

GOVERNING THE UNGOVERNABLE

By Ishrat Hussain

PANEL DISCUSSION

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Ms. Sima Kamil, my friend Dr. Ishrat Hussain, Mani Shanker Aiyer garu, and friends,

I express my gratitude to Dr. Ishrat Hussain, and the organisers of the event, in particular, Ms. Ameena Saiyid, for giving me the opportunity to participate in this festival. The arrangements are excellent and the ambience is conducive to the creative as well as critical thinking and intense feeling.

I will start with the title of the book.

It requires courage to title the book, describing the country as perceived to be "Ungovernable".

The question posed for the book is: "Is Pakistan preordained to remain 'ungovernable', mired in a state of ceaseless, recurring crises, or can it become 'governable' once more?" I admire the framing of the question.

The system that encourages public intellectuals like Dr. Hussain to write freely, gives me hope that his vision will be realised.

How did a man of his level of integrity and candour become Governor of Central bank? Surely, the system that took him there cannot be all that ungovernable.

My submission is that there are no absolutes in Governance. There are different degrees of imperfections or mis-governance. That is applicable to all countries. In a way, all countries are ungovernable in different degrees, but that difference matters; matters a lot. The book explains how governance matters with Pakistan as a case; but, we in India have our own perceptions of governance problems.

My first comment about the book is that I enjoyed it even when I made a rapid reading as soon as I received the book last week.

At one level, the book is a very light reading, describing the challenges, achievements and shortcomings of Pakistan over the past seven decades. It is very informative and appealing.

At another level, it is a very serious reading. It is backed by substantial research, analysis and insights. It is a very serious reading from which one can learn not only about Pakistan, but about the issues relating to development broadly defined.

In view of time constraints, I decided to carefully read three Chapters - Preface, Introduction and Conclusions.

The Preface

The Preface brings out the impressive methodology adopted by the author to get a broad sweep. The approach is a combination of theoretical foundations, results of empirical studies in other countries, the data as well as insights in regard to Pakistan. It is a multi-disciplinary approach to economic development.

As Dr. Hussain explains, it is ECLECTIC, that is, not wedded to one school of thought but draws the best from all, to suit the context.

More important, the subject matter of the book is unique.

I have read many books about East Asian miracles and how rich countries have become richer, and how reforms can lead to growth and prosperity. Here is a book which explores the reason for deceleration of economic growth. Why and how does a country gets left behind, both economically and in terms of social development over a quarter century. There are many books on how countries get rich; or remain poor; but not how a country got richer and then poorer while aspiring to bounce back.

Another feature of the book is that while it laments the immediate past, but gives hope for the future. At the same time, it recognises the contextual challenges which are more complex now than 25 years ago.

To quote the author: "Going forward, Pakistan's economy has to face a myriad of complex challenges arising from an uncertain global environment, an explosive knowledge economy, disruptive technologies, demographic transition and climate change." This is a brilliant summary of Challenges ahead. Totally valid for India also.

The objective of the book as per the author, is to generate debate on actions "necessary to arrest and reverse the process of institutional decay

that is identified as critical for development." The book will succeed in achieving this objective of provoking a debate widely.

Where should the debate take place? In the streets of Pakistan – among the youth and women in the gallis. So, I commend the book for immediate translation into Urdu Punjabi, Sindh, etc. for publication.

Introduction

Let me go to the Introduction.

The critical question raised is: Why did a top performer till 1990, Pakistan, fall behind later. He dismisses the common beliefs with impressive evidence as, at best, partially true. They are: security deficit, availability of generous foreign assistance, global economic conditions "Garrison State Syndrome" and military – large corporate nexus.

Dr. Hussain's conclusion is that it is institutions of Governance; and author backs it up with extensive literature. The task for the author becomes even more onerous when he attempts to answer a different question.

'How can this asymmetric and unequal power relationship between the weak civilian institutional set-up and strong institution of the military be reversed for the long-term development of democracy and sustained economic growth and shared prosperity in Pakistan?'

Dr. Hussain gives answer – Strengthen civil institutions. That is the beauty. He is not saying curb military. He says, strengthen civil society. So, it is the outcome with no negative reactions in the process.

Conclusions:

Let me move on to the chapter "Conclusions". The author lists seven internal and six external factors, with a caveat that they are not exhaustive. No quarrel with that. Of course, the devil is in the detail. But, he is posting for debate and not asserting. For me, the section on "Drivers of Change" is most exploratory while the proposals for 'Restructuring Key Institutions' are noteworthy. They need to be debated, and on that Pakistan and people of Pakistan are best equipped. Others, like me, can only share our experiences in our country, if relevant.

Sharing experience

Let me do that with my understanding of Indian case. _

I like to make a distinction between political stability and political system stability. Between 1990 and 1993 in India, we had political instability with three Prime Ministers, three Finance Ministers, three Governors, three Finance Secretaries and three Chief Economic Advisers. But, there was systems stability. The Crisis was managed; and reform initiated.

So, I do agree with Dr. Hussain that the institutional capabilities and robustness under the stress have to be ensured.

The highest growth with macro stability in India for a quarter century since 1993 has been achieved with coalition governments and virtually every party, national and regional, was in power at one time or the other, during the reform.

There is a widespread feeling globally and in India also that India was transformed suddenly due to the reforms from 1991. I wonder whether it is possible that we are under-estimating the dividends from peace and dynamism of State leadership during the entire period of our reform? That

is not entirely true. In the first quarter century after independence, contentious issues like linguistic states, official language, judicial supremacy, were settled.

An interesting question is: whether reform in India was led by experts or by political leadership. All the leading well known reform economists including Professor Manmohan Singh were part of the system that led us to the Crisis. It is political management that matters. P.V. Narasimha Rao worked in the State as MLA, Minister, Chief Minister and a Cabinet Minister. He could make things happen.

What is the best outcome of reform so far? The economic debate Mahalanobis or Marx were not central. Left and Right Models became fringe. The debate is Gujarat Model or Tamil Nadu or Andhra or Bihar.

I endorse the Conclusion of the book: "Single factor explanations are simplistic and misleading, although each of them is a contributory factor".

Just as there are multiple explanations for the deterioration in economic performance of Pakistan in the last 25 years, there will be multiple ways in which Pakistan will move up in terms of economic performance.

The moderator has asked me to comment on choice between across the board and selective reforms. My answer is: A bit of each, depending on the windows of opportunities. Commitment to fundamentals, and flexibility on forming and sequencing, is important. If there is Crisis – big bang; if not, real gain is hope.

On leadership, my answer is: Reforms, like all policies, are a product of interplay of four 'I's' – interests, institutions, ideology and individuals – in different proportions from time to time.

About Indian experience, I have already shared my experiences. We had self accelerating growth, decade after decade.

The book points to the immense possibilities. More important, the book is a reader's delight, both for its style and substance.

Thanks.