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Social Development of Pakistan 1947-1970

by

Angus Maddison

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Social Development of Pakistan 1947-1970[1]

(Paper presented to June 1970 Meeting at Dubrovnik of the Harvard Development Advisory Service)

by

Angus Maddison

I

Introduction

The Ayub regime was toppled in March 1969 by demonstrations of workers and students in a climate of social unrest. Since then, overt political discussion has been permitted, and it is clear that social welfare and the distribution of the benefits of economic growth are matters which arouse passionate interest. In response, the new military government has announced a number of new measures of social policy, i.e. a minimum wage law which gave a 50 per cent increase to the lowest paid industrial workers, anti-monopoly legislation, suspension of 300 high level civil servants for suspected corruption, and a drive against businessmen who have evaded taxes. They have proposed higher teacher salaries and a new education policy, promised to allocate more resources to the "social sectors", and to give East Pakistan a bigger share of development resources. They published the Cornelius report which proposed changes in the bureaucracy and which was suppressed for seven years. The Fourth Plan outline includes other possibilities which are not accepted by the government, but which have been adumbrated by the political parties, including nationalisation of industry and the banks. In the political campaign there has been widespread discussion of these options, and violent but vague controversy about Islamic socialism. There is, however, little detailed or sober analysis of the social development which Pakistan has experienced in the past, and of the impact of government policy on income distribution and social welfare. It therefore seems useful for an outsider to survey these problems, and to see what scope there is for improvement.

The Dimensions of Economic Growth

Since Pakistan was created, economic growth has been faster than it was before independence. From 1949(2) to 1969, G.N.P. grew 4.1 per cent a

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(1) I am grateful to Mrs. Shelley White, and to members of the Pakistan Planning Commission for help in preparing some parts of this paper.

(2) Because of the disturbances created by partition it seems quite likely that 1949 G.N.P. was lower than that of 1946, so the figures given in this paragraph exaggerate growth somewhat.

year in real terms, and population 2.6 a year, so that per capita product rose annually by 1.4 per cent. Per capita resource availability rose faster, by 1.5 per cent a year, because of increased aid from abroad. An increased share of resources has been devoted to investment and government consumption. These two items absorbed 9 per cent of G.N.P. in 1950 and 18 per cent in 1969-70. As a result, real per capita consumption has risen by only 1 per cent a year. This may seem meagre, and is slow by postwar international standards, but it is more than twice as fast as the growth in consumption from 1900 to 1950. Most of the growth in income per head came in the 1960s.

The main reasons for accelerated growth in the postwar years have been (a) the availability of aid instead of a colonial drain (this meant that additional resources of about 5 per cent of G.N.P. could be devoted to development); (b) techniques of economic policy have improved and were geared to national interests rather than to those of the colonial power; (c) faster population growth has helped the aggregate growth rate, although it has slowed the growth of per capita income; (d) a faster pace of technical development in the world as a whole and faster communication of technical knowledge has helped in many ways, e.g. the new agricultural technology.

These positive factors for growth have operated in many developing countries, but there have been some special barriers to economic growth in Pakistan which explain why it has not done as well as the average for the developing world. One of these was the high cost of partition. Because of the hostile relationship with India, Pakistan had to support a large military force, devoted large resources to replacement of Indus Basin water, has a more or less complete ban on trade with her natural trading partner. The second barrier has been poverty. Pakistan is one of the poorest countries in the world, and this makes it very difficult to mobilise financial resources for development. Its human resources are also limited by bad diet, poor health and ignorance. Its natural resource endowment is poor, and the climate is harsh.

II

The Beneficiaries of Economic Growth

If we want to analyse how the gains of economic growth have been shared in Pakistan, we cannot do it statistically. Recent estimates of income distribution are still very shaky and there is nothing comparable on the position at independence. C.S.O. figures on income distribution in 1966-67 show the top 20 per cent of the population with 31 per cent of household income in East Pakistan and about 34 per cent in West Pakistan. It is fairly obvious that these figures understate the income of the higher groups, for there are very few countries with this degree of equality. A more careful study for the year 1963-4 shows the top 20 per cent with 45 per cent of the income.(1) This was a bumper crop year in East Pakistan, when the poorest part of the population had a better share than normal, so it understates inequality somewhat, but the estimate is the best we have got. Bergan, who made the estimate, suggests that income inequality in Pakistan is not as pronounced as it is in

(1) See A. Bergan, "Personal Income Distribution and Personal Savings in Pakistan, 1964/4", Pakistan Development Review, Summer 1967.

Latin American countries, but is worse than in the U.K. or U.S.A.

However, purely statistical comparisons of income distribution have little meaning because a given degree of inequality may be much more tolerable if there is social mobility, and if the upper income groups are a dynamic force for economic development and social change. There may be a greater social justification for inequality in the early stages of capitalism when an entrepreneurial class is being created than there is in a more mature economy. In a very poor country, increasing inequality may be functionally necessary simply because efficient job performance in the faster growing modern sector demands a level of health, education, housing and transport which the mass of the population cannot afford. During the Ayub regime, these functional justifications for inequality were part of the official wisdom and rhetoric.(1) It was acknowledged that inequality of income was probably increasing, but this was functionally tolerable as long as the rich were not too ostentatious.

In Pakistan, the distribution of income and the sources of income have changed rapidly over the past 25 years. The immediate business was not to create social justice but to establish the foundations of an independent Muslim state in which the old British-Hindu elite had to be replaced. It is therefore useful to describe the social change which has occurred in terms of changing class relations. The changes have been greatest at the top where a new upper stratum has been created. These changes were, of course, strongly influenced by government policy, but policy was seldom articulate, and was largely dictated by force of circumstance. As a result, the social structure

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(1) The neo-calvinist doctrine was expressed in the second plan as follows:

> "Direct taxes cannot be made more progressive without affecting the incentives to work and save. The tax system should take full account of the needs of capital formation. It will be necessary to tolerate some initial growth in income inequalities to reach high levels of saving and investment. What is undesirable is a wide disparity in consumption levels. Tax policy shoukd, therefore, be so oriented as to direct a large part of high incomes into saving and investment rather than consumption."

The third plan said:

> "What is basic to Islamic Socialism is the creation of equal opportunities for all rather than equal distribution of wealth."

In the Socio-Economic Objectives of the Fourth Five Year Plan (1970-75), November 1968, the old creed is reiterated with some doubt. There is a phrase:

> "We cannot distribute poverty. Growth is vital before income distribution can improve."

but there is a lengthy reference to the conflict between economic dynamism and social justice, and a less confident note about the path that had been chosen.

which emerged was not very different from that left by the British and the Hindus.

In the colonial period, the upper layer of society was extremely thin, and was mainly occupied by the British and Hindus. Since independence, the new elite in Pakistan has built up its position partly by taking over the perquisites and power which the British and Hindus occupied in colonial times and also by taking a large share of the increment in G.N.P. In general, individual members of the new elite are propably not as well off as in the colonial period, but there are more of them.

There are three main groups amongst the new elite, the bureaucrats, the army, and the businessmen:

(a) Bureaucrats

The Pakistan bureaucracy is a legacy from the British raj. The lynch-pin is the Civil Service of Pakistan (C.S.P.), an elite group of 500 generalists who are the successors to the I.C.S. and hold most of the key jobs. There are about 2,500 other Class I officers in the central and provincial governments and their agencies, with lower pay prospects, who have specialized functions. Underneath there are three other classes of government employees numbering about 500,000 in all. Class I and II are gazetted services where the minimum qualification is a B.A. degree. Class III consists of clerks, typists, and stenographers (all males) who have had a secondary education, can read and write English (but seldom understand it properly when spoken). They do routine work, type and keep the files and ledgers in good order. Class IV consists largely of manual workers, peons and sweepers. The peons carry files, messages, and tea, salute their superiors and spend their spare time loitering in the corridors, and disturbing the typists. Most of them have completed primary education, but do not know English.

There is no mobility between classes, and power is heavily concentrated at the top, particularly in the C.S.P. Entry is by examination at the age of 21 or 22, and retirement at 55. In their first years (after initial training which took place in England until 1959), the C.S.P. serve as sub-divisional officers in a district. In West Pakistan there are 12 divisions and 53 districts; in East Pakistan, 4 divisions and 17 districts. Divisions are run by Commissioners and districts by Deputy Commissioners. The average district now has close to 2 million people. The Deputy Commissioner's concern is with law and order, revenue, and economic development. He is the chief magistrate, controls the police, and revenue collection. The local heads of all government agencies are his subordinates. Usually the district commissioner is a young member of the C.S.P. Many of the people he controls are senior members of other services. Later in their career, the C.S.P. serve in central or provincial ministries, where most of the senior posts are reserved for them. This system was devised by the British to run a country in which there was no popular government. The I.C.S. was the "steel frame" of British power. Its officers were highly competent, had assured careers, and tremendous group loyalty. They surrounded themselves with the trappings of power, and their dominance of subordinate services was accepted because they were representatives of the conquering power and were operating in a society used to the idea of caste superiority. Although there were strong qualms about continuing

this Anglo-Brahmin system in a new Islamic state, it was effective in holding the country together in a period of political chaos, in many ways it fitted in with the requirements of military rule, and there was no clear alternative.

Since independence, the civil service has grown substantially in size, but the biggest expansion in job opportunities has been at the top. At partition there were only about 200 Muslims who were Class I civil servants in India.(1) Civil servants are not well paid. In real terms, Class I officers are much worse off than their British counterparts who had similar salaries thirty years ago when prices were a fifth of their present level. However, most civil servants have substantial tax-free perquisites. Many get official housing at 7.5 per cent of their salary which involves a substantial subsidy, some household amenities are subsidised, medical expenses are reimbursed and they get free travel home on leave. At the top level there are official cars, guest houses etc. Civil servants also have job security, early retirement and pensions. These perquisites have become more important as the real value of salaries has dropped. Perquisites are important not only as income, but as badges of rank. They highlight the professional immobility between classes and homogenise consumption patterns within each class. A Class I officer's house will be quite different from a Class II. There are no shadings of ambiguity to mitigate the segregation. Perquisites also isolate the bureaucracy from the rest of the population. A class I officer will usually live in a cantonment area with superior public amenities. He will travel by private car and is unlikely to use any public transport except the state airline. He will stay in a government hostel, rest house, or circuit house when on tour; seldom in a hotel. When he is ill, he goes to a hospital for civil servants. He works in a language which most people do not understand. His children usually go to private schools. To some extent this is an inevitable result of the extreme poverty of the country, and without the perquisites, efficiency would drop sharply in many situations. But these privileges reduce the bureaucratic incentive to build up the social infrastructure. Everyone with power or responsibility in the establishement has perquisites to protect him from harsh realities which are the daily lot of the mass of the population. The segregation is almost as great as in colonial times. If those at the top had to use normal school, hospital or public transport facilities, they would be more eager to improve them. There is therefore a strong case for reducing perquisites and, if necessary, compensating for their loss by big pay increases.

The main failing of the civil service is not so much that it is too big or has grabbed too big a slice of the cake for itself, but that at the top level it is rewarded by perquisite, and mandarin social status. This accentuates the caste-like differentiation between different grades, and perpetuates social immobility by its example to the rest of the economy. The bureaucracy has also, in the name of economic development, helped create a business class whose success depends on government patronage rather than enterprise and efficiency.

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(1) At the time of partition, there were 1,157 officers in the Indian Civil Service and Indian Political Service of whom 101 were Muslims. 95 of these opted for Pakistan. Only 2 of them were from East Pakistan. See Khalid bin Sayeed, The Political System of Pakistan, Oxford University Press, Karachi, 1967, p. 132. In addition, there were Muslims in the police and technical services.

(b) Armed Forces

Like the bureaucracy, the army is a heritage of the British raj. Commands and orders are given in English. Both soldiers and officers serve on a career basis, there are very wide differences in pay and no promotion from the ranks. There has been no attempt to use the army for development or popular education as in Iran and China. However, the gap between the income of privates and officers is smaller than in colonial times. At the time of independence there were only 100 Muslim officers in the Indian army with the rank of captain and above.(1) There were probably not more than 400 Muslim officers altogether. The normal peacetime strength of the Indian Army was about 200,000. Now there 300,000 military personnel in Pakistan, of which about 7,000 are officers. The salaries of officers compare with those of Class I civil servants, and are lower in real terms than those in the Indian army in colonial days, but the amenities and perquisites of army life are substantial. New houses for officers are often luxury dwellings and the military have their own schools, sewerage, hospitals and dairies which are generally of higher standard than those available for civilians.(2) The armed forces are probably the most efficient body in the country, and in spite of a military regime they are not overstaffed with senior officers. It seems a pity that some more of the talents of the armed forces cannot be used for development work, e.g helping with public works or running a system of national service to help mobilise and train human resources. The only case in which military talents were applied to civilian purposes was in building up P.I.A. which has been outstandingly successful.

(c) Businessmen

At the time of independence, there was no modern industry in Pakistan. Economic activity was concentrated almost entirely on agriculture which provided other parts of India with food and raw materials. The jute of East Bengal was manufactured in Calcutta, and West Pakistan's cotton was used by the manufacturing industry of Ahmedabad and Bombay. All banking was conducted by British or Hindu banks, and Hindus dominated in the professions particularly in East Pakistan. After independence there was a virtual ban on trade or service transactions with India. Substantial tariff protection and quotas were introduced, foreign private investment was restricted. Business was given very substantial tax concessions and tax holidays. This created enormous opportunities for new Pakistani entrepreneurs in a captive market. The government helped industrialists in four other ways: it provided cheap labour (by curbing trade union activity), cheap machinery (by giving licenses to import machinery at the artificially low official exchange rate), cheap capital (by providing low-interest loans from P.I.C.I.C. and I.D.B.P.) and cheap raw materials (jute and cotton were made artificially cheap by export taxes and exchange rates which made their export unprofitable). Official ideology favoured private enterprise, and government enterprises were sold off to the private sector wherever possible.

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(1) See Khalid bin Sayeed, op. cit.

(2) See M. Ayub Khan, Friends Not Masters, Oxford University Press, Karachi, 1967, p. 43.

Production in the modern industrial sector increased by 15 per cent a year from 1950 to 1966. Mill-made cotton cloth expanded from 86 million yards in 1947 to 739 million in 1966. Jute goods rose from virtually zero to 404 thousand tons in 1966, cigarettes from 320 million in 1949 to 32 billion in 1966, sugar from 35 thousand tons in 1947 to 417 thousand in 1966. Tea was the only real manufacturing industry which had existed at partition, and it grew much more slowly from 49 thousand tons in 1947 to 67 thousand in 1966.

There had previously been only two important industrial families in Pakistan, Ispahani and Adamjee who were in the tea business. Both of these expanded their interests and new family groups also entered industry. However, the new opportunities were seized by very few families,(1) so that industrial, financial, and commercial power became very highly concentrated. Over two-thirds of assets sold by government to industry were bought by the leading families.(2) Detailed analysis of this concentration is hard to find, but the Chief Economist of the Planning Commission suggested that "the top 20 industrial families control about 66 per cent of the total industrial assets, about 79 per cent of the insurance funds and about 80 per cent of the total assets of the banking system"(3)

It is clear that there is great inefficiency(4) in this pampered new industry. Its profits are largely windfalls supplied by bureaucratic patronage. In order to deal with the situation, the government has now introduced anti-monopoly legislation designed to avoid interlocking of interest between business and banks. There has also been a drive against corrupt businessmen and officials as there was in 1958, and there is some talk of nationalisation. The new minimum wage law is intended to benefit workers at the expense of profits. However, the fundamental nature of the control and licensing system remains unchanged, and the measures so far taken are only temporary palliatives. In order to give Pakistan a fairer, more competitive industry, it will be necessary to scrap most of the controls, reduce protection and tax privileges, and introduce a more realistic exchange rate.

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(1) See G.F. Papanek, Pakistan's Development, Harvard, 1967, pp. 40-46. The entrepreneurs were mainly from former trading communities (quasi-castes) of Memons, Chiniotis, Bohra, Khoja Isnashari, and Khoja Ismaeli.

(2) See G.F. Papanek, Op.cit., p. 67.

(3) M. ul Haq, "A Critical Review of the Third Five Year Plan", in M.A. Khan, ed., Management and National Growth, West Pakistan Management Association, Karachi, 1968, p. 27.

(4) See N. Islam, "Comparative Costs, Factor Proportions, and Industrial Efficiency in Pakistan", Pakistan Development Review, Summer 1967, for a detailed analysis (which unfortunately excludes the textile industries).

The Traditional Elite

The Muslim elite in India before independence were largely landowners. They were concentrated in the Punjab and Sind. These areas were incorporated in the British raj only in 1849, and as the British wanted local support in an area close to the frontier, they interfered less with feudal privileges there than they did elsewhere in British India. These feudal landlords exercised political and spiritual dominance over their submissive and ignorant tenants. They were generally strong supporters of the Muslim League, and independence did nothing to reduce their economic and political status. Some princely rulers who had been politically autonomous under the British raj, remained in the same position in Pakistan. President Ayub had close family connections with the ruler of Swat. Only in 1969 was the autonomous status of Chitral, Dir and Swat brought to an end. (Hunza is still autonomous).

The landowners were the dominant political group from 1947 to 1958. Ayub Khan had this to say about their attitude to land reform: "Ever since Independence, politicians had been tinkering with the problem but nothing effective had been done. The main purpose of the so-called reforms introduced in West Pakistan before the Revolution was to preserve the privileges of the zamindars and not to secure the rights of the tenants. The landlords subverted all attempts at a more rational distribution of land through the influence they exercised over the political parties. Even the very mild land reforms enacted in the Punjab in 1952 were annulled by Malik Firoz Khan Noon, the Republican Chief Minister, in 1953. Apart from its social and economic consequences, such concentration of power naturally hampered the free exercise of political institutions. Democracy could never have a chance so long as the big landlords enjoyed protected constituencies immune to any pressure of public opinion."(1) Ayub also describes the ownership situation as follows: "50 per cent of the available land in the Punjab, a little less than 50 per cent in the North-West Frontier, and over 80 per cent in the Sind was in the possession of a few thousand absentee landowners." After Ayub took power there was a land reform in West Pkistan in 1959 which established ceilings on landownership, and broke some of the bigger holdings (with compensation). About 2.3 million acres were surrendered by 6,000 landlords. In addition, 0.7 million acres of jagir land were surrendered. This measure hardly amounted to a social revolution. The ceiling for irrigated land was 500 acreas, and for unirrigated land, 1,000 acres. The land surrendered was only 6 percent of the total cultivated area, in general it was the worst land, and to some extent the provisions of the law were evaded by splitting up large holdings among family members. The recipients of land were not necessarily the poorest peasants, but usually those who happened to be tenants of larger landlords. Some peasants with weak tenancy rights

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(1) See M. Ayub Khan, Friends Not Masters, Oxford University Press, Karachi, 1967, p. 87.

were dispossessed by landlords asserting a claim to be direct cultivators of as much of their land as possible, and the proportion of landless agricultural labourers rose from 2 percent in 1951 to 8 percent in 1961. (1) With the new incentives to agricultural production in the 1960s, subsidised water and fertiliser, and the new Mexipak seeds, there was a very big expansion in production, from which the main gainers were the large and medium landowners. Ayub's measures did therefore help turn a stagnant feudal system toward capitalist farming.

In East Pakistan, the situation was different both before and after Independence. The dominant class in rural areas had been zamindars, who had originally been tax collectors, but to whom the British gave certain proprietary rights. Most of these were Hindus and their zamindari rights were taken over by the state at Independence. Their tenants then got the land freehold. Hindus who fled sold their land to Muslims. The main gainers from this land redistribution were middle size peasants. There was also an exodus of Hindu moneylenders, and the main gainers from this were the small peasants. The average farm size in East Pakistan was 3.5 acres in 1960 and the cropping intensity per cultivated acre 1.4. In the West, the average farm size was 10 acres and average cropping intensity 0.9.

Refugees

Since partition, about 9 million refugees have come to Pakistan from India, and many of them lost a substantial amount of property. Ninety per cent of the refugees came to West Pakistan. They did this partly for reasons of propinquity, as the worst communal disorders were in Punjab, partly for linguistic reasons, because Urdu was a lingua franca amongst Indian Muslims in Bombay, U.P., etc., partly because the new capital was in Karachi and economic opportunities seemed better there. Refugees formed about one fifth of the West Pakistan population, but less than 2 per cent in the East. As a result of population transfer, the Hindu population of West Pakistan declined from 20 per cent to one per cent, whereas in the East it remained a little over one fifth.

Although some refugees suffered a reduction in status by coming to Pakistan, they have on the whole probably benefitted as much from economic growth as the original Muslim inhabitants of the area. Most of them came to West Pakistan where growth has been most rapid. More than a third of them settled in urban areas, and in West Pakistan they formed 45 per cent of the urban population in 1951. It is the city population which has done best from economic development. They are strongly represented in the bureaucracy and army, and dominate the entrepreneurial group. In both East and West

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(1) See Census of Pakistan, Population, Volume I, Karachi, 1961, Table V-27.

Pakistan, the refugee influx was slightly smaller than the exodus of non-Muslims,(1) so they were able to take over land and property left by Hindu refugees. Finally, government policy has been reasonably generous to them, because they were big enough and strategically well located to be an important pressure group.

Living Standards of the New Elite

Because of its political importance and power of economic control, the bureaucracy has played a major part in forming the consumption patterns of the new Pakistani elite. It is they who decide who can import cars and who can buy housing plots in new housing areas. Within industry, staffing patterns and hierarchical status are often analagous to those in the bureaucracy. Many jobs involve provision of housing and a car by the employer, which reinforces the uniformity of consumption patterns, even when (as between business and government) there may be a substantial variation in money income. The widespread use of clubs helps this social consolidation. The social prestige of the bureaucracy has remained high since British times, and business men who depend on bureaucrats for licenses would not want to irritate their patrons by a life style which is too ostentatious. There are still wealthy landowners who live in 70 room mansions, but most of these have been abandoned. The social status of such conspicuous consumption declined as their owners became more capitalist minded and more interested in economic use of their assets.

In some respects the life style of the new elite is fairly austere. Consumption of alcohol is limited by religious inhibitions and high taxes, the cuisine is poor, interior decoration is tawdry, and cutlural pursuits and foreign travel are limited. However, houses are large and servants are plentiful. The women seldom work. Most of this class have refrigerators and cars. They are the main users of air transport and air conditioning. They are the main beneficiaries of the expansion of secondary and higher education, medical services, and television.

Some sections of the elite are interrelated. Family connections are reinforced because most marriages are arranged by parents (with economic motives strongly in mind) and do not involve free choice. Recruitment into the class seldom comes from children of lower income groups. One reason for this is that most upper class jobs involve a reasonably fluent knowledge of English, and this competence is restricted to people who have been educated in the elite secondary schools. There are a few notable exceptions within the first generation of industrialists, but vigorous, self-made, uneducated entrepreneurs are not notable amongst the younger group of business executives.

(1) This paragraph relies heavily on M.S. Jillani, "Resettlement Pattern of Displaced Persons in Pakistan", Geografia, Karachi, Winter 1963.

III

The Masses

The Peasantry

There are about 30 million people occupied in agriculture out of a labour force of 42 million. In East Pakistan there are nearly 21 million (84 per cent of the labour force), in the West a little over 9 million (53 per cent of the labour force). Agricultural output stagnated in the 1950s, partly because of the loss of markets in other parts of the subcontinent for rice, wheat, and jute, partly because of the government policy of price controls and export levies on farm products. In the 1960s, policy has been different, with subsidies for fertiliser and diffusion of new seeds which raised productivity. However, most of the benefits of this have been concentrated in West Pakistan. In Pakistan as a whole, total crop output rose by 2.3 per cent a year from 1947 to 1966, in East Pakistan by 1.6 and in West Pakistan by 3.2 per cent. The total agricultural labour force rose by 1.9 per cent a year, by 2.3 per cent in East Pakistan and 1.0 per cent a year in West Pakistan.(1) This means that production per employee rose by 2.2 per cent a year in the West, and fell by 0.7 per cent a year in the East. Farm income has risen more slowly than output because of the growth in inputs.

Farm output grew faster in West Pakistan because of the increase in inputs. The supply of irrigation water increased 78 per cent from 1947 to 1970.(2) By 1970, 31 million acres were irrigated out of 40 million cultivated. Because of the availability of water, conditions were ideal in the 1960s for adoption of the new Mexipak wheat and the new IRRI rice. In East Pakistan, improvements in irrigation were minor and the new seeds have not yet done very well. There has been an increase in fertiliser use, but in 1970, East Pakistan used only 135 thousand tons (nutrient value) of fertiliser, compared with 337 thousand tons in the West.

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(1) The labour force figures are rough estimates. For 1951-61 we used the figures on male workers from the census (the definition of female employment changed) and linked these to 1961-70 from K. Ruud "Some Tentative Manpower and Employment Estimates (Targets) for the Fourth Plan", Planning Commission, Islamabad, September, 1969, mimeographed.

(2) The public irrigation supply of surface water rose from 45.6 million acre feet (at the water course) to 63 million acre feet, and 6,700 large public tubewells yielded 7 million acre feet of ground water in 1970 compared with virtually zero in 1947. In the private sector, 78,000 tubewells produced 14 million acre feet in 1970 (none in 1947), and 200,000 Persian wheels produced 3.6 million acre feet (same as 1947). These data are taken from the Fourth Plan Outline, and from P. Lieftinck, A.R. Sadove and T.C. Creyke, Water and Power Resources of West Pakistan, Vol. I, I.B.R.D., Johns Hopkins, Baltimore, 1968.

In West Pakistan, the main benefits of the expansion in production seem to have gone to the large capitalist farmers and the bigger peasant holdings. "Over one-third of the cultivable area in West Pakistan is in holdings of less than 12-1/2 acres each... These small farms generally do not possess the means to purchase better seeds, more fertiliser, adequate water and other elements of the new agricultural technology. They also need more extension services, readily available credit and better marketing facilities."(1) In fact, 77 per cent of the farms in West Pakistan are smaller than 12.5 acres, so the implication of this statement by the Planning Commission is that only a quarter of the farmers have reaped substantial benefit from the green revolution. However, small farmers in the West have undoubtedly had some increase in income, and the Planning Commission statement is probably too pessimistic.

East Pakistan output per head has declined substantially but land ownership is not nearly so unequal there as in the West, so the misery has probably been fairly evenly shared. Although East Pakistan peasants have fared much worse than those in the West, they did benefit from the social changes at partition caused by the flight of Hindu zamindars and moneylenders. Their gains in this respect were more real than those of the Western peasants from Ayub's land reforms. But there are many more completely landless labourers in the East than in the West (2.5 million in 1961 as compared with 0.6 million in the West). (2)

Industrial Workers

There are now 4.5 million workers in industry and construction (about 11 per cent of the labour force). In 1950 there were only 1.6 million (7 per cent of the labour force). These workers were recruited partly from farming and partly from rural handicrafts which have suffered competition from the new manufactures. The wages and living standards of industrial workers are higher than those of peasants as they need some incentive to come to the city and they need better health and nutrition to stand the pace of industrial life. They have a better water supply, sewerage, hospitals, education than people in the countryside. They see more movies and smoke more cigarettes. However, the surplus of rural labour and government policy in repressing trade union

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(1) The Socio-Economic Objectives of the Fourth Five Year Plan (1970-75), Planning Commission, Islamabad, 1968.

(2) It should be noted that the social structure of agriculture is more egalitarian in Pakistan than in India. In India, 24 per cent of the agricultural labour force are landless labourers (21 per cent of the male labour force) compared with 14 percent in Pakistan as a whole. The comparison with the male labour force is perhaps fairer because recorded female activity is greater in India for purely statistical reasons. The distribution of land amongst cultivators is also more even in Pakistan, because the East Pakistan land reform was more sweeping than any in India.

activity, (1) kept real wages constant or even declining until the strikes at the end of the Ayub regime in 1969. (2) Workers received less than a third of industrial value added. They have no social security, no facilities for upgrading and training. Since then, their position has been improved by minimum wage legislation (which applies in establishments with more than 50 workers) and by improved rights for trade unions. The government has also promised to spend Rs. 100 million on industrial workers housing. The new minimum wage was only slightly under the previous average for industrial workers, and the 50 per cent improvement at the bottom has sparked off a series of strikes to preserve the differentials of more skilled workers, and to secure increases in the public service, particularly for school teachers. Some of these strikes have provoked retaliatory action by the government, and labour-management relations are still very poor.

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(1) See Labour Policy of Government of Pakistan, Ministry of Health, Labour and Family Planning, July 1969, p.1 "In Pakistan, the growth of Trade Unions has been extremely slow. It is estimated by Trade Union leaders themselves that their total membership does not exceed 5 to 10% of the entire industrial and commercial labour force. There have been three main reasons for this. Firstly, it has been the ignorance of the workers themselves who have too readily adopted the model of a tenant-landlord relationship in industrial life. It is only recently that the workers have begun to realise that this sort of feudal relationship is not necessarily in their interest. The second reason for the slow growth of Trade Unions has been the attitude of the employers, who, being by and large first generation industrialists, have failed to realise the contribution which a contented and well-motivated worker can make to productivity and profitability. They have looked upon Trade Unions as instruments for extortion rather than as institutions through which mutual give and take can lead to a peaceful resolution of conflict and possibly higher productivity. They have therefore used all sorts of unfair means such as the creation of "pocket" Unions, victimisation of the office bearers of genuine Trade Unions etc., to inhibit the growth of Trade Unions. And finally, the third reason for the slow growth of Trade Unions has been the attitude of the Government itself which, too conscious of the need to keep production going regardless of the human and social costs involved, has discouraged, and in many cases prohibited, the expression of industrial conflict rather than trying to resolve it. It is obvious that, just as in national life the Government failed to appreciate the importance of political processes, so also in industrial relations, it had not realised that conflicts cannot be resolved by their suppression; they can only be resolved through a process of mutual give and take, which is only possible through strong Trade Union institutions, particularly in labour surplus economies where, otherwise the individual worker is in a weak bargaining position in relation to the employer.

(2) See A.R. Khan, "What has been happening to Real Wages in Pakistan?", Pakistan Development Review, Autumn 1967, and A.R. Khan "Exercises in Minimum Wages and Wage Policy", P.I.D.E., Karachi, May 1969, mimeographed.

Living Standards

The most obvious improvement in mass living standards since independence has been the sharp drop in mortality and the increase in life expectation. To some extent this has benefitted all sections of the population, but the improvement has probably been biggest for the lowest income groups. There has been some improvement in well-being and working capacity with the sharp reduction in the incidence of malaria, and the smaller decline in intestinal diseases. However, the physical condition of most Pakistanis is miserable by Western standards. The average male in his 20s weighs around 110 lbs., his blood has only two thirds the haemoglobin of a European and he is highly susceptible to diseases of poverty which are now rare in the West. 85 per cent of Pakistanis are illiterate, over 98 per cent lack piped water and sewerage. Social mobility is practically zero.

Unfortunately, consumption statistics are not available which permit comparisons over the past two decades, and national accounts statistics on expenditure are very weak even for recent years. The analysis of consumption trends and consumer demand is one of the major weaknesses of the plans. However, information is available on a few major items of mass consumption.

Foodgrain availability per capita rose from 14.9 ounces a day in 1949-50 to 15.3 ounces in 1968-69 (1). Though there was hardly any change on the national level, it seems certain from the production figures that per capita consumption declined in East Pakistan and rose in the West. According to official statistics, grain production has risen faster than other agricultural products, so the implication is that other items of the diet have not improved. In fact, however, it seems likely that the growth of milk and meat consumption is understated in the official figures.

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(1) See Fourth Plan Outline, p. 5.

Cotton cloth production has risen very rapidly in Pakistan (from 86 million yards in 1947-48 to 776 million in 1968-69) but this is not a guide to consumption as textiles were once a major import and are now a major export. Per capita consumption of cotton cloth (adjusted upwards to allow for quality improvements) has risen from 9.2 yards in 1950 (a year when consumption was not abnormally restricted by import controls) to 12.5 yards in 1968/69, i.e. by about 1.7 per cent a year.(1)

There has been some increase in consumption of manufactured vegetable oils and sugar. This was largely a substitution for cruder unprocessed products, but also seems to reflect a genuine increase in mass consumption. There has undoubtedly been an increase in consumption of cigarettes, soft drinks, and transport services. However, the improvement in mobility brought about by faster transport involves extreme physical discomfort and danger as buses are always packed to suffocation and disgorge horrible fumes. The rate of road deaths per motor vehicle is 8 times as high as in the U.K.

It is clear that mass consumption has improved in the course of the past twenty years, but as food represents about two-thirds of a low income budget, the average growth in consumption has probably been a good deal less than for upper income groups. The Fourth Plan (p. 9) suggests rather optimistically in surveying two decades of development (1950-70), "Bicycles, transistor ratios, watches, cars, telephones and other consumer durables which figure prominently in the standard of living, once scarce are now visibly numerous". This is true of urban dwellers, but it is hardly true of Pakistan villages, and gives a misleading picture of the change in popular consumption standards.

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(1) See Annex A for calculation of cloth consumption.

IV

Regional Disparities

One of the most difficult political problems in Pakistan is regional disparities between the income levels in East and West. Per capita income in the East is only two thirds of that in the West in money terms, and in real terms is less because Eastern prices are higher. The East is much less urbanised than the West, has many more people in agriculture, and all economic indicators show it to be worse off than the West. There has also been a serious discrepancy in growth rates which has accentuated the income differential. In West Pakistan, G.N.P. grew by 4.7 per cent a year from 1949 to 1969 and population by 2.6 per cent, i.e. a per capita growth of 2.1 per cent a year, whereas in East Pakistan, G.N.P. grew 3.3 per cent a year, and per capita income by only 0.7 per cent. During the third plan the average rate of investment in East Pakistan was only 10 per cent of its G.D.P. compared with 20 per cent in the West. In East Pakistan per capita consumption cannot be much higher than it was at independence. The growth of the East Pakistan economy has also been much more unstable than that in the West.

There are several reasons for this. The capital city was located (and then expensively relocated) in the West, and a majority of the bureaucrats are concentrated there. The army is also largely recruited in the West in continuation of British traditions, and the bulk of it is stationed there. Probably three quarters of the personal income paid out to state employees is spent in the West (say 60 per cent for bureaucrats, 90 per cent for the army). We can add to this almost 100 per cent of the spending of 2,000 relatively wealthy foreign diplomats and their families. This built up the market for industrial products in the West and provided capital for private investment. As a result less than a third of private investment took place in East Pakistan. In fact, these important reasons for regional disparity are seldom mentioned, whereas there is fierce argument about regional allocation of "plan" expenditure. It also seems likely that the boycott on trade with India has been more costly for East Pakistan than for the West.

West Pakistan benefitted from large "non-plan" investment in the Indus Basin Works. In the second plan this amounted to Rs. 2,910 million and in the third about Rs. 4,000 million. The Indus Works were designed to replace the water supply which was menaced by India.(1) India has also threatened East Pakistan's water supply from the Ganges, by building a barrage at Farakka, but East Pakistan is less dependent on river water. It gets 76 inches of rain a year. In West Pakistan there is only 3 inches in the South and 19 inches in the North. West Pakistan has 31 million irrigated acres, the East less than

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(1) The Indus Waters Treaty of 1960 gave Pakistan full water rights to the Indus, the Jhelum and Chenab rivers, and gave India the right to divert all flows of the Ravi, Beas and Sutlej for her own use after a ten-year transitional period ending in 1970. In order to substitute for the waters of the Eastern rivers, a series of large link canals would transfer water from the Indus, Jhelum and Chenab to canals previously watered from the Ravi, Beas and Sutlej. The rivers diverted by India had an annual average discharge in West Pakistan of 25 million acre feet. The other rivers provided 142 M.A.F.; thus West Pakistan would lose 15 per cent of her normal

1 million, so river water is obviously more vital to the West. In fact, the Indus Works were not simply a replacement operation: a) they provided some extra water (as India did not divert all the water until after the works were finished); b) by feeding the canals from a reservoir rather than a river, the water flow became more dependable and hence more useful because its delivery could be matched to the time pattern of crop requirements. The very large seasonal and annual fluctuations were reduced; c) the Indus Works provided a good deal of electricity. Furthermore, the expenditures on Indus Basin construction generated other activity in the West. A large part of the Indus Basin work was financed by foreign aid, which was motivated by the idea of preventing conflict between India and Pakistan and would probably not have been available for other purposes. The replacement phase of the Indus Works was completed in 1967 with the Mangla dam on the Jhelum. The second phase was the building of a huge dam on the Indus at Tarbela. This was clearly of a different character as it was an addition to the water supply of West Pakistan. It also happens to be the world's biggest development project. It will take 7.5 years to construct. Its total cost including power generation was estimated at $1,047 million, of which $554 million in foreign exchange. Furthermore, the dam will silt up in fifty years, and its proper exploitation will require other massive investments. Tarbela was justified as part of the Indus Basin Works (rather than as part of normal West Pakistan irrigation expenditure, which is also large) on the ground that the extra water would compensate for the increased cost of maintaining the new replacement irrigation in the West. This was a rather thin argument, but it did succeed in getting foreign aid which might not otherwise have been available. If the foreign aid available for Tarbela had been equally available for other projects, its construction could not have been justified at that point of time. It did appear to have a reasonable benefit cost ratio, but so did many other projects. The main objection to Tarbela is its immense size and delayed impact. It concentrates massive resources of foreign exchange on a project which will not yield benefits until 1975. It now appears that the burden of Tarbela will be so big that it will be difficult to finance supporting investment in tubewell drainage which is necessary to use Tarbela's water beneficially. If the drainage works are not carried out the Tarbela water "can spell disaster by aggravating water logging which in turn will accentuate salinity and alkalinity". Because of cost escalations and a reduction in aid, half of the cost of Tarbela is being met by Pakistan (both in the third and fourth plans), which is a much bigger ratio than for the Indus Works of the Second Plan.

On top of these "inadvertent" circumstances favouring the West, it is often alleged that there was bias in favour of the West in the decision-making of the Central Government which was dominated by West Pakistani officials. The second and third plan documents do not exhibit such bias overtly (as each wing

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supply of river water ("effective" rainfall is only 10 M.A.F.). This was to be financed by the Indus Basin Development Fund of $895 million (including $174 million provided by India). This was supposed to cover both foreign and domestic costs (though some of the funds were loans not gifts). In fact, the costs will be more than twice this. In 1963 the Bank raised another $315 million.

Table 1

Public[a] Expenditure on Development by Region 1955-70

Rs. million at current prices

	First Plan 1955-60	Second Plan 1960-65	Third Plan 1965-70
Public "Non Development" Expenditure	11,635	17,003	32,982
Public "Development" Expenditure			
"Plan" Expenditure in East Pakistan	2,292	6,696	11,057
"Plan" Expenditure in West Pakistan	4,023	7,894	10,628
Total "Plan" Expenditure	6,315	13,950	21,785
Indus Basin Works	0	2,910	(3,972)
Total Public "Development" Expenditure	6,315	17,500	25,757
G.N.P. (at market prices)	112,960	206,587	(331,785)

Source: First column, The Second Five Year Plan (1960-65), Planning Commission, Karachi, June 1960, p. 3, 26, 28 and 408. Second column from Final Evaluation of the Second Five-Year Plan (1960-65), Planning Commission, Karachi, December 1966, pp. 10, 12 and 144. This source shows an unallocated item of Rs. 640 million for the Works Programme; we allocated Rs. 442 million to East Pakistan and Rs. 198 million to West Pakistan in accordance with Performance Report on Rural Works Programme 1965-66, Government of East Pakistan, Dacca, February 1967. The third column is from data supplied by the Planning Commission. The figures in brackets are quinquennial estimates based on data for the four years 1965-69.

a) Expenditure of local authorities financed from their own revenues is treated in Pakistan's plans as if it were private consumption.

was allocated about half of "the plan"), but there has been a persistent tendency to implement the "plan" to a greater extent in the West than in the East, which may have been due to greater administrative efficiency in the West or to bureaucratic bias in favour of the West. Another reason was better project preparation, particularly in the water sector. The massive Western irrigation system had been developed over the course of a century and the hydrological information needed was more readily available than for new reclamation works and flood control in East Pakistan. East Pakistan's share of implemented "plan" expenditure was 36 per cent in the first plan, 45 per cent in the second plan and 51 per cent in the third plan, though the original amounts committed were higher. The population of East Pakistan is 55 per cent of the total so, in equity, East Pakistan should have got more than half. If we include the Indus programme, 37 per cent of public development spending went to East Pakistan in the second plan and 43 per cent in the third. In the pre-plan period before 1955, East Pakistan got even less.(1) It is true that East Pakistan contributed less to government revenue than the West, but this happened because East Pakistan was poorer - the same tax rates applied in both halves of the country. In fact, there was a net transfer of resources from East to West. Data on the balance of payments between East and West are not publicly available, but the trade balance provides a crude idea of the situation. The East has had a foreign trade surplus in nearly all years whereas the West ran a large deficit. In interwing trade, the West had a surplus with the East, but the net balance of foreign and interwing trade was much more favourable to the West than to the East. From 1948 to 1967, the average trade balance of the East was Rs. -24 million a year, whereas in the West it was Rs. -729 million a year. This meant that all the net benefits of foreign aid went to West Pakistan. In fact, the trade position in real terms was worse than it appears because East Pakistan's foreign surplus was earned in convertible currency, and each rupee of this surplus was worth more than a rupee's worth of the goods it got from West Pakistan, which could have been bought more cheaply on world markets.

There were, of course, some other facts which affected regional performance. There was more entrepreneurial ability in the West, a higher initial income level, and better infrastructure, but these influences were less important than the otherswe have mentioned. The greater pressure of population on the land in East Pakistan is sometimes cited as a reason for slower growth. In West Pakistan there is 7 times as much land per head, which is one reason for the higher level of income per head. However, it is not necessarily a reason for slower growth. There are other countries such as Taiwan with great population pressure which have grown much faster. It should also be remembered that the difference in cropped area per head of total population is much smaller, as a lot of West Pakistan is desert. The cropped area per head of West Pakistan is only 60 per cent bigger than in East Pakistan, and there is less double cropping. There has been quicker progress in developing new varieties of wheat in the West than new varieties of rice suitable for monsoon conditions. This was due in large part to the longer research on wheat (in Mexico) than on rice (in the Philippines), but may have been influenced by the greater poverty of farmers in the East.

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(1) In 1949-50, East Pakistan's share of public development spending was only 26 per cent; see Third Five Year Plan 1965-70, Planning Commission, Karachi, p. 12.

Table 2

Balance of Merchandise Trade by Region

	East Pakistan	West Pakistan
1948-49	730	-347
1949-50	88	-154
1950-51	548	35
1951-52	136	-364
1952-53	207	-80
1953-54	114	54
1954-55	304	-184
1955-56	583	-124
1956-57	-198	-529
1957-58	-181	-447
1958-59	-74	-179
1959-60	214	-832
1960-61	-200	-1,188
1961-62	-7	-1,258
1962-63	-221	-1,350
1963-64	-560	-1,571
1964-65	-755	-2,202
1965-66	-354	-1,137
1966-67	-576	-1,704
1967-68	-281	-1,025
1968-69		
1969-70		
Average 1948-67	-24	-729

Sources: Foreign balance (exports f.o.b. minus imports c.i.f.) 1948-59 from 20 Years of Pakistan in Statistics, C.S.O., Karachi, 1960-67 from Monthly Statistical Bulletin, C.S.O., Karachi, January 1970. Interwing balance (trade of Chalna, Chittagong and Karachi c.i.f.) 1948-59 from N. Islam, "Some Aspects of Interwing Trade and Terms of Trade in Pakistan", Pakistan Development Review, Spring 1963, 1960-67 from Monthly Statistical Bulletin, C.S.O., Karachi, January 1970. These figures exclude trade in defence items, imports of which go mainly to West Pakistan. The valuation of interwing trade is on a c.i.f./c.i.f. basis rather than the c.i.f./f.o.b. of foreign trade.

The big disparity between the growth rates of East and West Pakistan is sometimes viewed by Bengalis as an extreme case of exploitation by the dominant West Pakistani elite. There is an element of truth in this, but a good deal of the difference was due to force of circumstances whose impact was never articulately considered. It is also necessary to remember that the disparities between levels and growth rates in East and West are not a unique phenomenon. They are wider within different areas of West Pakistan. (1)

(1) In 1968-69, according to Mahbub ul Haq (Pakistan Times, 2 April 1970), the per capita income of West Pakistan was Rs. 611, that of the East, Rs. 460. Within West Pakistan, it was Rs. 360 in the N. W. F. P., Rs. 455 in Baluchistan, Rs. 854 in Sind and Karachi, and Rs. 614 in the Punjab.

Effects of Taxation on Income Distribution

The first thing to note about taxes in Pakistan is that they account for a very small share of G.N.P. by modern standards. Central and provincial government taxes amount to less than 9 per cent of G.N.P. which is about half the ratio for developing countries as a group.(1) Revenue from direct taxation amounted to only 2 per cent of G.N.P. compared with an average of 6 per cent for developing countries. In the past twenty years there has been no increase in the proportion of government revenue derived from direct taxation, although it has risen fractionally in relation to G.N.P. It should of course be remembered that Pakistan is poorer than most developing countries, and its upper crust is thinner. There are a few countries where direct taxes are lower (1.4 per cent of G.N.P. in Thailand and 1.7 per cent in Taiwan) and they are only 3.2 per cent in India in spite of its socialist pretensions.

Table 3

Growth of Tax Revenue

(Consolidated Position of Central and Provincial Governments)

Rs. million

	1949-50	1967-68
Income and Corporation Tax	120	850
Land Revenue	130	340
Customs	460	1,470
Excise Duties	100	1,950
Sales Tax	150	800
Miscellaneous	110	590
	1,070	6,000
Direct Taxes % of Total	25	24

Source: The Budget in Brief (Final) 1969-70, Ministry of Finance, 1969, Islamabad.

(1) See A. Maddison, Economic Progress and Policy in Developin g Countries, Allen and Unwin, London, 1970, p. 72.

Income and Corporate Tax

Income tax in Pakistan affects only a tiny fraction of the population. Out of a labour force of 42 million, only 300,000 pay it. Liability to tax starts at an income 20 times the average per capita income. Those with incomes of less than Rs. 6,000 are not required to file a return and the farm population is exempt. It is to be expected that a high proportion of people will be exempt in a country where income is so low and taxes difficult to collect. But the starting point is rather high and rates do not rise very steeply, considering how well off the taxpayers are compared with the mass of the population. There are also big exemptions designed to encourage saving. Thus a man with an annual income of Rs. 50,000 can reduce his tax from Rs. 12,500 to Rs. 4,670 by making the qualifying investments. There are substantial arrears in tax collection (about Rs. 402 million in 1964-65) and widespread evasion in the business world.

The tax rate on corporate income (60 per cent including super tax) is higher than in most Western countries, but there are liberal tax concessions in the form of accelerated depreciation (25 per cent for machinery), investment allowances, and a complicated set of tax holidays. A good deal of industrial investment enjoys two, four or six year tax holidays, according to location. Investment in a few specified industries is subject to a minimum two year tax holiday in all locations. Firms with tax holiday privileges usually manage to avoid municipal taxes for the same period. As a result corporate tax collections have been static whilst business profits have risen. Income and corporate tax together amount to only 1.3 per cent of G.N.P. or 2.6 per cent of non-agricultural G.N.P.

Agricultural Taxation

Agriculture is not subject to ordinary income or corporate tax. The basic levy is the land tax. This is not progressive but applies at the same rate per acre whatever the size of holding. The rate varies according to the quality of the land. The rates are fixed in money terms and changed only at long intervals. There is also a 25 per cent limit on the size of the increase at each of these settlements. This is obviously inappropriate in conditions of inflation and the tax is declining steadily in relation to agricultural income. There is no tax on land which has been unused for more than 6 years. The tax structure therefore provides no incentive to break up large estates or to ensure that land is used productively. There is a so-called agricultural income tax, but in West Pakistan this is a very minor progressive surcharge on land tax which yielded only Rs. 5 million compared with Rs. 178 million from land tax. In East Pakistan agricultural income tax works on the same basis as regular income tax; as farmers are poor the tax is collected mainly from tea estates. It yields Rs. 18 million compared with Rs. 185 million for land tax. Agricultural taxes were only 1.2 per cent of agricultural income in 1969-70. Land tax is not easy to evade but bigger farmers are often able to pay in arrears, whereas small farmers (particularly in East Pakistan) have to pay immediately and sometimes bribe the tax officials in order to protect their shaky title.

In spite of the low incidence of land tax, farmers were heavily

stantial export taxes on cotton and jute which cut deeply into the profits of commercial agriculture, and there were price and quantity controls on food sold for consumption within Pakistan. At the same time, manufactured goods consumed by farmers were made more expensive by tariffs, import controls and excise duties. In the 1960s, the situation has improved. Export duties have been removed, and farmers have received subsidised inputs of fertiliser, seed and water. In the early 1960s, farm prices were freed, and since 1967 there have been support prices for wheat. However, the farm sector faces competition from concessional imports of PL 480 wheat, and it receives only the official exchange rate for exports, whereas manufactured exports receive bonus vouchers which provide an effective exchange rate about twice as high. The big farmers of West Pakistan are the main users of the new seeds, fertilisers, water and tractors (which are subject to only a 5 per cent tariff).

Customs Duties

These are designed to provide protection for industry and to promote import substitution. Consumer goods imports are either heavily taxed, subject to quotas, or banned, whilst intermediate and capital goods are either duty free or subject to low duties. The exchange rate system also discriminates against consumer goods. This system of protection is intended to affect the location of production rather than its pattern, and its social impact is difficult to judge.

Excise Duties and Sales Tax

These are progressive on luxury items, and some items of popular consumption are exempt, so the social impact of these is mildly progressive.

Local Taxes

Revenue (and expenditure) of local government authorities is never shown as part of the public sector in Pakistan's plans, and information on taxes of local government is not available in consolidated form. However, the total revenue of local government in 1969-70 was substantial, probably about Rs. 1,000 million. The bulk of this is derived from octroi, which is a tax on goods brought into or transported through a city. It is levied at railway stations and road check points, and in Karachi it is also levied at the port. Octroi probably provides about threequarters of all municipal revenue, but in Karachi it is as high as 90 per cent. Many municipalities auction the octroi to private collectors. Octroi levies are specific and their ad valorem incidence is low. In Rawalpindi octroi is mainly levied on food and industrial materials. The highest food levy is on fish which works out at 1.9 per cent ad valorem, and on non-food the highest levy (4 per cent ad valorem) is on cement. As the octroi is generally a regressive tax and impedes efficiency by taxing goods in transit, municipalities were given the right to levy a property tax in 1911 which was intended gradually to replace octroi as the major local revenue. However, most municipalities did not use this right, so since 1940 the province of Punjab and later West Pakistan have levied an urban property tax. There are now two property levies in a good many municipalities (but not in cantonment areas where the provincial property tax does not apply). The provincial tax is 10 per cent of rental value and the municipal tax varies from 6-10 per cent. The assessments of net rental value made by the provincial government must be used by municipalities, but these

are usually very out of date and well below current values. There are also a good many exemptions: industrial buildings in their first six years, owner-occupied dwellings for three years and housing estates for six years. Arrears on property taxes are usually heavy. It has been estimated that revenue from property tax would be five times as high if it were based on current property values and extended to cantonment areas (where most of the best houses are located). There is also a strong case for making the housing tax progressive to discourage luxury building. The third major levy of municipalities consists of water charges. In all cases they cover only a fraction of the cost of water supply, probably about a third on average. The deficiency partly arises from the fact that people using water from public standposts cannot be identified and charged, but it also seems likely that householders with piped water are not being fully charged.

One of the problems of local government is that "cantonment" areas of cities are governed separately from other urban areas. Here the system set up by the British still holds. The cantonments, including their large civilian populations, are governed by the military establishment, which collects taxes and provides municipal services which are subsidised by the defence budget. Local authorities have no say in cantonment affairs, even when they are enclaves within the cities, and occupy prime land in the centre of town. In Rawalpindi, 175,000 people live in the cantonment area which includes the Intercontinental Hotel and all the best shops. Apart from enjoying subsidised amenities which are financed by the military budget, they pay lower taxes than people in Rawalpindi (who have a much lower per capita income).

The net direct impact of the tax system is probably to reduce inequality to a minor extent, but we have already seen in our discussion of the fortunes of business and the farmers that government interference with the price mechanism, particularly in respect of foreign trade, is regressive.

In the past, the lack of a more progressive tax system has been justified on the grounds that it promoted growth. The upper income groups, particularly in business, were given substantial credit for "entrepreneurial thrust" and the industrial sector was thought to reinvest threequarters of its income. In fact, the industrial sector seems to have saved only half its profits (which are struck after deduction of tax free perquisites for management and substantial tax evasion).(1) There is no evidence that rural capitalists have a particularly high savings rate. By international standards the savings rate in Pakistan is not high. The tax system does not contribute much to welfare, efficiency or capital accumulation. Its structure incorporates what was inherited from the colonial period, with additions designed to raise revenue the easiest way. There is no sign that the government has any big changes seriously in mind (the 1969 tax increases were largely increases in indirect taxes). The following changes would help both welfare and efficiency:

Income Tax:	End exemptions for qualified investments, and subject more perquisites to income tax;
Corporate Tax:	A lower rate (50 per cent) and an end to tax holidays and accelerated depreciation in West Pakistan;

(1) See A.R. Khan, "Some Notes on Planning Experience in Pakistan," Pakistan Development Review, Autumn 1968, p. 427.

Land Tax:	Exemption of smaller holdings, and application of steeply progressive tax (on all land) to encourage sale of larger holdings;
Customs Duties:	Lower rates and a narrower range, abolition of O.R.s and introduction of a floating exchange rate for all transactions.
Immoveable Property Tax:	Increase assessment of rental values to a more realistic level, and make house taxes steeply progressive. Increase water rates on houses with piped sewerage and water.

Recently some differential has been introduced between East and West Pakistan in order to stimulate private investment there. The present incentives consist largely of lower tariffs for imports of capital goods in the East. It seems desirable to strengthen fiscal incentives for investment in the East. This would be helped, if corporate tax privileges were abolished in both West and East, but tax on profits were remitted for all West Pakistan firms investing in the East, something on the lines of the Brazilian tax incentives for investment in North East Brazil.

IV

The Social Services

The major mechanism by which the government tries to improve social welfare is by providing social services free or at subsidised rates.

The "social sectors" absorbed 18 per cent of actual "plan" expenditure in the second and third plans (if we exclude administrative expenditures which are included in the budgets for physical planning and housing).

However, "plan" expenditure covers only capital items (except for scholarships, malaria eradication, and family planning). In addition, there is substantial current spending by central and provincial governments, mainly for health and education. Third plan expenditure on education is expected to be Rs. 1,436 million, but current spending was Rs. 2,500 million; in health, plan expenditure was Rs. 578 million, and current spending Rs. 830 million. In total, third "plan" expenditure on the social sectors will be about Rs. 4,700 million, and current spending of central and provincial government about Rs. 3,500 million. These figures include grants and loans to local government for social services, but exclude expenditure financed from local government revenues. Estimates of the latter can only be guesses as there is

Table 4

Central and Provincial Government "Plan" Expenditure on Social Programmes

	1960-65 actual	1965-70 actual	1970-75 proposed
Family Planning	19	356	600
Malaria Eradication	92	279	292
General Health	193	(149)	1,610
Medical Education	96	(150)	398
Primary Education	86	143	560
Other Education	827	1,293	2,850
Urban and Rural Sanitation and Amenities(b)	326	361	1,528
Housing and Plot Development (c)	845	740	1,722
Works Programme	640	1,136	2,500
Social Welfare	42	51	210
Manpower and Employment	34	48	150
Total	3,200	4,706	12,420
Per cent of all public development expenditure (including Indus Works)	18.3	18.3	27.6

Source: 1960-65 from Final Evaluation of The Second Five-Year Plan (1960-65), Planning Commission, Karachi, December 1966; 1965-75 from Outline of the Fourth Five Year Plan (1970-75), Planning Commission, Islamabad, February 1970, pp. 195 (works), 282 (housing), 370 (manpower), 383 (health), 396 (family planning) and 405 (social welfare).

(a) The figures include some credits to local government and to the private sector which are shown on a gross basis.

(b) Excludes government administrative buildings and non-social items (Rs. 870 million in the Fourth Plan).

(c) Includes Rs. 100 million for assumed civil service housing component of expenditure on new capitals.

no consolidated information on local government finance. My guess is that sixty per cent of local government finances go to "social sectors", i.e. about Rs. 2,000 million in the third plan. Total public sector spending was therefore about Rs. 10,200 million or about 3 per cent of G.N.P. There is a little double-counting in this estimate, because "plan" expenditure includes gross lending to local authorities, and the latter made some repayments of capital and interest. But this was a small item.

The fact that less than half of social sector spending comes within the purview of the plan is a serious analytical weakness in policy formulation. It also distorts resource allocation, because "plan" expenditure usually has priority over "non development" items, so schools, hospitals and libraries become more important than teachers, nurses and books.

Another weakness is the lack of information on private "social sector" spending. I estimate that private expenditure on housing was about Rs. 4,700 million, on health Rs. 1,450 million, and on education Rs. 2,000 million, i.e. a total of Rs. 8,150 million in 1965-70, or about 2.5 per cent of G.N.P.

Total expenditure on "social sectors" is therefore about 5.5 per cent of G.N.P. whereas in Western Europe the equivalent expenditure would be about 20 per cent of G.N.P. (excluding direct social income transfers which are large in Europe but virtually absent in Pakistan).

Most government spending on social sectors is directed towards middle and upper income groups. In education, only a third of expenditure goes to the primary level; in health most expenditure is for urban areas; nearly all public housing projects and housing subsidies are for middle and upper income groups; nearly all spending on amenities is for urban areas. For this reason, the commitment in the Fourth Plan Outline to treble social sector spending does not mean that there will be an increase in social justice, unless the detailed allocations are redirected towards the lowest income groups. Even if the plan does this, there is no guarantee that it will happen in practice. Responsibility for implementing social sector programmes is diffused through many government agencies, and a lot of them are hampered by the weakness of local governments, particularly in rural areas. In past plans, schemes for university development have usually been fulfilled, but primary school targets are well below target, programmes to build medical schools were fulfilled and rural health centres neglected, targets for civil service housing overfulfilled and rural sanitation neglected. Success in the social sectors therefore requires some fundamental administrative reforms.

Benefits from social programmes cannot, of course, be measured in terms of expenditure. In some areas, the needs of the poorest section of the population are so great that a small amount of spending can produce large benefits. This is certainly true in health, where the main beneficiaries have been in the lowest income groups. Malaria eradication and smallpox vaccination have had a much higher pay-off than investment in medical schools. However, this is not true in education where the greatest wastage rates are at the primary level.

In the past, decisions on social policy have not been very articulate. Social sector spending was determined as a result of political pressure and bureaucratic hunch. There was no possibility of comparing costs and benefits

with any subtlety, and the sections of the planning commission dealing with these problems have been very weak. There are for instance only two professional officers in the Health Section. When there was general pressure on resources as in the third plan, the social programmes were the first to be cut. In the third plan, only 50 per cent of the allocations for the social sector were used, as compared with 71 per cent for non-social programmes. However, those parts of the "social sector" which had strong bureaucratic support, e.g. civil servant housing or medical education, suffered the least. The attitude towards social programmes was coloured by the general philosophy of putting growth first, and accepting bigger inequality for functional reasons. However some "social" programmes had an economic justification because they constituted "investment in man". For this reason, the Planning Commission has attempted to strengthen its analytical capacity in manpower planning by calling on the services of the I.L.O., and it has used Ford Foundation help to study the logistics of the education system. It was also hoped that the Commission on Manpower and Education would help in this field, but it was dissolved in 1969 before it had completed its work. These efforts will no doubt improve the situation in the long run, but the data are still too weak to permit any sophisticated comparisons of pay-off in the social field, and policy will probably continue to be guided by bureaucratic hunch and political pressure for at least another decade. In this respect, Pakistan is no worse than many other countries. The real trouble is that the inherent bias is not in favour of social justice, and the level of efficiency is so low that the attempted "investment in man" has little impact on productivity.

Education

In the past two decades, the most rapid increase in education has taken place at the secondary and higher levels which cater very largely to children of the middle and upper class. An unusually large part of secondary and higher education is privately financed in Pakistan, but these levels absorb about half of the budget for public education. Primary education gets only 30 per cent, partly because enrolments are low, but also because primary school teachers are badly paid, school buildings are poor, and no equipment is provided. The cost per pupil at the primary level is only one hundredth of that in universities - a much wider range than in most countries.

Table 5

Educational Enrolments in 000s

	1949-50	1969-70	Annual Compound Growth Rate 1949-69
Primary	3,400	10,500	5.8
Secondary	700	2,710	7.0
College & University	40	440	12.7

Source: Fourth Plan Outline, p. 9.

Table 7

Current and Capital Costs Per New Student Place at 1968-69 Prices

	Rupees	
	Current	Capital
Primary (Classes I-V)	30	150
Secondary (Classes VI-VIII)	50	350
(Classes IX-X General)	120	2,600
(Classes IX-X Technical)	500	15,000
Colleges (General)	250	3,000
(Technical)	500	15,000
Universities (General)	1,500	6,000
(Technical)	3,500	15,000

Source: Information supplied by Education Section, Planning Commission.

In terms of welfare the distribution of educational expenditure is not very sensible, but it has no greater justification in terms of productivity. Every level of education involves huge wastage in Pakistan, because of drop-outs and failures. However, the wastage is greatest at the primary level where most students do not even learn to read. The education system tends to reinforce social rigidity because the only efficient part of it is the small elite (largely private) stream in which teaching is in English. There is, of course, a keen awareness in Pakistan of the weaknesses of the system, and these were laid down clearly in the Report of the Commission on National Education which was set up in December 1958 and reported in 1959. The Commission successfully recommended more resources for technical education at the secondary and higher levels, increased allocations for scholarships and greater provision for the elite residential secondary schools, but its recommendations for improving the quality of higher education and achieving 100 per cent primary school attendance within 10 years were not followed.

One of the major problems in improving education is administrative. Primary education is largely the responsibility of local government, which is expected to provide buildings, equipment and teacher housing. The poorer the authority the less likely it is to do these things. Provincial governments provide primary teacher salaries, but at such a low level that they have to be supplemented, sometimes by charging the students illicit fees. Secondary education is the responsibility of provincial government, and the central government runs universities. The higher the level of education, the more efficient the administration is likely to be.

In July 1969, Nur Khan put forward some bold new proposals on educational policy for public discussion which had been prepared rather quickly and had some rough edges. Broadly speaking the following was proposed: (a) doubling of public expenditure on education; (b) increasing the enrolment ratio in primary schools; (c) higher salaries for teachers; (d) a massive remedial programme of adult literacy; (e) a major switch in secondary education to technical subjects; (f) replacement of English by national languages in government and education.

These proposals were subject to extensive public debate. The Fourth Plan takes them into account to some extent, but with a smaller financial commitment, less emphasis on adult literacy programmes and formal technical education, but slightly more on primary school enrolments, upgrading of teache pay and qualifications, and enlisting industry in technical education by a pay roll levy for in-service training. The New Education Proposals have been adop by the government, but implementation is left to the provinces.

Primary Education

In percentage terms, primary enrolments rose from 33 per cent of the age group 5-9 years in 1951 to 50 per cent in 1970. In 1967, only 27 per cent of students in state schools completed the whole five year course.(1) Only a quarter of these were girls. Since then, drop-out rates have fallen considerably in East Pakistan. If we allow for English medium private schools where the drop-out rate is small, it seems likely that about a fifth of the children in the country finish primary education. The quality of public education is very poor. 30 per cent of the teachers are not qualified; books, pencils and paper have to be purchased by the students; and teachers are so badly paid that parents of pupils usually have to pay them fees.(2) This low-coverage low-quality education is the main reason why 80 per cent of Pakistanis are still illiterate. Pakistan's record in education is in fact one of the worst in developing countries, whether judged in terms of the level of effort or the increase since 1950. (3)

A rapid increase in primary enrolment and a reduction in drop-outs is probably the most useful educational investment that could be made in Pakistan. It is by far the cheapest kind of education, and empirical tests in industry have shown that there is a big difference in productivity between illiterates and literates, so the pay-off is likely to be higher than in secondary and higher education where there is a surplus of graduates in search of employment. In the long run, increased primary enrolment should have a major impact in increasing productivity which is blocked in all parts of the economy by the mental paralysis induced by illiteracy. It would also improve economic mobility and the status of women. It should help produce the mental attitudes that make the difference between a stagnant and a progressive society, and break down the passive servility which is the hallmark of the masses on the

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(1) See R.A. Karwanski, Education and Supply of Manpower in Pakistan 1961-66, Part I, p. 8, U.N. Manpower Planning Project, Rawalpindi, 1967.

(2) At the end of 1968 primary teachers' salaries ranged from 45-110 rupees a month in East Pakistan, and 60-350 in West Pakistan. In the Spring of 1969 these were raised 20 per cent but this still leaves most teachers with lower wages than unskilled industrial workers.

(3) For the evidence, see A. Maddison, Economic Progress and Policy in Developing Countries, op. cit., p. 48.

subcontinent. A universal primary system could also be a basis for improved social welfare. The schools could provide children with midday meals and regular medical surveillance, teach the basic rules of sanitation and toilet training, and improve health by including games in the curriculum.

In the Fourth Plan it is suggested that the enrolment ratio in primary education will be raised to 65 per cent by 1975 (95 per cent by 1985) and that the drop-out rates will be reduced to 30 per cent. It remains to be seen whether these goals will be implemented.

Adult Literacy

One way in which the heritage of poor primary education can be tackled is by programmes for adult literacy. Given the poor facilities at the primary stage, there must be a large number of illiterates who deserve to be rehabilitated. The New Education Policy Proposals put forward by Air Marshal Nur Khan in 1969 suggested a Literacy Corps (on the Iranian model) whose main task would be adult education. The attractive part of the Literacy Corps idea is that it mobilises the training capacity of the army which is not presently being used for development, and it helps transfer some of the cost of education to the military budget. But the best strategy in tackling illiteracy at the present stage of development is probably prevention rather than cure. Until primary education facilities are available to most children, it would seem a mistake to divert large resources to remedial literacy on a mass basis. Many of the 68 million illiterates are drop-outs who have had some access to education, and most of them are either not strongly motivated or too fatigued to acquire literacy. Furthermore, there is at present little for them to read. In Iran, the Literacy Corps has an output of only 2.5 adult literates per Corpsman year of service, but its record in educating children is 10 times better. A Literacy Corps would be useful in spreading primary education to remote areas, but as a programme for educating adults, it is likely to be inefficient. The cost of training a Literacy Corps member would be higher than that of primary school teachers and their training cost would have to be amortised over a very brief professional life (21 months was what N.E.P. suggested). It is therefore probably best to restrict adult literacy programmes to special categories of workers who are likely to have a functional need for it, as suggested in the Fourth Plan. Unfortunately, the idea of a Literacy Corps now seems to have been dropped.

General Secondary Education

In 1969-70, there were 2.7 million children in classes VI-X. Enrolment was about 16 per cent of the relevant age group. Almost all children who finish primary school go on to secondary education. The drop-out ratio in secondary education is lower than at the primary level, but only half the students pass the matriculation examination successfully. Eighty five per cent of secondary school enrolments are in private institutions, though these receive some government aid.

There are three types of secondary school.

(a) government schools where education is given in the vernacular;

(b) religious schools (maktabs and madrassahs) which concentrate heavily on religious subjects;

(c) an elite group of schools in which instruction is given in English. Some of these are missionary schools, some are private, and some are run by the government or the military, i.e. model schools and cadet colleges. These provide education of reasonable quality for the upper class, the children of the bureaucrats and the army, and some bright scholarship boys.

The main problem with secondary schools is their abysmally low quality, emphasis on rote learning, and lack of analytical training. Only a fifth of the students offer science subjects at matriculation, and most of the students are fitted only to be efficient filing clerks or ledger keepers. The schools need to be greatly strengthened in science and mathematics if they are to improve the quality of the labour force. 43 per cent of secondary school teachers are unqualified, 79 per cent in East Pakistan, and 21 per cent in West Pakistan. The quality of instruction needs improvement through in-service training of teachers; better salaries; provision of equipment and modern textbooks in Urdu and Bengali; and changes in the curricula in religious schools.

The system of elite education in English produces a gap between the upper class and the masses, reinforces social inequalities which are already very marked, rigidifies the social structure, stifles originality of thought and the development of a national culture. Unfortunately, the elite schools are the only ones which produce anything which can be regarded as a genuine secondary product.

Technical Secondary Training

About 4 per cent of children at the secondary level are getting technical education. All the evidence(1) suggests that the products of the existing vocational schools are not well prepared for industrial employment. They learn by rote, have poor equipment, and little practical experience. It is also difficult to find good teachers, so that the feasible rate of expansion is slow. Even the modest third plan target for vocational schools was only 40 per cent fulfilled.

The best way to ensure that technical training is appropriate and flexible is to entrust it to an autonomous body (rather than to the Ministry of Education or Labour) which is closely in touch with the skill needs of employers. This will also help in recruiting suitably qualified and experienced part-time teachers from industry. The model for Pakistan in this field should be the industrial training system developed by Brazil in 1941, copied by Colombia in 1957 and by the U.K. in 1964. These systems are financed by pay-roll levies - 1 per cent in Brazil, 2 per cent in Colombia and rates which

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(1) See report of R.M. Lyman (I.L.O.), Technical Education, Technical, Vocational and Industrial Training, National Commission on Manpower and Education, Islamabad, April 1969; M.R. Lohmann (Oklahoma State University) Evaluation of Advisory Services O.S.U.-Pakistan Technical Education Project, December 1968; Investment Advisory Centre, Industrial Manpower Skills, National Commission on Manpower and Education, Islamabad, 1969.

vary by industry in the U.K. The employer pays the levy as if it were a tax, but he gets a rebate to the extent that he provides in-service training. The training scheme provides him with skilled instructors to work in the plant, and gives him the opportunity to send workers to trade schools where courses are designed ad hoc to meet industry's needs. This system forces employers to take training seriously and ensures that it is relevant. The trainees are people who already have jobs and whose skill needs are specific rather than students who will have to find a job to match their training. Such a system would help social mobility by enabling workers to upgrade their skills, and reduce the present emphasis on paper qualifications. The Fourth Plan suggests a 2 per cent pay-roll levy to finance such a scheme. It remains to be seen whether it will be implemented. Up till now industry has not been interested because its immediate impact involves higher cost for them, and they have little incentive to increase efficiency with the present foreign exchange system.

Higher Education

Higher education in the subcontinent derives from the system set up by the British in 1857 when the first three universities were created. These were purely examining bodies. The two year B.A. course was taught in colleges affiliated to the examining universities. The courses were usually in the liberal arts and were given in English. After 1919, some universities undertook teaching, but only for the two year M.A. At independence, there was only one university in Pakistan. Now there are twelve universities with 22,000 students and one postgraduate (Ph.D.) university at Islamabad with 60 students. There are 500 colleges with 415,000 students; 100,000 of these are enrolled in B.A. courses, the others are doing the intermediate course, which is preparatory to the B.A.

The two year B.A. system has no parallel elsewhere (it has now disappeared in most of India) and is probably the worst type of higher education in the world. It does not contribute to the skills or analytical capacity of the labour force, but simply reinforces the existing prejudices against jobs involving any kind of manual labour. It is more of a substitute for employment than a preparation for it. The system is overacademic and examination oriented. Most of the products are of less use to the economy than if they had not attended these institutions. Many of them are unemployed. The 1959 Commission on Education suggested the introduction of a three year B.A. degree, and physical separation of intermediate students (who are really completing their secondary education) from B.A. students.(1) Both these proposals met opposition from students and parents who always seem to press for a lowering of standards, and the government did not have the courage to implement the Commission's recommendations. These suggestions are not repeated in the new education policy.

Admission requirements are extremely lax for B.A. courses. As a result, 30 per cent of students drop out in the first year and only 58 per

(1) This was also very strongly recommended by the Kothari Committee in India, see Report of the Education Commission 1964-66, Ministry of Education, New Delhi, 1966, who pointed out the deleterious effects of the present system on universities, schools, and students.

cent of those completing the second year pass their examinations. The combined drop-out/failure ratio is around 60 per cent. Drop-out and failure rates are also high at the M.A. stage in universities. About 340 of the 500 colleges are private. But both colleges and universities are helped by substantial grants in aid, and together absorb 20 per cent of the public education budget. The Fourth Plan comments as follows: "Presently, many colleges and all universities are heavily subsidised by public funds; yet these institutions offer direct benefits almost exclusively to middle and upper income families, that is to say, to a small minority of the country's population".(1)

In spite of their poor quality, 200 colleges were founded by the private sector during the third plan, and there is obviously a demand for this type of education. The government has a responsibility to upgrade the teaching of science and mathematics, improve the qualifications of lecturers, and to provide libraries and laboratories, but it should try to stop the expansion of low quality higher education. Expansion could be checked if there were a better procedure for accreditation. If subsidies were terminated for colleges not accredited, some of the weaker ones would collapse (which would be no loss). It would also help if the government were to introduce a system of compulsory national service (military or developmental) for all those who enter higher education (whether they pass their examinations or not). This would deter some of the less promising students; it would help primary education a good deal by sending young graduates to villages; it would improve the social cohesion of the country by giving the upper class some contact with the masses. Finally, the check to expansion of low grade higher education would help ensure quality improvements at secondary level. At present, the low quality of secondary education is tolerated by parents because they hope their children can offset some of its deficiencies in college. If this avenue was blocked, there would be more popular support for improvement at the secondary level.

Housing

During the third plan public expenditure on non-military housing was about Rs. 500 million, (of which a third was the cost of land) most of which was in urban areas. In the same period total urban housing investment was about Rs. 2,570 million (excluding cost of land acquisition). Public housing was therefore about an eighth of the urban total. For earlier periods we have no data on total housing investment, but we know that public housing expenditure was bigger in the second plan than in the third.

We have no recent information on the number of housing units, but if we assume that the housing stock has grown parallel with population since the 1960 housing census, and that replacement took place at 1 per cent a year, then 1,140 thousand urban dwellings would have been constructed during the third plan (i.e. the housing stock would have risen from 2,895 thousand units to 3,890 thousand and 145 thousand would have been replaced). This would mean that each new house cost Rs. 2,255. This is a low figure for pucca housing, but many of the new buildings were jhuggies or bastis (cheap slum dwellings).

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(1). Outline of the Fourth Five Year Plan (1970-75), Planning Commission, Islamabad, February 1970.

The C.S.O. estimates for rural housing investment show a construction expenditure of Rs. 1,244 million during the third plan. But this implies (on the same assumption we have made for urban housing) that new houses in rural areas cost only Rs. 350 each, and the figures are probably much too low. We know that urban incomes are about 60 per cent higher than rural income, but there is unlikely to be this much difference in housing standards between town and country. In fact, rural housing construction was probably at least twice as high as the C.S.O. estimates, which means a total third plan housing investment of about Rs. 5,000 million, of which public housing was about 6 or 7 per cent.

It is not clear whether the housing situation is getting worse or better. The Fourth Plan suggests that there is an enormous and growing backlog in the towns which now amounts to 1.5 million dwellings. However, this "backlog" is not a physical shortage of shelter but is intended to be a rough measure of the incidence of sub-standard accommodation. The Planning Commission assumed that "the backlog" amounted to 600,000 units in 1960, i.e. about 30 per cent of urban housing was then judged to be substandard on the basis of data available from the housing census. Additions to the backlog between 1960 and 1970 were calculated by comparing recorded building activity with the growth in the number of urban households. However, Fourth Plan data on new building are incomplete. They relate only (and incompletely) to pucca housing, and are not comparable with the census figures which cover all forms of shelter. Nor are they coextensive with the implicit definition of acceptable housing standards for 1960 (which included 70 per cent of 1960 accommodation). It would therefore seem that the Planning Commission has no real evidence that the housing situation is deteriorating. On the other hand, it probably understates the amount of slum housing. It is quite likely that 70 per cent of the 1960 housing stock consisted of slums rather than the 30 per cent which the Plan assumes.

In the past, public housing has been built largely for refugees and civil servants. In the third plan, civil servant housing cost Rs. 200 million plus about 100-150 million rupees of the spending in the new capital, Islamabad. Other public housing cost Rs. 167 million. Many investment projects, e.g. Tarbela and Mangla include some housing, and the military budget includes an unknown (but substantial) amount for housing. Most public housing is let at very low rentals, or sold at a loss, and in refugee housing, rent payments are highly delinquent.

Government housing has generally been of a type which only the middle or upper class could afford to buy or rent. Some simple one-room accommodation was built for refugees as a nucleus for later additions, but most attempts to build for low-income families have been failures. In Korangi township near Karachi, where an attempt was made to rehouse refugee slum dwellers, most of them sold their plots to richer people because they could not afford to live there. If public housing is to make some provision for the needs of the bottom seven-tenths of the urban population, designs will be needed for housing units which cost less than 2,000 rupees. But foreign experts continue to propose schemes in which each house costs a multiple of this. A recent American team proposed a minimum standard of two-room apartments for industrial workers, and then admitted that workers would only be able to afford one fifth of the economic rent of such units. The economic rent would be 55 per cent of their income.(1) The two-room minimum was based

(1) See Report on Worker Housing in Karachi, USAID, 1968.

on the theory that parents and children should sleep separately, but a recent family planning survey suggested that four fifths of the adult population share bedrooms with children.

It is obviously desirable to do more realistic research on the possibilities of low income housing. One possibility might be tent-housing which can be cheap, comfortable and hygienic. Tent design and fabrics have improved enormously in recent years, particularly in France. Another advantage of such units is that they can easily be moved whereas other types of housing have to be demolished in urban renewal schemes. Tent housing is very widespread in central Asia and Mongolia. About half the population of Ulan Bator live in permanent tent settlements which are quite comfortable and withstand a temperature variation twice as large as in Pakistan. It is also necessary to carry out research on the quality of building materials and the practical problems of building houses for the very poor. The problems that should be tackled are quite earthy:

(a) how to stabilise a dirt floor;
(b) how to prevent mud plaster falling off after each rain;
(c) how to keep rot and white ants out of beams;
(d) how to promote run-off from wall tops and flat roofs;
(e) how to protect the base of earth walls;
(f) how to preserve bamboo;
(g) how to fireproof and preserve thatch;
(h) how to do all of these things without incurring very much additional expense.

Even if good designs for low income housing were available, it seems doubtful whether the government would be justified in mounting a substantial urban housing programme. Urban dwellers are more prosperous than those in the countryside, and an expanded programme involves subsidising a richer group.

In the third plan, civil servants got about two thirds of the public housing, and in general this housing is heavily subsidised. Rental housing is supplied at 7.5 per cent of salary, although in many cases the economic rent would be a multiple of this figure. It seems desirable that civil servants pay a larger share of the economic rent. The charge should be varied proportionately to the economic rent, e.g. it might vary between 7-1/2 and 15 per cent of salary. Once these market forces are introduced, there should be some incentive to economise which does not exist at present.

In addition to public housing, government has provided local authorities with loans (10 years at 6 per cent interest) for plot development. The gross amounts going for this purpose were Rs. 48 million in the first plan, Rs. 184 million in the second, and Rs. 257 million in the third. Most of the plots were for middle and upper class housing in areas developed by improvement trusts and development corporations like Gulberg in Lahore, Gulshan in Dacca, Satellite Town in Rawalpindi. The developed plots were sold on a non-profit basis, i.e. well below their market value, to civil servants, military, and other favoured clients, whereas they should obviously have been sold by auction. There have been no effective limits on the size of plots.

The government provides low-interest housing loans to civil servants (up to 18 months pay) and advances against their provident fund. The House Building Finance Corporation does the same for the general public. In the past, the average loan of the H.B.F.C. has been Rs. 19,400. The funds have gone entirely to middle and upper class borrowers. To some extent this bias is inevitable as the corporation has to select creditworthy customers and keep down overhead costs, but it is difficult to see any social justification for direct State provision of mortgage finance to this income group. It would be more reasonable to provide institutional support for private savings and loan associations by creating government insurance facilities, and a secondary mortgage market along American lines.

For upper income groups the Fourth Plan makes a plea for tax advantages. But the case is weak. Householders theoretically face a maximum local plus provincial tax of 20 per cent of rental value, but in fact they pay less than 4 per cent of real rental values as well as a minor amount of income tax on rental income and imputed rent. The income tax burden is very low, and there has been a steady appreciation in the capital value of housing which is not subject to capital gains tax. Many of the upper income groups have benefitted disproportionately from government schemes to promote site preparation. There is, in fact, a strong case for making the tax on urban property sharply progressive. Higher taxes on large houses will reduce the incentive to build them and will encourage people to split up the existing stock into apartments or sell them for institutional purposes. Most of the houses of the upper income groups are very large by international standards and use land lavishly. As they are assets with a very long life, they should be designed with an eye to likely future social developments. In future, the number of servants is likely to fall, families will be smaller, joint family living will decline, and land will get scarcer. Government policy should aim to anticipate these developments by discouraging the building of large houses.

Urban Water, Sewerage and Sanitation

The poor quality of water and sewerage in Pakistan cities is a major health menace. By European standards, sanitation conditions are medieval. Only 7 per cent of the urban population has piped water and sewerage.(1) This is only about 1.4 per cent of the population of the whole country. 98.6 per cent of Pakistanis are therefore without modern bathroom or toilet facilities. No town has water fit to drink. A large part of the population wash and drink from ponds or even from sewage water. Most sewerage goes into open drains and no city has a proper sewage treatment system. Drainage of storm water is also poor and streets are often flooded. More than a quarter of the urban population have no sewerage or drainage of any kind, so that their wastes either accumulate or evaporate or disappear by seepage. Sewerage and water supply are often in disequilibrium. Rawalpindi sewerage has lagged behind water supply to such an extent that the water table is steadily rising and is now rotting the foundations of some of the bigger buildings. As a result of poor water and drainage the population is plagued by hepatitis and dysentery, malaria is difficult to eradicate, and many of the rural population have hookworm.

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(1) The 7 per cent figure excludes Karachi. Karachi, as the capital, was favoured in public allocations for investment of this type, and was better off than the national average. The same is even more true of Islamabad.

Modern water and sewage facilities are expensive relative to the income of the population. In 1970, normal capital costs for piped water in West Pakistan cities were estimated at 93 rupees per person, and sewerage and drainage at 83 rupees a head. A major problem with water and sewerage facilities which are not connected to individual houses is that the users cannot be identified and cannot therefore be directly charged. As water rate is levied only on consumers with taps, water revenue covers only a fraction of water costs in most cities.

In principle, one third of the funds for municipal water and sewerage are a grant by the provincial governments to municipal authorities, improvement trusts etc. Another third consists of loans and the rest is financed locally. A 1967 survey(1) suggested a programme which aims to provide adequate water supply to 90 per cent of the urban population by 1990 and which would cost Rs. 2,014 million during the Fourth Plan. This compares with Rs. 1,797 million which the Fourth Plan proposes (Rs. 1,198 in the Plan supplemented by Rs. 599 from local government). If the Fourth Plan is implemented, it should lead to a substantial improvement compared with the third plan period when total spending on urban water and sewerage was only about Rs. 436 million. The present water supply and sewerage schemes were drawn up by the Public Works Dept. or by foreign consultants on standards which may be too high; for instance, the recent master plan proposal for Chittagong is quite lavish for such a poor country. It should be possible to build rough drainage and sewerage systems in an urban works programme which are cheaper than piped sewerage but much better than what is now available. After all, Mohenjo Daro and Harappa had good drainage and sewage 4,000 years ago.

Other Urban Amenities

There are many ways in which urban amenities need improvement. There is an obvious lack of recreational and cultural facilities such as theatres, sports stadia, museums, culture parks etc. It is also desirable to restore the Moghul tradition in gardening and public architecture. In all these fields a little money can go a long way. There is an urgent need for better local bus services. At present these are run by the private sector, and are unreliable, unsafe, and uncomfortable. More sanitary inspectors are needed in markets, and the police should be instructed to remove unaccompanied goats, sheep cows, camels, horses, buffaloes, geese etc. which are both a health and a traffic menace. There is a large scale need for public toilets and baths.

Rural Water and Sanitation

There are nearly 115 million people in the 101,000 villages of Pakistan. The Third Plan gave them 45 paisa each for water and sanitation over a five

(1) See Long Range Plan, Government of Pakistan Public Health Engineering Department, May 1967. This referred to half the urban population of West Pakistan, it excluded Karachi and Wah, and towns of less than 25,000 inhabitants. We have adjusted the figures on a pro-rata basis to cover the whole of Pakistan.

year period, whereas the urban population got Rs. 13.5 each plus municipal spending. It is inevitable that per capita costs are higher in cities than in villages where simpler solutions are feasible. There is also a bigger public health risk from deficiencies in the cities. However, the gap between town and country does seem very large. In the first plan period the government provided only 3,000 tubewells to East Pakistan. In the 10 years 1960-70, the government provided 164,000 tubewells for drinking water in East Pakistan and improved water supply in 473 West Pakistan villages. There was also a programme to provide standardised latrines to the East Pakistan villages. There was no provision for public baths or wash houses. A large proportion of the rural population suffers from hookworm or dysentery as a result of poor sanitation. There has been no official propaganda for better sanitary practices. School children should be heavily indoctrinated in the virtues of sanitation, and special care should be taken to provide good school toilets and washing facilities. The new rural health centres could also contribute substantially to this propaganda campaign.

Health

In Pakistan, total current expenditure on health in 1970 was probably about Rs. 1,650 million,(1) and capital expenditure about Rs. 300 million. This makes a total of Rs. 1,950 million or 2 per cent of G.N.P. (15 rupees per head) compared with 5 per cent in the U.K. (500 rupees per head) compared with 5 per cent in the U.K. (500 rupees per head), and 6.7 per cent in the U.S.A. (1,500 rupees per head).

In the past two decades the death rate has fallen drastically and life expectation has risen from 30 to 50 years. This is a very big improvement, but life expectation is still 20 years lower than in Europe. Fertility has remained very high, so that population is now growing by 2.8 per cent a year compared with 1 per cent in the period 1901 to 1951.(2) Unless birth control programmes are successful, the rate of population growth will rise a good deal more as health improves.

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(1) The estimate is based on the assumption that 14,000 man years of doctor time are devoted to private practice and that each man year costs Rs. 30,000 i.e. a total of Rs. 420 million. Expenditure on drugs was about Rs. 440 million (crude estimate based on Rs. 300 million production and Rs. 30 million imports and assuming a retail markup of one third. See figures given in Pakistan Pharmaceutical Manufacturer's Association, Supplement to Pakistan Times, 8 Nov. 1969). It is assumed that the cost of indigenous type treatment was Rs. 438 million (19,000 man years of homeopathic time at Rs. 10,000 each, 33,000 hakim man years at Rs. 6,000 each, and 50,000 dai years at Rs. 1,000 each). In addition central and provincial governments spent Rs. 200 million (see Budget statements of central and provincial governments, 91 million for West Pakistan, Rs. 79 million for East Pakistan and Rs. 33 million for the centre in 1969-70) and municipal governments spent Rs. 150 million on current items. Capital costs were Rs. 150 million in the public sector and Rs. 150 million in the private sector.

(2) Population in Pakistan was 73.9 million in 1951 and 45.5 million in 1901. See G.M. Fareeq, "Labour Force Participation Rates in Pakistan: 1901-1961"; Pakistan Development Review, Spring 1968, p. 83.

The decline in mortality is due to several causes; (a) improved water supply in both villages and towns. This has substantially reduced the incidence of cholera, typhoid and hepatitis; (b) smallpox vaccination is not complete but is very widespread. It has reduced the deaths from this disease to negligible proportions; (c) malaria eradication programmes by means of D.D.T. spraying. This programme now covers 87 per cent of the population and is in its end phase. It has had a major impact in reducing the disease; (d) large-scale sales of new antibiotic drugs which have cut the incidence of many diseases; (e) improvement in health services.

The death rate is still high in Pakistan by Western standards, and there is widespread mortality from diseases of poverty such as tuberculosis and pneumonia. There is also a good deal of ill-health due to poor sanitation, inadequate diet, clothing and housing. Many people suffer from dysentery and hookworm which debilitate them and reduce working efficiency.

Pakistan is still at a stage of development in which expenditure on health can have a very high impact in increasing life expectation, but progress in health also depends directly on the general standard of living in a way which is not true in the West.

Thus far, success in public health has been achieved through cheap crash programmes of a preventive character, with little public provision of curative services except for a small privileged section of the population. In the Fourth Plan period, several of the crash programmes will enter their terminal stage, and there is more emphasis on curative services.

Most of the health services of Pakistan are concentrated on the urban population. 80 per cent of doctors in West Pakistan and 60per cent in East Pakistan live in towns of over 25,000 population. Most of the hospitals are in urban areas. This is the reason why medical facilities are so much more developed in West Pakistan which has 4 times the urban population of East Pakistan. In West Pakistan there are 13,400 registered doctors, 4,700 nurses, 1,881 lady health visitors, 1,790 registered midwives. In the East, there are only 8,052 registered doctors,(1) 700 nurses, 262 lady health visitors and no registered midwives.

Most of the rural population have no access to modern health services at all. They rely on indigenous medical men. There are 33,000 hakims who practice traditional (unani or ayurvedic) systems of medicine. They have little training but use modern as well as traditional drugs. Hakims now have to be state registered in order to practice. In addition there are 50,000 village midwives (dais) who usually inherit their job and have no training at all. Almost all dais are married women, and a recent family planning survey showed that on average they have 9 children. Their services are therefore only part-time. Apart from this indigenous medical personnel, there are 19,000 homeopaths who practice in both towns and villages.

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(1) There are over 21,000 doctors registered in Pakistan, but many are listed who have died, emigrated or retired, so there are probably only 16,000 who practice in the country.

The public health services tend to be controlled by doctors, who are strongly influenced by Western concepts of medicine and have not been too imaginative in adapting their standards to local conditions. Thus rather little has been done to bring indigenous medical men into the general health service, though the family planning programme has used indigenous midwives. At the time of independence there were two categories of doctor in Pakistan: the M.B.B.S. with five years of training after the intermediate level and the licentiate whose training was shorter (4 years). In the early 1960s, the licentiate was abolished, and the relevant schools turned into medical colleges. Many licentiates went back to school to upgrade their qualification to M.B.B.S. In fact, it might well have been better to develop a category of medical personnel with even lower qualifications than the old licentiates, e.g. like the feldschers in the U.S.S.R. or the "barefoot doctors" of China.

The "free market" demand for sophisticated medical services is fairly saturated. As a result, half of the new medical graduates in Pakistan emigrate,(1) because they cannot find lucrative enough jobs in the city. It is highly desirable that some of the new doctors be diverted to work in rural areas, but for the simple diseases of poverty the main need is for paramedical personnel rather than doctors. Their services are much cheaper, they can be trained easily, and they are unlikely to emigrate. This has been recognised in the Fourth Plan outline, but it seems doubtful whether paramedical personnel will in fact be trained on the scale foreseen. In the third plan very little was done to implement the programme for rural health centres. There are only about 200 of these, but 7,500 are needed if the needs of countryside are to be met.

Family Planning

In Pakistan virtually all women are married. In East Pakistan, the average age at marriage is 15.7 years and in West Pakistan 19.1 years. Estimates of the P.I.D.E. showed that in 1962-65 the birth rate was 52 per thousand population and the death rate 19 per thousand, i.e. population was increasing by 3.3 per cent a year. Half of the deaths were due to the process of childbirth which killed off mothers and children in large numbers. This spectacular rate of population growth (compared with 1 per cent a year from 1900-50) obviously threatened to absorb most of the benefits of economic growth, and led the government to make a serious effort at family planning from 1965 onwards. The target was to reduce the birth rate to 40 per 1,000 by 1975 and to 30 by 1980. At the same time, the death rate was expected to drop slowly to 17.5 in 1975 and 15 in 1980.

Until the census results of 1971 are available, it will probably not be clear what has happened to population. However, the family planning organisation claims that births have been reduced to 42 per 1,000, and the Planning Commission assumes that population grew by 2.8 per cent a year in 1965-70 as compared with 3.1 per cent from 1960-65. From 1970 to 1975, the

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(1) See R.A. Karwanski, Doctors and Medical Personnel in Pakistan 1960-1985, U.N. Manpower Planning Project, Rawalpindi, March 1968.

Planning Commission assumes that population will rise by 2.7 per cent a year which is much faster than is implied in the original family planning programme.

There are two reasons why the programme is unlikely to have rapid results: (a) its first successes were with people who were willing acceptors and who were willing to undertake birth control when they found out about it and had access to the new techniques. Persuading new layers of people who are handicapped by fear and ignorance will be a more difficult and costly operation; (b) the first phase of the programme was forced through by the Ayub regime as a crash campaign, using the official propaganda machine and the apparatus of basic democracies. This fact is now exploited by religious or other opponents of the programme, so that official propaganda for birth control is now practically non-existent. In nine months, I have seen not a single newspaper or T.V. advertisement, and only one old hoarding.

Apart from this it would seem that the method which held greatest promise - the I.U.D. - has in fact run into technical difficulties because it is either spontaneously expelled or causes bleeding in many women. The Fourth Plan therefore puts emphasis on more expensive measures such as pills, condoms and sterilisation. There is, however, no mention of abortion, or an increase in the legal age for marriage, both of which would arouse some social antagonism.

The programme has in fact brought some relief to the problems of the lowest income groups, but certainly offers no panacea. The birth rate is likely to remain high until there is an improvement in basic educational levels and an upgrading of the status of women, many of whom spend their lives almost completely secluded from the outside world and modern ideas.

In 1970, it is estimated that 18 per cent of married couples are practising contraception. But it is only in the upper income groups that this is done from the beginning of marriage with the idea of spacing children. In most cases where birth control has won advocates from the mass of the people, the practitioners are those who have already had as many children as they want and are desperate to stop. Hence in the third plan 1,3 million men were voluntarily sterilised against only 90,000 anticipated. The 18 per cent coverage is therefore much less meaningful than it would be in a Western country.

V

Employment Policy

Overt unemployment in Pakistan, as measured by the census, is quite small, about 1 per cent of the labour force, but Pakistani planners have never taken this figure seriously. As there are no unemployment benefits, and the majority of the labour force is self-employed, it is obvious that the census figure does not have the significance it would have in a developed country. Mahbub ul Haq suggested that 22 per cent of the labour force was "unemployed" in 1960,(1) and this estimate was repeated in the Third Plan,(2) where it was suggested that a fifth of the labour force had been "unemployed" from 1950 onwards. The calculation was made by estimating normal man-hour requirements for the crop and livestock production in agriculture, and defining the difference between this and the "labour force" (as recorded in the census) as "unemployment". In fact, the proportion of the population recorded as being in the "labour force" in the Pakistan census is smaller than in almost any country (32.6 per cent in 1961) because very few women were economically active. (8.5 per cent as opposed to 54.2 per cent for males). If Pakistan had had the same female activity rate as Turkey (a Muslim country with similar age structure), then the additional women would have raised "unemployment" to the equivalent of 37 per cent of the labour force. It would perhaps avoid confusion if Pakistani planners were to refer to their estimated "unemployment" as underemployment for it is not argued that the estimates refer to people who are totally idle, but simply that within the labour force as a whole, there is this much idle time which could be mobilized for development.

The method used to measure unemployment in Pakistan was first used by Doreen Warriner in her pre-war studies of peasant agriculture in Eastern Europe, and was given a cachet of respectability by Rosenstein-Rodan.(3) The concept of disguised unemployment has since been attacked by T.W. Schultz, Colin Clark, and Bent Hansen(4) who have produced evidence from several countries to show that agricultural labour has a positive marginal product and cannot be withdrawn without loss of output except at periods of seasonal slack. However, the argument as to whether labour has a positive or zero marginal product in a given situation is academic. The Planning Commission has never claimed that the underemployment is mobilisable without further inputs of capital; it is simply demonstrating in a crude quantitative way that unskilled labour in all sectors of the economy has a very low marginal product, and is

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(1) M. ul Haq, The Strategy of Economic Planning, Oxford University Press, Karachi, 1966, p. 294.

(2) See The Third Five Year Plan 1965-70, Planning Commission, Karachi, June 1965.

(3) See P.N. Rosenstein-Rodan, "Problems of Industrialization of Eastern and South-Eastern Europe", Economic Journal, June-September 1943.

(4) See T.W. Schultz, Transforming Traditional Agriculture, Yale, 1964; C. Clark, and M.R. Haswell, The Economics of Subsistence Agriculture, Macmillan, London, 1964; B. Hansen, "Marginal Productivity Wage Theory and Subsistence Wage Theory in Egyptian Agriculture", The Journal of Development Studies, June 1966.

the most readily available factor of production. On the other hand, savings are low and capital is scarce. Economic strategy should therefore be particularly careful to see that cheap unskilled labour is used wherever possible in place of expensive capital. This would help economic growth by maximising the use of available resources and would spread its benefits more evenly by creating extra income for more people.

Although these considerations in favour of labour intensive technology have been constantly in the mind of Pakistani planners, they have not had much operational impact, and economic policy has been sub-optimal in mobilising labour reserves. There are two main reasons for this:

(a) the price system has been badly distorted by government, so that the real costs of labour and capital were not reflected in the market. The rupee has been grossly overvalued, tariffs on capital goods have been low, and credit has been subsidised, so entrepreneurs have been encouraged to use capital wastefully even in agriculture where tractors are imported at the official exchange rate plus a 5 per cent tariff. Water has been sold to farmers at rates of around 13 rupees an acre foot, at a time when the government has undertaken a billion dollar project which will deliver water costing 93 rupees an acre foot. Hence water is wasted which could have been better utilized with more labour;

(b) the choice of technology in many fields was dominated by foreign technicians or aid donors, whose inarticulate major premise was that "what's West is best". Thus Tarbela was built with hundreds of foreign technicians using huge amounts of the most modern equipment. In British times, irrigation works (admittedly on a smaller scale) were often carried out by army engineers using labour intensive methods.(1) I am not competent to judge whether more labour intensive techniques could have been used for constructing major irrigation works, but the World Bank reports do not even discuss the issue, though they do use a shadow price for the foreign exchange spent on capital goods and foreign technicians.

In the 1960s, there were two helpful changes in policy: (a) subsidies for fertiliser and seed which brought a big increase in output and increased labour utilisation considerably in West Pakistan; (b) the Works Programme (introduced in 1962) which used labour intensive techniques to improve irrigation and transport, mainly in East Pakistan.

It has been estimated by J.J. Stern that in the period 1960-70 "unemployment" fell from 16 per cent to 6 per cent of the labour force in West Pakistan, largely as a result of the new agricultural policies.(2) He estimates that agricultural unemployment fell from 23 to 9 per cent of the agri-

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(1) See G. Ruddock, Villages of Pakistan, Planning Commission, Karachi, n.d. (1965?), for a description of General Jacob's construction of the Canal Colonies.

(2) See J.J. Stern, Employment by Regions and Sectors 1960-1975, Harvard Advisory Group, Islamabad, January 1970, mimeographed.

cultural unemployment fell from 23 to 9 percent of the agricultural cultural labour force.(1) There was little improvement in East Pakistan, where Stern calculates that "unemployment" was 29 per cent of the labour force in 1970 compared with 30 per cent in 1960. However, this does not allow for the impact of the Works Programme. Stern estimates agricultural unemployment in East Pakistan at 6.75 million man years, and the Fourth Plan (p. 189) suggests that the Works Programme directely created 0.39 million man years of additional employment in East Pakistan in the same year, i.e. it removed 6 per cent of the unemployment. In addition, it probably had indirect effects due to increased consumption by those employed, but there was a considerable "leakage" because a good deal of their extra consumption went on imported P.L. 480 food.

Table 7

Labour Force and Employment 1960-1970

million man years

	East Pakistan		West Pakistan	
	1960	1970	1960	1970
Total Labour Force	19.14	24.72	14.27	17.55
(a) in agriculture	16.46	20.82	8.55	9.34
(b) outside agriculture	2.68	3.90	5.72	8.21
Total "Unemployment"	5.77	7.05	2.27	1.08
(a) in agriculture	5.60	6.75	1.99	0.83
(b) outside agriculture	0.17	00.30	0.28	0.25

Source: J.J. Stern, Op.cit.

The Works Programme was introduced in 1962 after several years of experience with Village AID which was a programme of community development similar to that in India. Village AID was a multipurpose programme encompassing agricultural extension, cottage industry, health, and social activity as well as rural works. The scheme was administered largely by government officials, and village participation in public works was expected to be or a voluntary basis. The Works Programme was considerably larger than Village AID (Rs. 640 million were spent in the Second Plan compared with Rs. 100 million on Village AID in the first). It concentrated primarily in creating employment in public

(1) Stern's estimates are crude (though no cruder than earlier estimates used by M. ul Haq or the Third Plan) and have been strongly contested by K. Ruud, the I.L.O. manpower expert in the Planning Commission, who prefers to use the census figures. Stern's figures are considered optimistic by the Planning Commission and were not used in the Fourth Plan. However, they are a better approximation to reality than anything else we have. There is little doubt that the situation in West Pakistan has improved and that the "unemployment" problem is now heavily concentrated in East Pakistan.

works, and the participants were paid 2 rupees a day (which was a slightly higher rate than for some kinds of unskilled labour). The administration was entrusted to the organs of local government (the new basic democracies of President Ayub), which acquired control over funds and decided what work to undertake. Threequarters of the funds in East Pakistan were spent on roads, and the rest went mainly on drainage and flood control.

There is a good deal of argument about the efficacy of the programme. J.W. Thomas has suggested(1) that the work accomplished was of very substantial benefit to the economy and had a high benefit cost ratio of 4:1. Rehman Sobhan has criticised the programme because of misappropriation of funds and because he feels that greater emphasis should have been given to drainage, irrigation and flood control, rather than katcha roads which will not last long, and cannot be used by heavy vehicles.(2)

In fact, it would not be surprising if the Works Programme had been inefficient in terms of work accomplished. It was a very large scale effort, launched with little preparation, which involved delegation of power to local bodies with no previous works experience, and no carefully prepared projects. Its primary objective was to provide new hopes and aspirations in the village and to test the capacity of local bodies to devise schemes of their own.

The real criticism of the programme is not that it made some mistakes, but that it is still very small in relation to the size of the surplus labour problem.

A larger programme would be feasible if labour could be mobilised without payment. It is doubtful whether any country has ever been able to mobilise a truly voluntary effort of public works on a large scale except in time of national emergency. However, compulsory service is often accepted fairly cheerfully, if it is imposed by a government which is popular, or which is bringing about major social change, and if the burden of service is felt to be universally and fairly shared. It has been suggested that peasants provide labour service in lieu of land tax, but this might well be considered a feudal imposition, and one would not know in advance how much labour would be offered. Probably the most efficient form of compulsory labour would be a period of national service for young people to be performed in the dry months of the year when they were not needed on the farms. It would be necessary to feed these conscript workers as they would be away from home for part of the period, and they might well lack the stamina for work without free food. Here again, it would obviously be difficult to mobilise more than a fraction of the "unemployed" without running into substantial organisational costs.

Another problem with a really large scale works programme is to find suitable projects. Roads are probably the most straightforward, because the

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(1) See J.W. Thomas, Rural Public Works and East Pakistan's Development, Harvard Advisory Group, September 1968.

(2) See R. Sobhan, Basic Democracies, Works Programme and Rural Development in East Pakistan, University of Dacca, no date.

right of way is normally established and construction problems are fairly similar everywhere. Irrigation and drainage are more complicated because they involve private land rights to a greater extent, and hydrological knowledge. Buildings require even more supervisory skill.

It is clear therefore that the works programme approach will not solve the problem of "unemployment". It can simply mitigate it. But it would be useful if its work-spreading philosophy could be infused into other programmes.

Some governments have tried to promote employment by helping small scale industry. However, Indian experience in the textile industry - the promotion of handloom spinning and weaving, and restriction on mechanisation in other sectors - has shown that there are obvious technological limitations on the usefulness of labour-intensive methods.

From 1949 to 1968, the output of small-scale industry increased 60 per cent in Pakistan, whereas output of large-scale industry increased twelvefold. However, statistics on small scale industry are poor and we do not know much about what is happening. In cotton textiles it would appear that small-scale production is much bigger proportionately now than it was in 1950, for mill-made cloth is now only 28 per cent of consumption whereas it was 57 per cent in 1950. A good deal of the small-scale production is due to tax avoidance by large mills which have put power looms in separate small plants to avoid capacity tax, and this may result in inefficiency rather than any great gain in employment. In any case a good deal of this "non mill-made cloth" must appear in the production index as output of large scale industry, otherwise the statistical rise in small-scale industry would have been bigger. In Pakistan small-scale industry has received some tax concessions and technical help from government, but official patronage for industry has been concentrated on large-scale firms, which do not have the same network of subcontracting relations with small industry which was so successful in exploiting labour-intensive technologies in Japan. Government has given little help in design, marketing and training for handicrafts, so that Pakistan handicraft products are generally of poor quality, and are only a pale shadow of the glories of Moghul craftsmen (who were mostly Muslims). It therefore seems that policy could do more to help small producers.

VI

Conclusions

Since independence, Pakistan has created a new elite of bureaucrats, military and businessmen who occupy positions previously held by the British and Hindus. In relation to population, the army and the businessmen are a much bigger group than in the colonial period, and the bureaucracy has also expanded. Individuals in the army and bureaucracy are worse off than their counterparts in the colonial period in terms of money income, but perquisites are a bigger portion of their real income. Business income is highly concentrated in monopolistic groups, and a good deal of profit is windfall assured by governmental patronage. It is not possible to assess the savings rate of this new elite, but it is not particularly austere. The new elite are often described euphemistically as middle class, but their standards of housing and domestic service are well above those prevailing in Europe and they have many consumer durables. They live in an enclave of prosperity segregated from the rest of the population. Professional mobility is rare in government service and is hampered in business by family dominated enterprises. The nature of the education system, and the use of English in the higher levels of government and business, give the new elite a caste-like character which is which is strengthened by endogamy.

Consumption statistics show that the mass of the population in West Pakistan has shared some of the benefits of economic growth, but the only gain in East Pakistan has been improved life expectation. There has been a change in occupational structure which has increased the proportion of industrial workers in the population. Their standard of living is higher than that of peasants, but has not risen in real terms in the past two decades.

The tax system does little to reduce inequality, but major improvements could be achieved without hampering productivity, i.e., higher income tax, fewer personal and corporate exemptions, a progressive land tax, and high and progressive taxes on residential property. Parafiscal devices of government (which largely consist of distortions in the price mechanism through controls and an overvalued currency) are regressive in their incidence and hinder productivity.

The impact of government expenditure, both current and developmental, has favoured West Pakistan (the richer region) at the expense of the East. However, the situation with respect to development spending has improved steadily and is now much fairer to East Pakistan than in the past. Improvements in the allocation of current spending will be more difficult to achieve.

Expenditure on social services generally favours the middle and upper income groups. The Fourth Plan proposals, with their emphasis on primary education and rural health services will improve the situation. But the gap between intention and implementation is likely to continue to favour upper income groups unless measures are taken to improve the administration of social services. The Plan should also take a more comprehensive view of what is going on in this field and cover the activities of local government and the private sector.

Annex A

Consumption of Cotton Cloth and Related Products 1950-1968

Apparent consumption of mill-made cloth was lower in absolute terms in 1968 than in 1950, and per capita consumption much lower. In fact, the production statistics are misleading, because the mills are now producing cloth in small factories (non-mills) to avoid capacity tax. We therefore have to calculate consumption with the help of statistics on yarn. If we convert 1950 overallconsumption to equivalent 1968-9 quality, i.e. 3.48 yds per 1 lb of yarn, then consumption was 9.2 yds per head. Between 1950 and 1968-9, per capita consumption increased by 35.5 per cent, i.e. 1.7 per cent a year.

Cotton Cloth Consumption in 1950

	yds (000s)
Mill-made Cloth	
Local Production	105,665
(Net) Imports	382,430
Consumption	488,095
	lbs
Yarn	
Local Production	41,293
(Net) Imports	74,039
Consumption	115,332
Used in local cloth mills	26,416
Available for other local purposes	88,916

Source: The First Five Year Plan 1955-1960, National Planning Board, Karachi, December 1967, pp. 442-3.

In local mills 4 yds of cloth were obtained per 1 lb of yarn. The First Plan suggests that handloom weavers obtained 4.5 yds per 1 lb of cloth, but we use the same ratio as for mill made cloth, otherwise we would be giving a greater weight to the poorer quality handloom product. At a conversion ratio of 4 to 1, consumption of non-mill-made cloth would be 356 million yds and mill-made 488 million yards, making a total of 844 million yds. In the calendar year 1950, population was 79.69 million, i.e. a consumption of 10.49 yds per head of which 58 per cent was mill-made.

Cotton Cloth Consumption in 1968-69

	yds (000s)
Mill-made cloth	
Local Production	771,097
Imports	570
Exports	334,958
Consumption	436,709
	lbs (000s)
Yarn	
Local Production	622,210
Imports	30,837
Exports	139,092
Consumption	543,955
Used in local cloth mills	221,409
Available for other local purposes	322,546

Source: Monthly Statistical Bulletins, C.S.O., Karachi, Imports of yarn are calculated from value figures assuming the same unit value as for exports. In local mills 3.48 yds of cloth is obtained per 1 lb of yarn. If residual yarn consumption is converted at the same ratio, cloth consumption is equivalent to 1,559 million yards. With a population of 125.04 million, this is equivalent to 12.47 yds per head, of which only 3.5 yds (28 per cent) would be mill-made cloth. (a suspiciously low ratio).