidi, 1993a].

V. Structural Adjustment and Pakistan

From the time of the India-Pakistan war in 1965 upto the Soviet invasion of

Afghanistan, "Pakistan remained in the United State's political disfavour" [Nabi and Hamid, (1991), p.53]. This meant that other multilateral agencies too, were not enthusiastic about providing aid to Pakistan in this period. The first structural adjustment loan under the IMF Extended Fund Facility was made available to Pakistan in November 1980. Pakistan was advised to delink the rupee from the dollar, "focus on efficient import substitution, reduce government expenditures, establish tax reforms to increase domestic resource mobilization, encourage savings, institute price reforms, and push for export led growth and privatization" [Nabi and Hamid, (1991), p.55]. The Zia regime unlike those that have followed it, was selective in its choice of policy options: the rupee was delinked and devalued against the US dollar; farmgate prices were raised, and some import liberalization took place. A general assurance to the private sector to attract capital was also given. On the other fronts the government was not particularly pushed to reform immediately. As Nabi and Hamid (1991) argue, Zia was in a position to, and did, resist external pressure from the IMF and World Bank: "when the government can clearly see the value of particular economic policy changes, it is willing to implement reforms ... Reforms that adversely affect established interest groups or have broad negative political consequences are generally not undertaken despite external pressure" (p.64). In more recent times, it seems that governments are wiling to do anything to adhere to the Washington Consensus [see Zaidi, (1993a)].

Throughout the 1980s, the IMF/World Bank stabilization and structural adjustment programmes have been saying more or less the same things and requesting the same sort of general reforms and changes that have been implemented all over the world (see above). The fairly standard requirements applied to Pakistan are: reduce the overall budget; curtail the rate of inflation, reduce the external current account deficit; reduce the civilian external debt service ratio; increase gross official exchange reserves; contain the growth of domestic credit; increase the growth rate; liberalise trade; reform financial markets; and, deregulate prices, trade, and investment in the agricultural and industrial sectors [World Bank, (1988); (1989); McCleary, (1991); Nabi and Hamid, (1991); Zaidi, (1993a)].

The overall perception by the World Bank and IMF over its policies in Pakistan seems to be mixed. They feel that some positive developments have taken place, especially in the case of pricing policies, trade liberalization, export promotion and some public sector reform. Where governments have failed is in lowering the budget deficit to preferable levels, diversifying exports, cutting inflation, etc. McCleary, (1991) of the World Bank, argues that in the mid to late 1980s Pakistan experienced "a period of rapid growth and inflows of migrant worker's remittances (which) had raised standards of living broadly across the population. Private investment played a leading role in this expansion, and no longer was public investment in large scale industry viewed as the engine of growth ... The economy became more outward looking, flexible and market oriented" (p.432), and continues, that "reforms in Pakistan have been sustained because of the government's incremental and flexible approach and because continued strong economic performance has obviated the need for reversals" (p.433). His overall view is that Pakistan's economy was doing well for itself, and then the IMF intervened after which it did somewhat better for a few years. McCleary argues that when Pakistan's economy was doing well, it was because the conditions imposed on Pakistan were being followed and that the Government of Pakistan was thinking like the IMF and the World Bank. He argues that the IMF/World Bank policies were sound and when, and if, things went wrong, it was because of the poor management on the part of the government which was not doing enough.

McCleary argues that the fund and the Bank played a significant and certainly positive role in the development of the economy during the 1980s. A leading exponent of SAPs, and a Director at the IMF, Mohsin Khan seems to disagree. Khan argues that "although there has been some attempt at liberalization evidence is far too tenuous to argue, as McCleary does, that the economy has become more open and more outward oriented in the 1980s ... The changes that have been made have been marginal, and it is doubtful whether those made in the 1980s have been greater than those of the previous decade"[Khan, (1991), p.439].

It has always been somewhat difficult to show causality between a SAP and either its positive or negative consequences for most adjusting countries [see Khan, (1990); de Melo, et.al., (1991); Ferreira, (1992)]. The World Bank and the IMF have been pleased, and at times astounded, that Pakistan has continued to show high growth rates in her GNP at an annual rate since 1972 of about 6 per cent, with inflation on average of less than 12 per cent (see Table 1). The IMF believes that in "in comparison with many other developing countries, this is creditable performance" [Khan, (1991), p.430]. I will argue that the economic and structural developments in Pakistan are better left to their own internal metamorphoses and a great deal of positive change has occurred regardless of the SAPs. I will argue that Pakistan should be left to its own devices and, in essence, does not need a structural adjustment programme.

VI. Growth and Development in Pakistan[2]

The general propositions put forward by Fund/Bank staff in order to convince governments that they ought to apply for SAP loans are that these

[2]This section draws on arguments which have been developed over the last few years in Zaidi, (1988); (1990); (1992b); (1992c); (1993b); (1993c).

TABLE 1

Growth Rates

Year	GDP	Total Investment	Private Investment	Consumer Price Index
1960s	6.77	NA	20.85	3.83
1970s	4.84	21.76	16.97	12.33
1980s	6.45	13.01	14.97	7.34
1980-81	6.40	9.83	13.06	13.85
1981-82	7.56	19.62	7.97	11.10
1982-83	6.79	9.63	14.69	4.70
1983-84	3.97	12.04	17.42	7.30
1984-85	8.71	12.81	14.07	5.70
1985-86	6.36	11.58	11.49	4.40
1986-87	5.81	13.46	10.99	3.60
1887-88	6.44	11.07	16.73	6.30
1988-89	4.81	19.65	23.94	10.40
1989-90	4.58	11.35	19.33	6.00
1990-91	5.57	19.35	19.15	12.70
1991-92	7.67	25.62	30.05	9.60

Source: Pakistan Economy Survey, 1992-93.

countries are in a bad economic state. They are told that there are major structural problems, the balance of payments is in critical deficit, the budget deficit is high, inflation is rampant, and essentially that, the growth rate of the economy is too low and also unsustainable in the long run.

First, let us examine the nature and state of Pakistan's economy today in broad terms and see how it is growing and the way it has evolved. We can then examine some specific issues, particularly the bogey of the budget deficit.

The most obvious and noticeable phenomenon in the political, economic and social sphere in Pakistan today, one that is linked closely with historical trends, is the buoyant and vibrant middle class revolution raging in all parts of the country. We are witnessing a major transformation which is redefining existing cultural, political, social and economic identities and relationships. Despite the laments of the different governments in Islamabad - and in particular the most recent caretaker government - that the economy is in a shambles, the economy and the people of this country seem to emit a mood of prosperity unknown in the past.

Before we can turn to the repercussions of this ongoing middle class revolution, one must justify the strong claims being made here regarding prosperity. It is indeed a difficult task to examine these claims empirically, and one is forced to take refuge behind broader generalisations and some conceptual broadstrokes regarding these perceived trends.

In some ways, the distinction between the "legal" economy and the "under-reported" or black economy may be the key to explaining why the government fears bankruptcy while most people are going about life with an enthusiasm which indicates that they are, in fact, making money and improving their material status. If, as is believed, the actual GNP which the government can account for is a mere fifty per cent of the real economy, it is not difficult to see why different governments feel that we are in such dire straits [also see AERC, (1992); and Ahmed, (1993)].

Pakistan's present (observed) GNP per capita of $400 puts it in the category of "low-income countries" where it is rated 26th from the bottom. This contrasts sharply with the under-reported $800-1000 per capita GNP, which would put it in the group known as the "middle-income" countries, on equal footing with Guatemala and Morocco, and higher than the Philippines. Quite clearly, Pakistan does seem to represent an economic system and economic values similar to those prevailing in the middle-income group, rather than in poorer countries such as Zambia, Togo and the Central African Republic, countries that all have a per capita GNP higher than Pakistan's official estimate of 400 dollars.

The growing informal sector and the number of skilled, self-employed members of the labour force, indicate that there is a demand for services in the private sector and that people are willing to invest in new small-scale enterprises, either out of their own savings or through loans, and even from the continuing flow of external resources. There are huge sums of money in our economy which circulate amongst different groups of people but the government is unable to record these flows. The Cooperatives and Taj Company scandles in the Punjab, the Dadabhoy scandal in Karachi, and the expanding informal financial sector, all indicate that money does exist in a form where it is hidden away from government estimates and the tax net.[3]

Only one per cent of the entire population pays income tax; with a taxable income threshold of less than 3,500 rupees per month, it is obvious that a majority of Pakistanis evade taxes and actually earn much more than the taxable

[3] A large number of deposit-taking institutions which were paying exorbitant interest rates to savers defaulted and went under. The sums lost have never been calculated but there is agreement that they were in the billions of rupees.

amount. Khan (1991) thinks that as many as three quarters of potential tax payers do not pay income tax. While there is rampant corruption in Pakistan, this is also one of the more noticeable mechanisms for the redistribution of wealth, one that has helped elevate a large number of employed lower income workers to a higher social status. Whether money is generated through external funds (from the government or from abroad), or from corruption, or through sheer hard work, it has given rise to this middle class revolution.

Probably the most striking symbol of the rise of a relatively well-to-do middle class is the excessive consumerism prevalent today almost everywhere in Pakistan. It is not just large urban conglomerations which exhibit new consumer trends, but the smaller rural and semi-urban towns in Sindh, the Punjab and the NWFP also cater to the demands of a new breed of consumer. With transport more accessible and communications of all sorts improved, the further reaches of this land are being brought into the net of our particular breed of private sector capitalism.

Even the official government estimates show that the GDP grew by five per cent during 1988-90, while in 1991-92 it grew by as much as 7.7 per cent. The growth rate in new (officially accounted) private investment has been in excess of 20 per cent per annum since 1988, and was as high as 30 per cent in 1991-92. Exports, meanwhile, grew by 20 per cent in 1990-91 compared to the previous year, and by 15 per cent in 1991-92. All these indications prove quite conclusively that there is growth, money is being generated, and even our recorded official economy is showing signs of immense prosperity. Since the mid seventies, the trend has been upwards and most important indicators have shown very healthy and positive signs, even before the first SAP in 1980 (see Table 1).

The Green Revolution which brought prosperity to the Punjab in the 1960s and 70s, and later to Sindh, provided the first impetus to the formation of the middle class. The economic policies pursued in the 1980s and 1990s has made this class much wealthier and has added to the middle class, a newer breed of urban and rural entrepreneur and consumer. Many who were acquiring skills two decades ago have expanded their enterprises manifold. With its continued ability to absorb and expand, the burgeoning services sector is today probably the most prominent component of the changes that have taken place in the country.

It would seem from the above that Pakistan's economy does seem to be in fairly good shape and while it could be better, it is functioning adequately on its own logic. A comparison with Bolivia, a not-so-extreme example of a country which agreed to accept a wide ranging orthodox stabilization programme in 1985 may highlight the extent of the severe differences in trends between the two countries. In 1985, Bolivia had an inflation rate of 11,000 per cent, a fiscal deficit in excess of 30 per cent of GDP, and a GDP per capita which was 20 per cent less than in 1980. Bolivia would be an excellent example of a country which ought to qualify for an IMF/World Bank structural adjustment programme. Numerous other countries, especially in Latin American, also suffered the fall-out from the debt crisis and were forced to go to Washington. Pakistan did not need to go.

The budget deficit seems to be the single most important factor identified by proponents of the SAP which is said to be responsible for all sorts of problems. In countries which have large deficits, it is said to be responsible for: high real interest rates, low savings, low rates of economic growth, current account deficits, crowding out private investment, and inflation. Because of this "the International Monetary Fund lectures finance ministers and leaders of central banks ... as follows: public sector deficits, and especially increases in public sector deficits are bad always and everywhere, regardless of circumstances, and discretionary spending cuts and/or tax increases should be implemented to reduce these deficits always and everywhere regardless of circumstances" [Buiter, (1990), p.25]. Buiter argues that "probably more uninformed statements have been made on the issue of public sector debt and deficits than on any other topic in macroeconomics. Proof by repeated assertion has frequently appeared to be an acceptable substitute for the more conventional methods of proof by deduction or by induction" (p.90). The specific context of fiscal policy and budgetary deficits are all important [see Zaidi (1994)].

A great deal of time and money is spent on how to increase resource mobilization in Pakistan, where institutes allocate large resources in this endeavour. A recent study epitomizes this thinking, where it endorses the government's efforts to cut the budget by 2.5 of GDP in 1989-90 due to the agreed objectives in public finance as part of the IMF SAP, and calls this a "non-trivial achievement" [Pasha and Akbar, (1993)]. The study argues that "larger adjustments are required in 1990-91 and 1991-92, otherwise there is a serious danger that Pakistan's credit rating as an international borrower will be fundamentally impaired" (ibid, p.26). The implication of this type of thinking is that Pakistan should do what it is asked to do, irrespective of the severe repercusssions which have befallen countries which have made large adjustments in their budget deficits, just so that the country can acquire further loans. The fact that the IMF stabilization packages are loans, is often ignored in the literature, and nor are the repercussions of increased loans evaluated. In two articles in the Karachi press recently, which informed the readers that Pakistan had received $1.5 billion from the IMF, no mention was made that this was a repayable loan (DAWN, Karachi, EBR, 12.11.93). Furthermore, the success stories of the stabilization packages such as Mexico, Turkey, Chile and Indonesia have all doubled or trebled their debts between 1980-91. Whether the loans can generate growth to the extent that the principal and its interest can be paid back, needs to be evaluated urgently. Structural adjustment with loans and aid seems like a contradiction in terms: one malady, if it is indeed removed, is being replaced by another. Debt servicing is a problem which, in fact, has been one of the causes for structural adjustment loans in the first place.

Interestingly, a Director of the IMF has argued that in the case of Pakistan "in contrast to the situation in many developing countries ... the fiscal deficit *has not lead to spiralling inflation or lowered growth*" [Khan, (1991), p.437 emphasis added]. Also, Burney and Yasmeen (1989) argue that while there are many studies which show that large budget deficits affect interest rates and thus crowd-out investment, the nature of the empirical relationship that exists between government budget deficits and the nominal interest rate in Pakistan shows the "non-existence of any relationship" (p.977).

The specific context of the budget deficit in Pakistan is also critically important, and one has to examine it in accordance with the political structure as well. Pakistan spends more than 30 per cent of government expenditure on defence each year, thus any attempt to cut the budget deficit cannot avoid or ignore this reality. To ask for cuts in the deficit where it is difficult to raise taxes and, given the military's dominance in political affairs, is almost impossible to cut the military budget, is a bit ambitious if not naive. Even the IMF recognises that "close to 70 per cent of the current budget is *virtually untouchable*" [Khan, (1991), p.437, emphasis added]. This implies that there is much less room to manoeuvre, and the unprotected sectors like education and health will have to face the axe. Political pressures, even in the case of the utterly trivial tax on the agricultural sector, are forcing it to be reconsidered, if not completely withdrawn. General premises and principles loose their efficacy in specific contexts.

The arguments in this section of the paper rest on the assertion that Pakistan's economy is in good shape and it does not suffer from the problems most African and Latin American countries, with rampant inflation, low or negative growth, large external debts, etc., face. Usually, stabilization was meant for those countries most of which were on "the brink of economic crisis" [Tybout, (1991), p.157]. Pakistan has never been in such a critical position. Furthermore, some of the outcomes and effects of SAPs that have affected other countries have not taken place in Pakistan. The World Bank accepts that an"investment lag" exists in countries following adjustment programmes, and quite often investments shows *markedly negative trends*. In Pakistan, this is not the case, suggesting either that the SAP has been particularly successful, or my preferred reasons, that the economy is strong enough to deal with such setbacks. Ergo, it is strong enough to manage without Fund assisted programmes.

Finally, there are two interlinked issues which need to be addressed. The

IMF and World Bank agree that those countries that have done well on their economic agendas are those that had their own programmes before IMF or World Bank involvement [Thomas, et al., (1991)]. Thailand and Korea are two such cases where governments had devised their own programmes and implemented them and only then went to the Fund. Pakistan also falls in this category: "improvements in policies affecting stabilization and efficiency *had already begun to accelerate growth before the 1979 shock*, and policy reforms adapted since then helped to reconfirm the process" [McCleary, (1991), p.421, emphasis added].

Reforms take place due to *internal structural changes* which begin to change economic, institutional, and political alliances and arrangements. The development of productive forces in the economy *imposes* its will on the political and social structure of that country. To accommodate such changes, reforms are made to alleviate the transition. There is a logic in this dialectic where the interaction between different spheres of the economy, politics, society, culture, etc., are consistently transforming each independently, and themselves collectively. I maintain that the structural changes that have facilitated growth, development, and the private sector in Pakistan, have evolved out of this internal logic.

Even the IMF/World bank accept the premise that their structural adjustment programmes restructure a country's political economy. "The implicit purpose of adjustment is to diminish the influence of some social sectors or interest groups whose political and economic control has blocked efficient use of a country's resources. At the same time, adjustment programmes stimulate the political and economic ascendance of other groups that can improve the country's competitiveness on international markets" [Reed, (1992), p.39]. I argue that these changes have also taken place in Pakistan, *without* adherence to an IMF/World Bank sponsored structural adjustment programme. A major premise of the SAP is to create structural conditions which provide the impetus for enhanced growth. Institutions change, policies and politics take on a particular direction and then certain specific programmes and policies follow. On the basis of the discussion presented above, I believe that Pakistan has evolved those structural conditions without a structural adjustment programme. For this reason too, it does not need a structural adjustment programme.

While Pakistan's economy needs better management, reform, alignment, etc., the critical question is whether it needs to run to the IMF every three years having to accept conditionality with its consequences. Is it possible that the country can deal with its own internal problems by itself, and if so, *why* does each government of Pakistan then run to the IMF for more stringent conditions, more loans, and much more debt?

VII. Why Do We Accept Structural Adjustment Programmes?

There seems to be very little or no debate about why certain policies are being implemented in this country. Why we have to subscribe to an IMF/World Bank sponsored programme is an issue which is not discussed, at least not amongst academics, who one would think are equipped to do so. We are told to follow certain guidelines, policies and packages, and we comply trying to show how it is possible to change a percentage of this,here or there. We seldom question either the intentions of the programmes, or the basic theory and philosophy behind the policies; we simply do what we are asked to. This has been the classic case of the structural adjustment programme in Pakistan. It is difficult to find academic articles which actually question the need for a programme in the first place. There is no political debate, either. There are, at best, a handful of scholars and journalists who question the repercussions of a SAP on the economic and human condition of the populace, and say that if we accept the programme the "people" will suffer, but they too do not question the reasoning or the content of the programme. One critic writes "we argue not against the necessity of structural adjustment, but against the adverse entailments of such adjustment" [Banuri, (1992), p.681]. The question is: why not argue against structural adjustment? Does the author accept the need for such a programme and does he merely want to improve on it? Moreover, even the ultra-conservative *Economist* recognises that "many of its(World Bank's) programmes designed to help the poor - called things like 'social dimensions of adjustment' - are safety nets, not ways of lifting people out of poverty" (October 30, 1993, p.48). In countries where there has been protest against IMF sponsored programmes, academics, NGOs, popular groups, and unions, have played critical roles. In Pakistan, there seems to be no opposition of any kind. Also, the little discussion that there is, is increasingly being sidelined, where governments are bending over backwards to get the best deal, at whatever cost, so long as Washington is kept happy.[4]

Studies are commissioned by the international financial institutions on issues that tend to justify the policies of the World Bank and the IMF. Resource mobilization, trade and tariff reform, agricultural credit, studies on the informal sector, the need for capital markets, etc., are the more recent areas which interest Washington. Hence, you have a large number of scholars and institutes mobilised on these studies where the general guidelines have already been put-down, and all that the researchers are asked to do is to supplement and justify

[4] While the caretaker government (August-October, 1993) epitomized this sort of thinking, Benazir Bhutto since her reelection as prime minister has been saying that her government will do everything possible to end Pakistan's international "isolation" and improve relations with Washington.

the general arguments being recommended. We do not have our own agendas nor do we think for ourselves and devise our own arenas of research. Not only that, we fail to question the more general principles behind the research set from afar [also see Hasan, (1992)].

But that still does not answer the question, *why do we think this way?* Why are we unable to study our own particular problems in our own way and find our own specific remedies?

One Pakistani social scientist argues that "the major reason for (the Pakistani intelligentsia's) failure is that its source of inspiration and point of reference was not the objective study of its own society, with whom it has progressively lost contact to become part of the first world" [Hasan, (1992)]. Another, [Zaman, (1993), p.7] argues that:

> Post-colonial governments continue with the cultural agenda of colonialism (modernization and development). They also serve as economic agents of their principals. In this role, they ensure, through "liberal" economic policies, that their charges do not compete with their principals in global markets. They provide familiar and hospitable institutional arrangements to foreign investments. Above all, they ensure that the unsustainably large flows of interest payments on foreign debt are remitted abroad, while managing the levels of local discontent.

While this may be true in the case of some countries, it does not explain how other post-colonial states have managed to avoid problems of this nature. Pakistan would fit this general model since it has always been closely aligned with the West. Maybe it is our colonial hangover which has made us dependant on the decree from elsewhere, when we only do what is good for us when we are told to do what is good for us. Or, it may be due to the fact that military rule has taken away our ability to create new ideas, and we are only good at following orders. These are questions which must be addressed.

Nevertheless, without a particular kind of elite and a particular internal hierarchical structure in society, it is unlikely that any external pressure or "imposition" on government would be so easily accepted and so smoothly articulated internally. For the acceptance of ideas from the outside, there have to be groups in society which not only endorse those policies, but make sure that they are brought to fruition. It is not the IMF or the World Bank which is to blame for the problems and failures in our country, and nor should one give them too much credit for the great progress which has taken place in Pakistan. It is our own genius which is responsible for both.

Applied Economics Research Centre
University of Karachi

References

AERC, 1992, Resource mobilization by the Federal Government in Pakistan, Karachi: Applied Economics Research Centre.

Addleton, J., 1992, Undermining the centre: The Gulf migration and Pakistan, Oxford University Press.

Ahmed, V., and R. Amjad, 1984, The management of Pakistan's economy, Oxford University Press.

Ahmed, M., 1993, The size of the black economy in Pakistan, unpublished M. Phil. Thesis, Karachi: Applied Economics Research Centre.

Amjad, R., 1982, Private industrial investment in Pakistan 1960-1970, Cambridge University Press.

Banuri, T., 1991, Economic liberalization: No panacea, Clarendon Press.

Banuri, T., 1992, Just adjustment: Protecting the vulnerable and promoting growth, Pakistan Development Review, 31(4).

Banuri, T., and J.B. Schor, 1992, Finanacial openness and national autonomy, Oxford University Press.

Buiter, W., 1990, Principles of budgetary and financial policy, Harvester,

Burney, N., and A. Yasmeen, 1989, Government budget deficits and interest rates: An empirical analysis for Pakistan, Pakistan Development Review, 28(4).

deTray, D., 1991, Comments, in: Thomas, et al., op. cit.

Faini, R., et al., 1991, Macro performance under adjustment lending, in: Thomas, et al., op. cit.

Ferreira., F., 1992, The World Bank and the study of stabilization and structural adjustment in LDCs, DEP No.41, Development Economics Research Programme, STICERD.

Gardezi, H., and J. Rashid, 1983, Pakistan the unstable state, Lahore: Vanguard.

Hasan, A., 1992, The unresolved conflict, DAWN Magazine, March 13.

Helleiner, G.K., et al., 1991, IMF adjustment policies and approaches and the needs of children, World Development, 19(12).

Hoeven, R. vander, 1991, Adjustment with a human face: Still relavant or overtaken by events? World Development, 19(12).

IDS (Institute of Development Studies) 1993, The political analysis of markets, IDS Bulletin, 24(3).

Jalal, A., 1990, The state of martial rule, Cambridge University Presss.

Jolly, R., 1991, Adjustment with a human face: A UNICEF record and perspective on the 1980s, World Development, 19(12).

Khan, M.S., 1991, Comments, in: Thomas, et al., op. cit.

Khan, M.S., 1990, The macroeconomic effects of fund-supported adjustment programmes, IMF Staff Papers ,.37(2).

Lele, U., and I. Nabi, 1991, Transitions in development: The role of aid and commercial flows, ICEG.

McCleary, W.A., 1991, Pakistan: Structural adjustment and economic growth, in: Thomas, et al., op. cit.

Nabi, I., and N. Hamid, 1991, The aid partnership in Pakistan, in: M. Lele and I. Nabi, op.cit.

Pasha, H.A., and M.Akbar, 1993, IMF conditionalities and structural adjustments in public finance, Pakistan Economic and Social Review, forthcoming.

Platteau, J-Ph., 1992, Formalization and privatization of land rights in sub-Saharan Africa: A critique of current orthodoxies and structural adjustment programmes, DEP No.34, Development Economics Research Programme STICERD.

Reed, D., 1992, Structural adjustment and the environment, Westview Press.

Senses, F., 1991, Turkey's stabilization and structural sdjustment programme in retrospect and prospect, The Developing Economies, 29(3).

Salop, J., 1992, Reducing poverty: Spreading the word, Finance and Development, December.

Stewart, F., 1991, The many faces of adjustment, World Development, 19(12).

Tahir-Kheli, S., 1992, The United States and Pakistan, Praeger.

Taylor, L., 1988, Varieties of stabilization experience, Clarendon Press.

Taylor, L., 1991, Economic openness: Problems to the century's end, in: Banuri, op. cit.

Thomas, V., et al., 1991, Restructing economies in distress, Oxford University Press.

Tybout, J.R., 1991, Industrial performance: Some stylized facts, in: Thomas, et al., op cit.

Veltmeyer, V., 1993, Liberalisation and structural adjustment in Latin America: In search of an alternative, Economic and Political Weekly, 28(39).

Venkatramani, M.S., 1984, The American role in Pakistan, Lahore: Vanguard.

Wirsing, R.G., 1991, Pakistan's security under Zia, 1977-1988, Macmillan.

World Bank, 1988, Pakistan: Growth through adjustment, Report No.7118-Pak.

World Bank, 1989, Pakistan: Medium-term economic policy adjustments, Report No.7591-Pak.

World Bank, 1990, Adjustment lending policies for sustainable growth, Policy and Research Series, 14.

World Bank, 1992, Adjustment lending and mobilization of private and public resources for growth, Policy and Research Series, 22.

Zaidi, S. Akbar, 1988, How the bourgeoisie views Pakistan, Economic and Political Weekly, 23(48).

Zaidi, S. Akbar, 1990, The big picture, Election special '90, Karachi: The Herald.

Zaidi, S. Akbar, 1991, Sindhi vs Mohajir: Contradiction, conflict, compromise, Economic and Political Weekly, 26(20).

Zaidi, S. Akbar, 1992a, Regional imbalances and the national question in Pakistan, Lahore: Vanguard.

Zaidi, S. Akbar, 1992b, The birth of hope, Karachi: DAWN Magazine, January 17.

Zaidi, S. Akbar, 1992c, The new frontier, Karachi: The Herald, June.

Zaidi, S. Akbar, 1993a, Voice of America, Karachi: The Herald, September.

Zaidi, S. Akbar, 1993b, The hidden revolution, Election special '93, Karachi: The Herald.

Zaidi, S. Akbar, 1993c, IMF prescribed economic liberalisation will cause its own downfall, Karachi: The News, October 6.

Zaidi, S. Akbar, 1994, Does public debt matter? Some conceptual issues, Economic and Political Weekly, forthcoming.

Zaman, A., 1993, Sustainable development, poverty and policy adjustments: Linkages and levers for change, International Institute for Sustainable Development.

Zuckerman, E., 1991, The social cost of adjustment, in: Thomas, et al., op. cit.