

Development and its Antidotes: Pakistan's Colonial Legacies and Post-Independence Strategies

Imran Ali

RESÜMEE

Der Beitrag untersucht die langfristigen Wirkungen kolonialer Herrschaft auf die sozioökonomische Entwicklung Pakistans und beleuchtet die entwicklungspolitischen Anstrengungen des Landes in den ersten drei Jahrzehnten staatlicher Unabhängigkeit. Die hier behandelte Epoche begann und endete mit einschneidenden Ereignissen: mit der Gewinnung staatlicher Unabhängigkeit infolge der Teilung Britisch Indiens im Jahre 1947 und dem Sturz der zivilen Regierung durch das Militär. Die entwicklungspolitischen Aktivitäten dieser Jahre spiegeln emblematisch die Möglichkeiten und Grenzen wider, denen viele Länder des entkolonisierten ‚global South‘ ausgesetzt waren. Die Diskussion soll zeigen, dass die Dekolonisierung, hier verstanden als ein Prozess der Gewinnung staatlicher Souveränität, aus sozioökonomischer Perspektive keineswegs als eine Zäsur aufgefasst werden kann.

I.

The term ‘development’, even within its more contextualized notion of ‘economic development’, has acquired a universalism and pervasiveness accorded to few other terms in human history. Its use is related closely to the almost extreme polarization in the world economy that emerged, and was consolidated, during the period of colonial ascendancy of the people of Western Europe and their overseas settler populations. If economic development equated with the post-1750 enterprise of industrialization, then Europe’s colonial possessions remained singularly bereft of this resource. Only Japan, perhaps the sole country to escape western imperialism, was able to industrialize. Only Japan transferred some industrial assets to its colonial possessions, in north-east Asia, mainly because

they were geographically contiguous, which was not the case with most of Europe's colonies.¹ Moreover, the regions of European demographic appropriation witnessed either a physical annihilation of their indigenous populations, or their inexorable reduction to a racial underclass. Especially in North America, these regions also excelled in industrial development, as well as high living standards for its white settler communities.²

Meanwhile, the global economy itself was reshaped. According to some propositions this restructuring took the lines of a developed, 'metropolitan' segment of industrial economies, which were serviced for raw materials, labour resources and consumer markets, by a much larger group of undeveloped, or 'underdeveloped', and presumably dependent, 'satellite' economies.³ It was the latter that, following de-linking from overt imperialist control, were expected to achieve economic development. This was to be clearly within a capitalist mode, in order to preserve the politico-economic interests of the industrialized economies on the one hand, and the emergent native intermediary groups on the other. Preference for the socialist-communist alternative would bring severe retribution, as experienced with the counter-revolutionary retaliations in southern Africa and South America, and the even more genocidal Vietnam War, in which over two million casualties were inflicted on an Asian peasant population by the emergent imperialist protagonist, the United States. These conflicts, spanning the very decades of post-colonial experience with which we are concerned here, could very well be termed from the sufferers' perspective as the 'War on Equality'.

Moreover, such 'development' was supposed to occur in societies severely handicapped by the imperialist impact, through the displacement of indigenous institutions, and the warping of political systems, economic structures and human resources to feed the strategic imperatives of imperial extraction and control. While the relative quality of human assets clearly varied over the colonized spectrum, there were many underlying similarities.⁴ The vast majority of the populations in the colonized regions remained impoverished, with limited or no access to the 'modern' sector in terms of education, health, communications, electrical energy and other services. They remained essentially rural-based, and were either tribal or peasant in composition. They seriously lacked the educational and productive capacities that had been generated among the 'masses' in the industrialized economies, and which over time became critical inputs into both reducing

1 See on this topic especially the work of Bruce Cummings, such as: The origins and development of the Northeast Asian political economy: Industrial sectors, product cycles and political consequences, in: *International Organization* 38, no. 1 (Winter 1984a): 1-40. For a further analysis see Atul Kohli, *Where Do High Growth Political Economies Come From? The Japanese Lineage of Korea's Developmental State*, in: *World Development* 22, no. 9 (1994): 1269-1293.

2 Stanley F. Engerman/Kenneth L. Sokoloff, *Factor Endowments, Inequality and Paths of Development Among New World Economies*, in: *Economia* 3 (Fall 2002): 41-109.

3 There is an extensive extant literature on this subject. See among others the works of Samir Amin, Paul Baran, Andre Guntur Frank and Immanuel Wallerstein.

4 See, for example, Daron Acemoglu/Simon Johnson/James A. Robinson, *The Colonial Origins of Comparative Development. An Empirical Investigation*, in: *American Economic Review* 91 (December 2001): 1369-1401.

inequality and gaining competitive advantage.⁵ With smaller cities, owing to a restricted industrial and service sector, the urban working class also by and large remained inconsequential till decolonization. Most urban workers remained concentrated in the informal sector, working around traditional labour forms: the proportions in formal secondary sector enterprise remained miniscule.

The elites that inherited power in these societies, too, were hardly positioned for the endeavour of development. A traditional upper element of either large landlords or tribal heads had played an intermediary role between colonial rulers and subjugated people. After decolonization they were more likely to be a hindrance rather than a catalyst for change. A more 'westernized' educated segment manned the professions and the public administration structure. Strategies for development were more likely to emanate from this source. However, productive outcomes could be limited because of the professional bourgeoisie's politico-social weaknesses and, in many societies, by its marginalization by more atavistic identities and ideologies.⁶ The implementation incapacities of the native bureaucracy, as well as its predilection for rent seeking, could be a further constraint to the realization of 'rational' development. The commercial bourgeoisie, from which was also spawned much of the post-colonial industrialist class, was equally unqualified for achieving rapid development. The economy was anyway dominated in most cases by immigrant or minority ethnic groups, or by expatriate colonial enterprise. It could hardly compete outside of the micro-enterprise sector with the overwhelming market shares taken by the products and services of multinational firms and financial institutions. Formal sector business enterprise was not only limited in scale and scope, but it was incapacitated from achieving the wider goals of a 'bourgeois revolution' by its own rent-seeking proclivities, fuelled by rapidly formed alliances with state functionaries.⁷ The extent of the developmental task facing the newly decolonized economies appears even more formidable, in the light of the deep seated nature of the historical transitions involved in actually achieving such developmental goals. As the experience of the European subcontinent itself showed, fundamental transformations were entailed over an exhaustive range of domains. Institutions and patterns of behaviour underwent irreversible metamorphoses in the demographic, cultural, economic, political, social, religious and technological spheres. The European world was indeed 'turned upside down', though not in all cases with the same rapidity and clearly not concurrently.⁸ This process was rife with tension and conflict, as with sectarian wars, the carving out of nation states, and the growing intensification of national rivalries. The continuing acrimony between these

5 Stanley L. Engerman/Kenneth L. Sokoloff, *Colonialism, Inequality and Long-Run Paths of Development*. National Bureau of Economic Research Working Paper 11057 (2005).

6 For a discussion of these issues in the Pakistani context, see Imran Ali, *Historical Impacts on Political Economy in Pakistan*, in: *Asian Journal of Management Cases* 1, no. 2 (2004).

7 In the Pakistani case, see Imran Ali, *Business, Stakeholders and Strategic Responses in Pakistan*. Armidale: University of New England Asian Centre Papers, no. 8 (2005).

8 See the works among others of Philippe Aries, Phyllis Deane, Christopher Hill, Eric Hobsbawm, David Landes, Peter Mathias and Douglas C. North.

‘developed’ states eventually culminated in the two most disastrous catharses of institutionalized slaughter in human history, known as the first and second ‘world wars’.

Additionally, contemporary developing countries clearly cannot replicate the extensive colonial depredations on the rest of humanity, a process that played an integral role in the economic success of Europe. Since the colonial resource is simply not available to them, the prospects of successful development become even more problematical. Outside Europe, the Japanese case again illustrates the need for colonial possessions as a necessary appendage to an industrializing economy, with its associated human turmoil inflicted on the Asian mainland, and the sanguinary war for resources and markets with the United States. Moreover, in both the Soviet Union and China, the communist alternative was equally, if not in greater measure, accompanied by a scale of human sacrifice and suffering that can hardly make it a palatable option. Even more unequivocally, the mass killings of indigenous peoples in such regions of white settlement as North America and Australia exclude them from providing any kind of ‘model’ of development that is not altogether reprehensible.

There is also a need to guard against the tendency to adopt a normative development template for a wide range of societies, which might otherwise appear quite similar because of a convergence in economic indicators. Thus measures such as gross domestic product, per capita incomes and income-based social segmentation, literacy levels, health and demographic data, sector share of agriculture as opposed to industry and services, and exports per capita, might induce the lumping together of such economies for analysis.⁹ Solutions, or development strategies, might also be proposed, especially from metropolitan sources, without due regard for the structural peculiarities and historical differences between such societies. The structural adjustment programmes of the International Monetary Fund are one example of a deductive policy format that has been directed at economies with widely disparate characteristics and politico-social structures.¹⁰ An understanding of the historical processes that have shaped these economies, and of the actual conditions that prevail there, and which thereby militate against a convergence approach, will help to specify the kinds of developmental problems facing these regions.

In the ensuing analysis of Pakistan, my effort will be to identify the critical impact of colonial policies and strategies in this region, and how these interrelated with political and socio-economic trends in the post-colonial period. The outcomes therein comprise a discussion of both colonial legacies and of Pakistan’s own formative experiments with development, specifically during the first three decades of its existence. These latter years

9 The Millenium Development Goals adopted by the United Nations are on such current example. Somewhat earlier, the wave of ‘sustainable development’ thinking generated its own efforts at comparative indices, on which see Imran Ali, “Indicators for Sustainable Development: A Southern Perspective”, World Wildlife Fund for Nature Report, submitted to United Nations Council for Sustainable Development, April 1995; and conference Paper, Conference on Green Economics, Islamabad, September 1995.

10 Pakistan itself was brought within the structural adjustment programme parameters in the 1990s, when it had to seek financial relief from the IMF, owing to a combination of high fiscal deficits, trade imbalances and rising and unsustainable levels of domestic and foreign debt.

commenced and concluded with epochal turns: the winning of independence through a partition of British India in 1947, and the overthrow of a civilian government and assumption of power by a military ruler in 1977. The experiences of the intervening years provide an intriguing insight into developmental challenges and opportunities. They also articulate several themes that are germane to the dilemmas concerning development raised in the foregoing discussion of this article. Moreover, the patterns we encounter in this period could also challenge the assumption that decolonization was as critical a watershed as is assumed in historical and social sciences analysis.

II

The notion of development under British rule was at one level similar for the Pakistan area as for other non-white colonies. A general understanding prevailed among those tied to the venture of empire that the colonial authority represented a 'civilizing' force, which would oversee the wellbeing of subjects, in particular in the agrarian sector. These regions were also visualized as remaining predominantly agrarian economies, with the majority of the population retaining its rural roots, and with no great departure of the economy into the industrial and service sectors.¹¹ The concern for agricultural viability was symbiotically tied to the need for political and social stability. This imperative was in turn driven by two critical factors. One was the need to achieve revenue sustainability, in order to bear the colonial administrative and military burden without drawing on metropolitan resources. The other goal was to make commodity production marketable, to help meet metropolitan demands for food and industrial raw materials, as well as to enhance local demand for manufactured products, which were in turn predominantly imported from the colonial home base.

In the Indus basin, the area that became Pakistan, the reinforcement of the agrarian order was especially intense.¹² An extensive network of perennial canals, laid out on arid terrain from the late nineteenth century, was accompanied by unprecedented social engineering through agricultural colonization and land settlement. This process led to extensive economic growth, unrivalled anywhere else in the British Indian Empire. This irrigation infrastructure has since provided the agricultural backbone to the contemporary Pakistani economy, which now enjoys a cultivated area of over 20 million hectares. The granting of hitherto barren canal irrigated land to those who already possessed land, to some extent larger landowners but to a far greater degree the upper peasantry, and accompanied

11 For the Pakistan region, the works of Malcolm Darling, a colonial administrator, graphically illustrate the concern for retaining a predominantly agrarian economy and for maintaining the viability of smallholder production. See especially Malcolm Darling, *The Punjab Peasant in Prosperity and Debt*. London 1947. See also H. C. Calvert, *The Wealth and Welfare of the Punjab*. Lahore 1936.

12 We will exclude here any detailed discussion of 'East' Pakistan, which was a part of the province of Bengal in British India till 1947, then a province of Pakistan till 1971, and thereafter became the independent nation of Bangladesh after seceding from Pakistan.

by the exclusion of the peasant underclass, helped to consolidate colonial alliances with rural intermediaries. The bulk of land grants given in the newly canal irrigated tracts, known in the province of Punjab as the 'canal colonies', were in smallholdings of up to 25 hectares. Grantees were carefully selected from settled villages for migration to the new canal irrigated tracts. The retention of the individualized peasant farm, as the unit of ownership and production, was upheld through the decades of agricultural colonization to the mid-twentieth century; and was pithily envisioned as follows:

*It seemed essential to preserve the Punjab as a country of peasant farmers. No other frame of society is at present either possible or desirable in the Province.... (T)he size of individual holdings has been fixed on a scale which will, it is hoped, attract the sturdy, the well-to-do, and the enterprising classes without excluding men of smaller sources and more broken fortunes.*¹³

The social origins of the smallholder land grantees were not from the landless masses, but from the socially and economically dominant 'agricultural castes' of incumbent upper peasant landholding lineages. These were the same elements from whom the British drew land revenue, the chief source of income for the colonial state, and whose 'proprietary rights' in agricultural land they had in turn recognized. Indeed, through the Alienation of Lands Act of 1901, unique to the Punjab, the British went as far as restricting the social market for land in favour of these incumbents, by disallowing 'non-agricultural castes' from purchasing their lands.¹⁴ Through this and further legislation controlling mortgage foreclosures, the colonial authority hoped to forestall the impact of market forces, but thereby also retard the development of agricultural capitalism and innovation, in order to secure political 'stability'. Moreover, it was from this favoured landed peasant segment that the British almost exclusively drew recruits for the native army. Not entirely by coincidence, such recruitment was especially intense in the Punjab, which alone provided over half the manpower for the British Indian army.¹⁵

The more established rural elite also obtained a sizeable aggregate allotment of canal land, in the form of larger sized land grants stretching in some cases to hundreds of hectares. This class provided a useful intermediary function between the colonial rulers and the subjugated, and in the Indus basin its acquisition of significant new landed resources greatly enhanced its socio-political resilience.¹⁶ The underlying nexus of the granting of

13 Letter of Revenue Secretary, Punjab, to Revenue and Agriculture Secretary, Government of India, 22 July 1891, Punjab Revenue and Agriculture (Irrigation) Proceedings, India Office Records, British Library, London, July 1891, no. 19.

14 Norman G. Barrier, *The Punjab Alienation of Land Bill of 1900*. Durham, N.C. 1966; and Peter H. M. van den Dungen, *The Punjab Tradition*. London 1962.

15 See Tan Tai Yong, *The Garrison State: The Military, Government and Society in Colonial Punjab*. Delhi 2005.

16 For more details on the land grants to the rural elite, and for an analysis of the process of agricultural colonization and its impacts, see Imran Ali, *The Punjab under Imperialism, 1885–1947*. Princeton, N.J. 1988 (reprints Delhi 1989 and Karachi 2003).

land as a reward for services to the colonial authority was well established, as in the following communication from the provincial to the central government:

*In every district there are men of this stamp who have for years given loyal assistance to the officers of Government, while since the commencement of the War many instances have come to ... notice of excellent work in connection with recruitment to the army, the maintenance of public order, and the suppression of the revolutionary movement.... (T)he bestowal of grants of land ... will be widely appreciated and encourage and stimulate the growing ideal of civic duty throughout the province.*¹⁷

On the other hand, the landless rural masses were universally excluded, through official policy, from occupancy or proprietary access to canal land. Demeaned to the lowly status of 'service castes', and even termed as 'menials' in official colonial records, the landless population was expected to provide the vital labour input for agricultural expansion, but not to hope for a dilution of hierarchical and economic disabilities. Thus, the new agrarian frontier created by canal irrigation and colonization served to both entrench inequalities and to strengthen the upper elements of the rural hierarchy; and these processes continued to have major ramifications for post-colonial political economy.¹⁸ The exclusion of the underclass, comprising the large majority of the rural population, was expressed by the colonial authority as follows:

*It appears however to Government a sound principle that in making selections of grants of Government waste, tenants, labourers and other landless men should not as a rule be chosen, as their selection involves the aggravation of the difficulty, already acutely felt, of obtaining agricultural labour, and it is obviously undesirable that Government should use its position as the proprietor of large tracts in such a way as to upset the existing social and economic order. Tenants and landless men will derive advantage from colonisation proceedings by the diminution of pressure in their home districts, and by the opening given to them as labourers and subtenants in the newly opened tracts.*¹⁹

The providers of these labour services, and those conducting commercial activities, were actually made to pay a ground rent for living in the new settlements, an impost from which the land grantees were immune. The following rationale for this is also indicative of the rulers' attitudes towards the masses:

Its object was to secure a return to Government from the vagrant hordes, who administered to the needs of the agricultural classes, shopkeepers, dealers, brokers, menials, artisans and the like – the flotsam and jetsam of the colony population. The right of Government to tax persons, who exploited the prosperity of the newly settled tracts for

17 Letter of Revenue Secretary, Punjab, to Revenue and Agriculture Secretary, Government of India, 5 March 1917, Punjab Revenue and Agriculture (Irrigation) Proceedings, India Office Records, British Library, London, May 917, no. 51.

18 Imran Ali, 'The Historical Lineages of Poverty and Exclusion in Pakistan', in: *South Asia* 25, no. 2 (August 2002).

19 Punjab Government, Press Communique, 8 December 1914, File J/301/1179 A, Board of Revenue, Lahore, Pakistan: 193-195.

*their private advantage, will hardly be disputed. Without some organised scheme of allotment, moreover, these persons would have swarmed promiscuously around every abadi, reproducing the squalor and congestion of the old homes, which it was the ambition of the Colony officers to avoid.*²⁰

In this emergent hydraulic society, the institutions of an authoritarian state were also reinforced during colonialism. The civil bureaucracy gained stature, through control of the water source and the granting and transfers of land. Even the subordinate, native segment, whose successors were to claim the high grounds of public decision making after independence, gained arbitrary and rent receiving aptitudes. The implementation of the extensive agricultural colonization programme, requiring a myriad of mutations, land transfers, tenurial conditions, and lease and sale transactions, created abundant opportunities for graft and misdemeanour, as well as for the exercise of arbitrary authority. Irrigation officials not only controlled the water source in an arid ecology, but they also assessed water rates on canal irrigated crops, which further enhanced their coercive power. Mutually advantageous relations, especially with the larger landholders who had the resources to bribe or patronize such officials, actually led to serious leakage of state revenues. Audit reports of district offices and government procedures in the 1930s revealed that the British were quite cognizant of these malpractices in the native bureaucracy. Yet they were indisposed to implement remedies, either because they were unable or unwilling to reform and thereby possibly alienate an important support mechanism of colonial rule. The whirlwind of bureaucratic inefficiency and rapacity, and the corrosive deinstitutionalization that this bred, was to be reaped by the new nation.²¹

The military also became a major absorber of landed resources, through soldier settlement and large-scale breeding of military animals on tenured grants. Initially directed at pensioners, the scale of land grants to ex-soldiers was greatly extended and redirected to war veterans during the two world wars: a level of gratification that no other region of British India could replicate. Extensive areas were reserved for the breeding of cavalry horses, either through regimental and private stud farm grants or more commonly through smallholder horse-breeding grants. Apprehensive that an international emergency might disrupt supplies to the cavalry, the British endeavoured to build a country capacity within India. However, they were doing so when the cavalry horse was itself becoming obsolete in the technology of warfare. The militarization of the economy of the Indus basin, the other aspect of which was the heavy recruitment from this region to the British Indian army, was again to have major impacts on the political economy of Pakistan after 1947.²²

20 Report on the Chenab Colony Settlement. Lahore 1915: para. 153. *Abadi* means the village residential site.

21 Imran Ali, *The Sinews of Governance: Bureaucracy, Narrative and Power under Colonialism and Independence*, in: *The Pakistan Development Review* 45, no. 4 II (Winter 2006): 1255-1262.

22 Imran Ali, *Malign Growth: Agricultural Colonization and the Roots of Backwardness in the Punjab*, in: *Past and Present* 114 (February 1987): 110-132.

The nationalist movement in the Pakistan territory also remained at best nascent and incipient, in contrast to the area that became India. In the elections consequent to the Government of India Act of 1935, the Hindu majority provinces of British India had voted for the Indian National Congress, against the landlord nominees preferred by the British.²³ While this power reversal might have reflected the dislocations of the economic depression of the 1930s, it also foretold the demise of British rule and a subsequent programme of land reforms in India. In the Pakistan area, except for the Frontier province where allies of the Congress made some headway, the pro-British landlord segment remained dominant, indicating that this nexus still enjoyed the support of the enfranchised upper peasantry.²⁴ Especially in the vital Punjab province, the new agrarian resources, brought about by canal irrigation, helped to dilute the adversities of the depression. As a result, the nationalist movement remained relatively weak and failed to secure a significant presence in the Indus zone till the very eve of the cathartic transitions of partition and independence.

Hence, agrarian land settlement and economic growth presumably served to retard nationalism, since the major landed resources conferred on the rural gentry and upper peasantry ensured the continued allegiance of these segments to British rule.²⁵ Moreover, the major Muslim nationalist party, the Muslim League, lacked the organizational and institutional capabilities of the Congress: it was more a fledgling caucus of landed elite elements. Therefore its formulations on development remained inconsequential before 1947, except that it remained heavily aligned with the upper agrarian hierarchy. No economic policy framework was developed in any coherent and systematic form and pronouncements on economic issues by League leaders prior to independence remained general and rhetorical in nature. The Muslim League also failed to replicate the Indian National Congress' readiness to seek funding from and build alliances with the business community, partly because Muslim business itself was weak and fragmented, especially in the Muslim majority areas that became Pakistan.

After independence, the continuing weakness of political organizations reflected their retarded development prior to 1947. The contrast with the political stability and policy continuities provided in India by the Congress under Nehru were again quite dramatic. One contributor to the ongoing deinstitutionalization in Pakistan was the factionalism of the landlord stratum. While remaining socially prominent, though mostly recently arisen from peasant ranks, it displayed an inability to run or develop the institutions of an independent state. It lost the initiative in policy making to its other partners in Pakistan's authoritarian power structure. This was the civil bureaucracy and, increasingly, the military. All three, in the face of the denial of democratic rights to the Pakistani

23 See D. A. Low, ed., *The Congress and the Raj*. New York 1977.

24 See D. A. Low, ed., *The Political Inheritance of Pakistan*. London 1991.

25 Imran Ali, *The Punjab and the Retardation of Nationalism*, in: *ibid.*, pp. 29-52. See also Imran Ali, *Relations between the Muslim League and the Panjab National Unionist Party, 1935-1947*, in: *South Asia* 6 (1976): 51-65.

people, were obliged to seek quick succour in returning to a subordinated relationship with Western power.

One further constraint on development remained the emasculation of the entrepreneurial element. This had been predominantly non-Muslim in composition, and had to migrate to India in 1947 as a consequence of communal conflict. The major portion of the professional class was also lost in this manner. Economic nationalism, or grievances against the rising class of essentially non-Muslim traders, financiers and processors in a predominantly Muslim region, could have been an underlying, though understated, factor behind the creation of Pakistan. After 1947 Muslim commercial groups began to fill the vacuum created by the flight of capital and entrepreneurial skills. In the port city of Karachi refugees from western India provided a mercantile class, as in the Punjab did upcountry entrepreneurs, that had hitherto concentrated in the leather trade shunned by Hindus. These petty traders saw significant new opportunities opening up in the new country. Pakistan at its inception was predominantly agrarian. Though a major supplier of raw cotton to Indian and overseas markets, it had only one textile mill; and also a single sugar mill. The pre-1947 neglect of the secondary sector was clearly there to be filled.²⁶

III

The initial post-1947 period in Pakistan was taken up by trying to ensure survival, but with time distinct economic strategies emerged. In the beginning, the countless casualties from communal conflict, the massive task of resettlement of refugees, and the onerous one of obtaining an assets division with India, and of securing its own share of the gold reserves in order to float a currency, took up the early efforts of the administration. Profits from the trade upturn during the Korean War provided the first opportunity for investment in industry, with mercantile groups beginning to enter manufacturing.²⁷ Thereafter the state retained a focus on private sector industrial development till the end of the 1960s. An incentive and subsidy based policy of induced industrialization was adopted, with markets for domestic goods protected from foreign competition, and raw material pricing and project financing at concessionary rates. Thus the early focus of national economic management envisaged the establishment of import-substituting industries. Large scale capital intensive industry was, however, dependent on the import of capital goods, for which indigenous capacity continued to remain undeveloped. The lack of a strong and broad based political organization meant that socio-political stakeholders had a restrained access to policy making. Therefore distortions were bound to appear, at least in the perceptions of competing interest groups, and with time these

26 Imran Ali, *Business and Power in Pakistan*, in: *Power and Civil Society in Pakistan*, ed. Anita Weiss/S. Zulfiqar Gilani. Karachi 2001.

27 See Imran Ali/Ambreen Zaman, *Early Growth of Business Enterprise in Pakistan: 1947–1958*. Lahore: Lahore University of Management Sciences (henceforth LUMS) Case 14-080-870-1 (1987).

dissonances became strong enough to challenge national strategies and even national integrity. While the larger landlords could preserve their class interests and average incomes, agricultural growth rates as a whole stagnated in the 1950s. Adequate resource allocation failed to be provided to the agricultural sector, whose disappointing performance in turn affected national growth rates. Additionally, though overall budgetary resources were scarce, the neglect of the social sector was especially marked. This under-allocation left Pakistan with continuing inadequate educational resources, health facilities and infrastructural development, a consequence also of the squeeze from heavy defence spending.

Geo-strategic overlaps from imperialism were to play an important role in resource allocation decisions. Military expenditures remained a major component of the national budget; and after direct military rule from 1958 these allocations remained beyond civilian oversight.²⁸ The regiments of the British Indian army that fell to Pakistan's lot were not disbanded, but were retained and the size of the military was progressively expanded. The justification given was defence against India, though the unstated agenda was more probably to act as a United States proxy deterrent against the Soviet Union. To that extent, the poor in Pakistan have supported a military of dysfunctional size to meet US needs, and thereby provided for over half a century major military assistance to the West, at the cost of their own development prospects. The recurring denials of democracy, and of more people-centered development strategies, were clearly critical ingredients in this ongoing resource drain.

After independence a small group of emerging industrial entrepreneurs also rapidly accumulated wealth, with windfall profits in the consumer goods and textile sectors in which they concentrated. The initial industrial investments, in the early 1950s, emanated from profits from commodity exports, essentially jute and raw cotton, especially during the Korean War trade upturn. A policy regime of expediting industrial growth was put into place with the First Five Year Plan (1955–1960).²⁹ A planning division was established in the federal Ministry of Finance; and was later expanded into the Planning Commission. Protected markets, subsidized finance, divestments of state owned enterprises, and other incentives were perhaps necessary to build the industrial sector in an exclusively agrarian economy, though the level of non-market interventions also fuelled the mechanisms of rent. Additionally, business groups were allowed to enter insurance and commercial banking, further raising concerns over the manipulation of people's savings and deposits for personal investment decisions. An overvalued exchange rate kept down import costs of capital goods, but hurt agricultural exports, and allegedly constituted an implicit tax

28 See *ibid.*, Table 1. Defence expenditure as a percentage of revenue receipts of the central government in 1949–50 and 1957–58 was 63.7 and 48.0 respectively, as a percentage of development expenditure it was 193.0 and 60.7 respectively, and as a percentage of gross national product 3.0 and 2.0 respectively.

29 For some descriptive accounts of Pakistan's development process, see B. M. Bhatia, *Pakistan's Economic Development 1947–1990*. Lahore 1990; M. L. Qureshi, *Planning and Development in Pakistan. Review and Alternatives 1947–1982*. Lahore 1984; and Sohail J. Malik et al, *Pakistan's Economic Performance 1947–1993. A Descriptive Analysis*. Lahore 1994.

on agriculture. Consumers also failed to benefit, because of protective tariffs and import restrictions, forcing them to purchase higher priced locally manufactured goods. On the other hand, for manufacturing exports a dual exchange rate was maintained, called the 'bonus voucher' scheme, which countered the currency overvaluation effect. Price ceilings on agricultural products created further pressures on agricultural incomes, and arguably represented a significant resource transfer to the processing sector.³⁰

Such concessions to an emerging entrepreneurial elite led to heightened wealth inequalities by the mid-1960s, along with rapid concentration in the manufacturing and financial sectors. The phrase "the twenty-two families", which became current by this time, came to symbolize the policy bias in favour of capital intensive, larger scale, private sector industrial investment. The emergent 'big business' segment soon began to diversify out of its cotton textile base, into such industries as cement, chemicals, electrical, light engineering, food processing and automobile assembly. It could claim to be laying the foundations for a successful industrial transition. However, these rapid, high profile changes were not without political risks, not least being the apparent alliance between industrial barons and military rule.³¹ Also, the temptation for public display of new found wealth contrasted with the more ascetic lifestyles of India's business tycoons, who were actually far richer than their Pakistani counterparts. Meanwhile, the real wages of workers stagnated; and with military rule from 1958 trade unions and political dissent were suppressed. The great bulk of non-agricultural labour was also absorbed by the small scale, informal sector, but this struggled and survived through its own efforts rather than any supportive state policies.

In these doings there was a clear design. The 'growth strategy' that oversaw these trends was most explicitly stated in the Second Five Year Plan (1960–1965). These strategies were formulated by a new breed of planners: western-trained economists based in the Planning Commission, and ideologically committed to 'functional inequality' as a driver of the development process. These values were epitomized by the economist Mahbubul Haq, and most explicitly stated in his book, *The Strategy of Economic Planning*.³² Local technocrats were in turn mentored by metropolitan economists, like the controversial Harvard Advisory Group. The doses of foreign economic assistance, the benefits of which rarely extended beyond the elite's own absorptive reach, did continue to secure metropolitan influence over local decision-makers. Pakistan's choice of federal ministers of finance, especially during the extended periods of authoritarian rule, has also remained beholden to Washington's intervention. A graphic example of this dependence and control was the appointment of a World Bank hireling, Muhammad Shoaib, as the Minister of Finance in Ayub Khan's cabinet. (These neo-colonial linkages have enjoyed

30 For some analyses by western academics on Pakistan's economic performance in these early decades, see Stephen R. Lewis, Jr, *Economic Policy and Industrial Growth in Pakistan*. London 1969; Gustav F. Papanek, *Pakistan's Development. Social Goals and Private Incentives*. Karachi 1970; and Lawrence J. White, *Industrial Concentration and Economic Power in Pakistan*, Princeton, NJ, 1974.

31 See Stanley A. Kochanek, *Interest Groups and Development. Business and Politics in Pakistan*. Karachi 1983.

32 Mahbubul Haq, *The Strategy of Economic Planning. A Case Study of Pakistan*. Oxford 1963.

continued longevity, with the Finance Ministry being headed by the bureaucrat Ghulam Ishaq Khan under the Zia-ul-Haq military regime in the 1980s, Sartaj Aziz from the Food and Agriculture Organization under the two Nawaz Sharif administrations in the 1990s, and the Citibanker Shaukat Aziz who also became Prime Minister during the post-1998 Musharraf military regime, as well as the World Bank operatives Moin Qureshi and Shahid Javed Burki as 'caretaker' administrators when elected governments were dismissed during the 1990s.)

When the Second Plan targets were actually exceeded, an effulgent Planning Commission visualized a further reinforcement of the 'growth strategy' for the Third Five Year Plan (1965–1970). Based on enhancing reinvestment by maintaining a high rate of 'savings', a euphemism for the appropriation of surplus value, the strategy assumed that the wage bill would be controlled, and capital-intensive projects incentivized, by essentially transferring the development burden to the major productive class, the peasantry. Controlling the wages of industrial labour, keeping the agricultural labour force at subsistence level, and minimizing expenditures on the social sector and human resource development, would fuel a 'growth philosophy' and an elite appropriation of resources that would hopefully deliver an 'industrial revolution'. These expectations, both within Pakistan and beyond, were unambiguously expressed by the mid-1960s. In late 1947 the US magazine *Time* (8 December 1947) had noted: "Pakistan (is) an economic wreck and serious social unrest (is) rising." Within two decades, the *New York Times* (18 January 1965) made the following observation: "Pakistan may be on its way toward an economic milestone that so far has been achieved by only one other populous country, the United States." Further optimism was expressed by the *The Times* of London (26 February 1966): "The survival and development of Pakistan is one of the most remarkable examples of state and nation building in the post-war world."³³

However, events in Pakistan took a course that the rationalism of the planners and analysts could hardly have comprehended. Ayub Khan's efforts to perpetuate his rule led to further distortions and contradictions.³⁴ A concocted electoral college of 'basic democrats', along with a manipulated election in 1964, heightened political polarizations. War with India in 1965, which ended in a stalemate after 23 days, was probably meant as a diversion from domestic political tensions. However, it also led to a reduction in foreign assistance and a downturn in economic trends. United States military assistance was curtailed, since it was aimed at building military capacity against the Soviet Union rather than for conflict with India. This was a material and psychological blow to the military leadership, whose dependence on the US had followed the earlier subaltern role with the British colonial army. Loss of economic assistance did, in a capital scarce economy, lead to a lower growth rate for the rest of the 1960s. Counterfactually, it could be argued that had the Ayub Khan dictatorship been replaced by an elected civilian government in

33 Gustav F. Papanek, *Pakistan's Development* (note 30), p. 1.

34 For a review of this period, see Imran Ali/Ambreen Zaman, *Pakistan's Industrial Development and Business Enterprise in the 1960s*. Lahore: LUMS Case 14-088-87-1 (1987).

1964, a number of detrimental impacts that Pakistan experienced in the ensuing years could have been avoided. Clearly, politics intervened strongly in shaping the manner in which the development process was to be managed.³⁵

One source of tension was the growing perception of regional imbalances. Consolidating the four western provinces into 'one unit' created concern over the dominance of the largest region, the Punjab. The gulf with the eastern wing was greater, and eventually led to the break up of the country in 1971. Its mainsprings lay in political discontent over centralization, resource diversions from the jute export earnings of East Pakistan to industrial investment in West Pakistan, and dissatisfaction over the former having been left without adequate defence arrangements in the 1965 war. These regional dissonances highlighted the fact that the problem of disparities, perhaps inherent in capitalist development, could create serious political cleavages. If these could not be resolved through a consensual approach, and military dictatorships were perhaps less well positioned for this than democratic systems, then the outcomes could be severe, and even disastrous. The centralizing forces in the western wing were seen to represent the interests of a 'dominant' Punjabi ruling element. The removal of the federal capital from Karachi to the upcountry location of Islamabad further reinforced these apprehensions. With East Pakistan, linguistic, ethnic and cultural differences, the geographical separation of a thousand miles of hostile Indian territory, and increasing anger over economic exploitation and the deprivation of political rights, proved too much for the country to hold together.³⁶

Even in West Pakistan, discontent was brewing, and flowed through in the elections of 1970. Faster growth in agriculture, with the 'green revolution', brought uneven benefits to the rural economy. Smaller farmers could not afford the high cost inputs, while sub-tenants were threatened by farm mechanization, and expropriation under authoritarian fiat. Larger landlords gained differentially through greater access to higher yielding hybrids, fertilizers, pesticides, agricultural machinery, and improved land management.³⁷ Small and medium enterprise too was disillusioned with the concessions and subsidies going to large scale business, while the informal sector and smaller entrepreneurs were virtually ignored. The urban intelligentsia was also disenchanted with the lack of democracy, while the suppression of trade unions alienated industrial labour. Even the larger landlords, though economic beneficiaries of the Ayub regime, were riled by the rising stature of an acquisitive capitalist class. The costs of business focused development and rapid growth were creating a gathering storm. Ayub's celebration of a 'decade of development' in 1968 seemed distasteful, and presaged his downfall. A popular agitation in 1969 led to Ayub's resignation, in favour of the army chief, General Yahya Khan, who agreed to hold general elections in December 1970.

35 For an analysis of political developments in this period, see Lawrence Ziring, *The Ayub Khan Era: Politics in Pakistan*. Syracuse 1971.

36 See Rounaq Jahan, *Pakistan: Failure in National Integration*. New York 1972; and G. W. Choudhury, *Last Days of United Pakistan*. Bloomington 1974.

37 For an analysis of the agricultural sector, see Mahmood H. Khan, *Underdevelopment and Agrarian Structure in Pakistan*. Boulder, Colorado 1981.

IV

While the post-Ayub interregnum led to the secession of East Pakistan through a fratricidal struggle, the transitions in the remaining Pakistan were no less dramatic. Zulfikar Ali Bhutto, leading the Pakistan Peoples Party (PPP), was able to forge an alliance of discontented, yet discordant, elements. There is a view that breaking up Pakistan worked in Bhutto's favour, as he would not have enjoyed a legislative majority in a united Pakistan. Whether he himself conspired towards this end is conjectural. The PPP government rapidly undertook a major reversal in development strategy, with sweeping reforms in institutions and economic sectors. Much of large scale industry was nationalized, especially in those businesses into which the 'monopoly' houses had diversified from their base in cotton textiles.³⁸ These moves aborted the conglomerate diversification characteristic of business development, in environments with institutional voids and weak contract enforcement. Bereft of the benefits of such diversification, the 'big' business groups proved chary of domestic investment for years to come.

Bhutto also commercialized the private banks and life insurance, thus severing finance capture by the industrial elite. Consequently, private sector investment rates declined, while public sector investment expanded. The nationalized organizations were brought under sector based corporations, as with fertilizers, automotive manufacturing, edible fats, cement, gems and minerals, insurance and shipping. To distance them from Pakistan's intrusive bureaucracy, the state owned enterprises were overseen by a Board of Industrial Management, hopefully to be composed of professionals and technocrats. Significantly, the board was abolished soon after Zia's military coup in 1977, thereby handing over control of these vast assets to the civil bureaucracy and senior military officials. The PPP's attempted reforms went well beyond large scale industry. Measures were introduced to protect labour rights; but provisions to bring registration to businesses down to ten employees began to alienate Bhutto's small enterprise constituency. Land reforms were announced, lowering land ceilings well below Ayub Khan's titular measures. In this case, as well, it is unlikely that there was a substantive transfer of land from the agrarian magnate segment, though even nominal transfers to tenants did create some problems of reversion later. Rural activism and insecurity, as well as industrial labour unrest, did pose further disincentives to investment. The 1970s was also an unstable economic environment. Adversities came from decline in foreign assistance, unprecedented international inflation along with the oil shock, and devastating floods in 1973–74.³⁹ Education and health reforms also led to the nationalization of educational institutions and hospitals, leaving the social sector vulnerable to the performance and delivery capacity of the governmental agencies and functionaries, a capability that was to become increasingly depleted over time.

38 For a review, see Imran Ali/Faisal Bari, *Bhutto's Social Democracy*. Lahore: LUMS Case 14-091-92-1 (1992).

39 Viqar Ahmed and Rashid Amjad, *The Management of Pakistan's Economy 1947–82*. Karachi 1986.

After the first round of nationalization, Bhutto moved even further with public sector control over agricultural trade and agro-processing, which were in the intermediate smaller scale sector, and hardly the domain of monopoly houses.⁴⁰ Flour mills, ginning factories and edible oil plants were taken over from private entrepreneurs. On an even wider scale, state owned trading monopolies were created for the major commodities, such as the Cotton Export Corporation and the Rice Export Corporation. At a considerably more extensive level, the Pakistan Agricultural Storage and Supplies Corporation (PASSCO), was established to act as a public sector wheat procurement and distribution monopoly. One explanation of this major extension of state interventionism in agribusiness was that Bhutto, having removed his socialist party colleagues, sought support for the next elections from the upper agrarian segment. The price this traditional arbiter of power demanded for its political support for Bhutto was the exclusion of private enterprise from the forward linkages of the agricultural value chain.

The public sector functionaries that took over these lucrative transactions in agricultural commodities thereby displaced, or at least pushed back, a capitalist sector that did not have the political resilience to hold on to its economic gains won in the two previous decades. These retaliations throw up intriguing parallels with a roll back of capitalism in 1947 itself, when communal politics and the creation of Pakistan resulted in the expulsion of virtually the entire business segment, on the basis of being non-Muslim. Going further back in time, colonial political economy clearly prioritized the maintenance and protection of agrarian interests against the destabilizing inroads of market functionaries, especially since the Indus region was of such military and geo-political importance. The Punjab Alienation of Lands Act of 1901, for example, restricted trading and moneylending non-agriculturists from expropriating incumbent landowners. These limitations on the social market for land contrasted vividly with the forces and processes that brought about Britain's own 'agricultural revolution', which so intimately contributed to its industrial transformation.

It could be speculated that earlier still, the eighteenth century peasant rebellions in the Punjab, which eventually displaced both Mughal rule and the *haute* economy, were provoked not only by the overbearing revenue and rental demands of the Mughal establishment, but perhaps also by the inroads of the money economy, in financing the more intensive and specialized agricultural production and increasing levels of commodity trade that were emerging in the Mughal period. As I have suggested elsewhere, such successful 'counter-revolutions' against embryonic capitalism in this region could be contrasted to the successful capitalistic 'revolutions' of western Europe, which led to deep seated transformations and self-sustaining development. Moreover, when the region that later became Pakistan succumbed to colonialism, and then experienced a century of colonial rule, the prospects of achieving real development in the post-colonial era became even more arduous and problematical.⁴¹

40 Shahid J. Burki, *Pakistan Under Bhutto 1971–77*. London 1980.

41 Imran Ali, *Business, Stakeholders and Strategic Responses in Pakistan* (note 7).

V

Thus, for Pakistan it could be posited that the three decades between 1947 and 1977 both started and ended with decisive reactions against market forces. Understanding the nature of change in the subsequent period following these decades entails discussion of a further set of variables, but ones which place the processes of the first three decades in a more telling perspective. Forces impacting on Pakistan went beyond the context of market orientation, capitalist activity and even economic parameters, and yet they intimately affected the country's prospects of development. In mid-1977 the civilian Prime Minister, Zulfikar Ali Bhutto, was overthrown by a military coup, ushering in more than a decade of dictatorial rule under General Zia-ul-Haq. Bhutto's own credentials as a democratic politician had proved to be questionable. While he had succeeded in achieving political consensus in the adoption of Pakistan's 1973 Constitution, he had maintained an authoritarian demeanour towards his own party colleagues, mistreated political opponents, and created a paramilitary force (the Federal Security Force) to curb political dissent.⁴² His overthrow in 1977 followed upon allegations of a rigged election; and if true were another example of ruling cliques wantonly tampering with the country's precarious institutions.

Bhutto's undoing, however, and the course of history thereafter in Pakistan, did not in the main spring from internal contradictions, but had an international dimension. He had already incurred the displeasure of the United States by hosting the world Islamic summit in 1973; and the title of his book, *The Myth of Independence*, was hardly appropriate for a leader from a client Third World entity. Bhutto's pursuit of a nuclear weapons capability appeared a further aggravation, and Pakistanis liked to believe that this had triggered the infamous threat of being made "a horrible example" by Henry Kissinger, the US Secretary of State. However, it is more likely that the real reason for this threat, as well as for Bhutto's own downfall, was altogether more malign. Inadequate as Bhutto may have been as a democrat, he still probably subscribed to the chimera of national sovereignty. He was clearly resisting the compulsions of superpower rivalry, the consequences of which would gravely affect Pakistan in the next three decades of its existence. He was resisting the kind of role that Pakistan was then made to play under military rule, with a more malleable military client as head of state. The subsequent course of events is well known: the destabilization of Afghan neutrality, leading by 1979 to the Soviet military intervention in Afghanistan, then the militant struggle under American instigation and assistance, leading eventually to the dissolution of the Soviet Union itself.

Analyzing the impact on Pakistan of these post-1977 developments is outside the scope of this paper. Yet certain features need to be highlighted, since they bear on the foregoing discussion on Pakistan's development path in its first three decades. The nationalization policies of the 1970s had an immediate impact on business confidence. Private sector in-

42 See Lawrence Ziring, *Pakistan: The Enigma of Political Development*. Boulder, Colorado 1980.

vestment rates remained low during Bhutto's government; but even in the 1980s they remained unsatisfactory.⁴³ Despite more stable internal and international economic conditions than in the volatile 1970s, as well as the resumption of foreign assistance on a large scale with the Soviet invasion of Afghanistan and the subsequent war, Pakistan failed to be an attractive destination for both foreign and domestic investment. The efforts of the Zia regime to revive the latter, including successive schemes to facilitate 'whitening' of black money, achieved indifferent results. The failure to initiate privatization meant that state functionaries continued to manipulate and exploit public sector assets, with loss making enterprises supported by the public treasury.⁴⁴

After 1985 an upturn in investment did occur, but it was plagued by heavy doses of rent capitalism and further concentration on lower value added industrial segments, such as sugar and cotton yarn production.⁴⁵ An energy shortage highlighted the neglect by the military regime of infrastructural development. Telecommunications development was seriously retarded: by 1990 the land line density was a mere one per hundred population, and in the rural areas where the majority of people lived closer to one per thousand.⁴⁶ The inability to start construction of the proposed Kalabagh Dam on the Indus River threatened the future sustainability of both energy and irrigation resources. The military regime's focus was clearly being diverted towards geo-political priorities. Yet Pakistan in the 1980s supposedly enjoyed, at around six percent, the highest growth rate in South Asia, though this buoyancy was underwritten more by remittances from Pakistani labour in the Gulf region and foreign aid, rather than industrial investment and productivity growth.⁴⁷ For foreign direct investment flows, Pakistan was also completely overshadowed by nations in South-East Asia, an indicator that Pakistan's role in the emerging globalized economy was more in the business of insecurity and conflict than in wealth creation and economic strengthening.

Some other trends evident in Pakistan's first three decades have continued to influence development prospects in the subsequent periods. The substantial military expenditures, absorbing a sizeable proportion of the national budget, have been maintained. Related to this has been Pakistan's vassalage to Western imperialism, especially intense in periods of conflict, as in the 1980s and then since 2001.⁴⁸ Also, the under-funding in the social and human resource sectors has been pervasive, with continued under achievement in education, health and welfare. High income inequalities have been retained, with no real

43 Imran Ali/Faisal Bari, *The Zia Years: Pakistan's Political Economy*. Lahore: LUMS Case 14-092-92-1 (1992).

44 Robert LaPorte Jr./Muntazir B. Ahmad, *Public Enterprises in Pakistan*. Boulder, Colorado 1989.

45 Imran Ali/Humayun Khalid, *Pakistan During Democracy 1988–1999*. Lahore: LUMS Case 14-101-2004-1 (2004).

46 Imran Ali, *Telecommunications Development in Pakistan*, in: *Telecommunications in Western Asia and the Middle East*, ed. Eli Noam. New York/Oxford 1997.

47 See Craig Baxter, *Zia's Pakistan: Politics and Stability in a Frontline State*. Lahore 1985. See also, Shahid J. Burki/Craig Baxter, *Pakistan Under the Military: Eleven Years of Zia-ul-Haq*. Boulder, Colorado 1991.

48 Imran Ali, *Pakistan: Political Economy and Post-2000 Developments*, in: *Pakistan in Regional and Global Politics*, ed. Rajshree Jetly. Routledge (forthcoming).

return to a redistributive focus as attempted in the 1970s.⁴⁹ The population growth rate has been one of the highest in the world, with the country reaching over 160 million by the end of the decade. With well over half the population under the age of 20, the challenge of meeting even basic human aspirations has become almost insurmountable. This level of deprivation can motivate political radicalism. Religious extremism, not particularly prominent in the first three decades, has surfaced visibly.⁵⁰ In one other feature there has been continuity: the slow pace of regional cooperation in South Asia.⁵¹ For this the ongoing bilateral animosity between India and Pakistan is largely responsible, fuelled with their, and the world's, inability to find a solution to the problem of Kashmir.

49 Imran Ali, *Pakistan and the Continuing Dilemma of Inequality*. Conference paper, Conference on the Independence of India and Pakistan: Sixtieth Anniversary Reflections, University of Southampton, UK, July 2007.

50 See Imran Ali, *Power and Islamic Legitimacy in Pakistan*, in: *Islamic Legitimacy in a Plural Asia*, ed. Anthony Reid / Michael Gilsenan. New York / Oxford 2007.

51 Imran Ali, *Pakistan*, in: *Regionalism and Trade: South Asian Perspectives*. Singapore 2007.