

OUR ECONOMIC PROBLEM

THE VOICE OF ISLAM

Vol 4, No. 2

November-December 1957

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The establishment of Pakistan is one of the most significant events of the contemporary history. Wildest odds were pitched in the way of a nation: it fought them with indomitable will and conquered them. Economic prophets declared that "Pakistan is an impossible proposition": Muslims, however, made it a living proposition. And at the stroke of midnight, on 14th August 1947, despite all the manoeuvrings and machinations of the foes from within and the enemies from without the new country was born into existence—and has ever since been trying to march ahead to meet its tryst with destiny.

The establishment of Pakistan was a great achievement—but it was a greater challenge too. It was not sufficient to gloat over the victory—a great and historic victory beyond doubt. The call of the hour was to respond to the new challenge which the advent of this country unfolded. We had to start from the scratch. The new country was carved into existence to create an ideal society, wherein peace, prosperity and justice could reign. It was established to throw off, once for all, the yoke of political, cultural and economic slavery of the West and to extricate Muslims from out of the pool of misery and poverty in which they wallowed. It was the policy of the foreign rulers and non-Muslim money-magnates to keep this nation of one hundred million into a perennial state of the "hewers of wood and the drawers of water." With the establishment of Pakistan destiny offered a new opportunity to this nation—the opportunity of breaking the age-old shackles of poverty and to rise to the highest pinnacles of prosperity and glory.

This has been a multi-thronged challenge. In the political field we had to open a new chapter of our life. In the educational world, we had to change the British-imposed academic order by a new educational system which could cater to our new ideological, national and administrative needs. In the cultural sphere, we had to discard the blind imitation of the West and had to bring about a social renaissance based on the values of Islam. In the economic field we had to abolish poverty, unemployment and severe disparity bequeathed to us by the out-going order, and had to establish a new order guaranteeing prosperity, equity and ever-increasing well-being. Thus, the challenge presented before us a multi-faced task—and despite the passage of ten eventful years, the challenge still stares, us in the face. In this essay we shall try to see what is the real nature of the challenge in the economic field.

it is a mistake to think that our real problem is that of Industrialisation and expansion of production alone. Pakistan has inherited an economic order which is semi-feudalistic, semi-capitalistic. This economic system dominates every walk of our activity and vitiates all efforts at reform. The different problems that confront us and the unending row of maladies and conflicts which are clogging the wheels of progress are just a product of this anachronistic economic system. Our real problem is: How to change the present economic system and replace it by a better one?

Britishers based their economic programme on exploitation. They came to this country as traders and the flag followed the, trade. The economic policy which they instituted was that of Laissez faire. It was out and out to the benefit of the British Capital and Industry. Local industry was strangled to death. Only those trades were developed which contributed to the prosperity of the English industry. The distribution of land was so affected that the stooges of imperialism got

themselves firmly implanted on the soil of the country. The movement for ruralisation was reversed and the pressure on land increased heavily. More woes were added to the misery-ridden life of the poor and a lop-sided economy grew into the country.

By the close of the nineteenth century nationalist movements began to assert themselves and as such some new trends in the economy set in. Twentieth century witnessed the revival of agriculture and the gradual industrialisation of the country. But these new economic movements were hounded by the non-Muslim capitalists who had had no higher ideals before them and who followed in the footsteps of the brow-beaten, blood-stained track of the western capitalists. As such, it all became a hotch-potch of economic system: it was semi-feudalistic, semi-capitalistic, having no clear future before it. Wadia and Merchant have rightly said that: "For the last 100 years this country has been ruled as a dependency by a sovereign with the seat of authority thousands of miles away. The belief that institutions and methods suited to the ruling country must be good also for the dependency has brought about an economic maladjustment, if not chaos, in, India."¹ This maladjustment has been very severe and very wide-spread. It pervades every aspect of the economy. And this is the system which we have inherited. It has no moral goal before it. It is not based on any rational and well-thought-out principles. It is a product of certain misdirected, and uncontrolled economic movements which were floated in the blind imitation of the capitalistic system. - In agriculture, it sanctifies Jagirdari and Zamindari. In trade, it knows of no rules of the game. In industry, it is unreformed capitalism. In banking, it is based upon interest and usury. Thus we find that the entire economic order which rides over our necks is corrupt, anachronistic and unsuited to our conditions, our needs and our ideological frame. It is no rational system at all. And our real problem is the change of the entire system. If any attempt is made to grapple with this question or that, without overhauling and recasting the real economic basis of the life, surely enough such an attempt is foredoomed to failure.

Moreover, economic well-being does not mean mere increase in the flow of production. It consists in the creation of a better and prosperous human society. "Industrial development enriches a community which is sound in its agriculture, its domestic and craft life, and in its spiritual robustness. But beyond a certain point it ceases to be an enrichment and begins to weaken a natural association between men, and even begins to endanger, instead of raising, the standard of living."² It is the task of a healthy system to direct economic activity into proper channels and to check it from becoming injurious to the ideals and values of life.

It must be fully realised that "true economic growth is a many-sided individual and social process which consists in the refashioning of aptitudes and beliefs of individuals to give them new freedom in their multitudinous daily tasks—many of them not assessable in accounting or financial terms,"³ or just reducible to the mathematics of production. Thus the real task before us is not merely a change here or a change there—but the change of the entire system. Our approach must be dynamic and creative. Then alone we can succeed. "Economic growth", in the words of E.D. Domer, "is determined by the very essence of a society and a comprehensive theory of growth should include physical environment, political structure, incentives, educational methods, legal framework, attitude to science, to change, to accumulation—just to name a few."⁴ It would be a folly to think that our real problem is mere industrialisation or the like: It is true economic growth and this is impossible without a radical change in the entire system, without putting up new social

¹ Our Economic Problem by P. A. Wadia and K.T. Merchant. (1948) p. 8.

² Prof. V.A. Demantin "Religion and the Decline of Capitalism" (1952) p. 147

³ S.H. Frankel: The Economic Impact on Underdeveloped countries. Oxford (1953) p 78

⁴ American Economic Review Vol. XVII No: 2, May, 1952 p. 481. Article on Economic Growth by E.D. Domer.

and moral ideals before us, without reconstructing our economic policies 011 human values, without affecting a new relationship between the employer and the employee, capital and labour, land and the tiller in the light of the- values on which the system is based.

The above analysis brings us to the conclusion that:

Economic growth can be affected only in the framework of a proper economic system;

Our present economic system is a hotch-potch and instead of being an aid to progress is the real impediment to it and unless it is changed no real economic development can be reasonably expected.

Thus, our real problem is the change of this system by a new system which can fulfil all bur needs.

Now the question arises : What should that system be ? This we shall try to answer in the following pages.

Capitalism, Soviet Communism and Democratic Socialism are the three important economic systems of our age, which are competing with- each-other to win the race of supremacy.

With the advent of the Industrial Revolution the world was introduced to a new economic system in which the dominant role was played by capital. "Capital" according to Encyclopaedia Britannica, "may be most briefly described as wealth used in producing more wealth and capitalism is the system directing that process."-' Warner Sombart says, "Capitalism designates an economic system significantly characterised by the predominance of capital."⁵ Thus capital being the real driving force, its essential features are private property, individual enterprise, profit motive, lack of an over-all plan and its spirit is that of acquisitiveness and competition. Prof. William N. Loucks has rightly defined this system as follows :

"Capitalism is a system of economic organisation featured by the private ownership and the use for private profit of man-made and nature- made capital."⁶ Capitalism achieved marvels in different fields, but in others it miserably failed. To remedy the evils of unemployment, economic waste, industrial and trade crises, severe inequality and social injustice, which it generated, the case for Communism was presented. In 1917 the Russian Revolution occurred and Communism was given a trial in that great sixth of the world. This system envisages "the collective organisation of the community in the interests of the mass of the people by means of the common ownership and collective control of the means of production and exchange."⁷ Soviet Russia has been experimenting this system for the last forty years but this too has failed to ameliorate the grievances of the economy. Moreover it has robbed man of his essential freedoms which in the "communist paradise" become a capitalistic luxury. Even a leading socialist like R. L. Hall has admitted that the collectivist economy "involves the abandonment of free choice to the individual."⁸

⁵ Encyclopaedia of Social Science; article oxi Capitalism. Vol. III p. 196.

⁶ Comparative Economic System by W. N Loucks and W. Hoot. B952) p 37

⁷ Encyclopaedia Britannica. Q.D H. Cole"* article ©n Socialism.

⁸ R. L. Hall: "The Economic System in a Socialist State", p. 41.

? . It is not possible to dwell upon the topic in detail here. The inquisitive reader is sug- to read:

*—Comparative Economic Systems by Loucks and Hoot.

To remedy the evils of both these systems, democratic socialism stepped into the economic arena. But its experiments in the post-war England have proved a fiasco, so much so that, at the recent Labour Conference held in Sept. 1957, they have retraced their steps and have even toned down their programme of nationalisation.

A critical study of all these systems reveals that none of them has been able to abolish poverty and privation, waste and unemployment, injustice and exploitation.⁹ They have tried to exclusively concentrate upon the achievement of material welfare—but real welfare continues to elude their grip. Confused in thought, bewildered at the spectacle of insoluble problems the world stands aghast. J. M. Keynes said about the economists of the older schools that they were like "Euclidian geometers in a non-Euclidian world who, discovering that in experience straight lines, apparently parallel, often meet, rebuke the lines for not keeping straight as the only remedy for the unfortunate collisions which are occurring. Yet, in truth, there is no remedy except to throw over the axiom of parallels and to work out a non-Euclidian geometry. Something similar is required today in Economics".¹⁰ In the words of Veblen:

"The wild duck has dived down to the bottom—as deep as she can get—and bitten fast hold of the weed and tangle and ail the rubbish that is down there, and it would need an extraordinarily clever dog to dive after and fish her up again."

This is the situation today. Now are we to follow blindly into, the footprints of the western systems or are we to independently explore new avenues of progress.

It must be realised that every nation has its own peculiar problems and aptitudes. It is wrong to say that the modern technique is essentially universal in character. It cannot be implanted in every soil without regard for the climate, the standards, the values and the genius of the people. Simon Kuznets rightly says that scientific discoveries and their use by other countries "is not a matter of technical improvement (which) are often the solution of specific problems in a specific country adapted to the resources it possess." He concludes that "their use by other countries is not a matter of taking over by direct imitation but, of modification and adaptation."¹¹ It is now an accepted fact that: Economic growth, in order that it remains consistent with the growth, of free life and institution, must not get significantly out of step with the general scheme of values of the people in which they try through a complex process to balance material, advance with other objectives."¹²

We would go even further and say that not only it "must not get significantly out of step with the general scheme of values of the people" but must be positively in tune with them and should aim at the full realisation of those values. The attitude of indifference towards values, propagated by a legion of economist of the past is now an out-moded concept. As such, the problem with which we in Pakistan are faced is that how are we to adopt the modern methods to our own needs and how

⁹ —Geography of Hunger by Jossue De Castro.

—Comparative Economic Systems.

*—Towards an Understanding of U.S.S.R By Florirnsky .

*—Economics of Islam by Prof. Mahmud Ahmed.

—A Treatise on interest (Urdu), Vol. II, by Syed Abul Alt Maudoodi.

¹⁰ The General Theory of Employment, Interest and Money by Prof. J. M. Keynes, p. 16.

¹¹ Simon Kuznets: Economic Change, London 1954, pp.244-245.

¹² O.K. Pnrikh, In a paper read at the Congress of Cultural Freedom, published in "The Future of Freedom", p. 306.

are we to use them as instruments for the fructification of our own ideals and values. This problem becomes still more grave and more important when we see that all the modern economic systems have failed to take note of the moral factors and are faced with the ship-wreck.. "There is something in our industrial civilization that has tended to destroy the associative propensities of men; then it looks as if the social problem is one between the egoistic and altruistic motives. It is in our day that the problem of incentives has come to the fore. This arises when economic bonds have replaced most of the other kinds of bonds—and then when the spur of economic advancement seems like a wild-goose chase. It is in such conditions that people tend to act purely from self-interest and at worst become social delinquents¹³ And it is most unfortunate that man has, in the contemporary, world, chosen to behave at the worst.

In this context the need for an independent appraisal of the entire situation and a rational selection for our future becomes indispensable.

This discussion shows that:

Capitalism, Communism and Democratic Socialism, despite so many achievements to their credit, have failed to establish a healthy, prosperous and just economy and it, is futile to adopt those systems without a rational scrutiny.

Techniques and Socio-economic creeds do not have universal applicability. Every country is faced with the problems of selection and adaptation.

The economic ideology of a nation must be in tune with the standards and the values of the people. If there is any disharmony between the two, conflict and social schism would be the only products.

The system should be such that it takes full recognition of the moral and social factors. Too much preoccupation with sheer material standards is bound to breed disruption and delinquency.

In the light of these needs we have to adopt a new system suited to our conditions and that alone can guarantee real economic progress.

What is real economic progress? What is the criterion to judge it?

Briefly we can say that real economic progress means the provision of the following:

Firstly, economic activity should be performed in a healthy moral atmosphere of co-operation and cohesion instead of cut-throat rivalry. There should be equal opportunities to all and a wide-spread scheme of incentives and stimulents to help the people play their rightful role in the development of the society.

Secondly, there should be continuous expansion of the economy resulting in unhampered and unbroken increase in the real income of the people. The standards of consumption and production, the character of the goods that are produced and consumed should be continually improved. The processes of production should be so developed that there results a continuous decrease in the relative amount of effort, the use of material resources, and the sacrifice of human

¹³ Religion and the Decline of Capitalism, by prof: V. A. Detnant, p. 154.

health, energy and happiness involved in the production of the material income. The rate of increase should be such that the miseries and woes of the people are gradually redressed and they attain an ever-increasing standard of comfort.

Thirdly, total elimination of poverty, reduction in unemployment to a minimum and guarantee of the basic needs of life to every citizen should be the minimum objective.

Lastly, the greatest possible diffusion of the social income among the members of the society. Prosperity should be widely diffused. There should not reign unnatural and extreme disparities of income. The life of the common man must be enriched with the real amenities of life.

This is the true concept of economic progress and the system of economy which we have to adopt in this country must be able to fulfil these standards.

Before driving any conclusion, we would like to make a digression on the nature and the extent of the problem of the rate of economic growth of Pakistan.

The conditions at present are extremely despicable. Poverty, unemployment, low per capita income, heavy pressure on land—this is the order of the day. An idea of it can be had from the fact that the annual income of an agriculturist family of East Pakistan is Rs. 125/-¹⁴. The per capita income of Pakistan during the last years has been as follows:

Year: ¹⁵	1949-50	1950-51	1951-52	1952-53	1953-54	1954-55	1955-56
Per Capita Income	230	242	236	234	243	245	237

A comparison of it with the per capita income of other western and Asian countries reveals the sorry state of affairs in which we are engulfed.

Per Capita Income of Selected Countries

Name of the Country	Year	Per capita income in Rupees
India	1954-55	269
Ceylon	1954	569
Philippines	1954	825
Japan	1954	922
U. K.	1954	4,100
Australia	1954	4,694
Canada	1954	6,046
U. S. A.	1954	8,766

¹⁴ Pakistan Agricultural Enquiry Committee Report (1951)

¹⁵ Economic Statistics for 1966. (Ministry of Finance) p 162

This is our position today. The present population is estimated to be 84.66 million.¹⁶ The Planning Board estimates the annual rate of growth of population at 1.4 per cent. Dr. S. M. Akhtar, however argues that it is 1.5 per cent.¹⁷ Statistics show that during 1933-1938 the world population increased at the rate of 1.2 per cent; during 1938 to 1951 it increased at the rate of 1.5 per cent. The rate of increase for Asian countries taken as a whole increased from 1.6 per cent to 2.2 per cent during this period.¹⁸ As the death rate is falling because of improved medical treatment, the possibilities of net increase in the rate of growth seem reasonable. That is why the experts of the Princeton University (U.S.A.) are of the opinion that the rate of population growth will increase from 1.40 per cent per annum during the period 1951-50 to 2 per cent during 1956-61 and then progressively go up till it will be as high as 2.62 per cent per annum for the period 1976-81.¹⁹

Supposing the rate of growth at 1.5 per cent, if we want to maintain the present standard of living, we need capital accumulation to the tune of 4.5 per cent of the national income. A 2 per cent increase in the per capita can be achieved if we make annual investment of 10.5 per cent of our national income. This 2 per cent increase would go to double our per capita in 35 years. But 10.5 per cent investment is a difficult standard to be achieved. It calls for sustained effort and extremely efficient economy. At present our rate of capital accumulation is a little less than 5%. Thus our most impending need- is to accelerate the rate of economic growth.

Now we come to the concluding portions of our discussion.

We have seen that our real economic problem relates to the economic system and not to any part of it. We need to change the entire system and without doing that we cannot remedy the malady. If we do not change the system, we shall continue to move about in a vicious circle. If one problem is settled, hundred new problems will raise their heads. There is no use in fighting with the symptoms of the disease. We should go direct to the cause of it. And the root cause is the semi-feudalistic, semi-capitalistic system of economy whose burden is breaking our necks and which has become a main spring of ills and maladies.

We cannot change this system by any other system. The leading economic creeds of our age have failed to deliver the goods. We need something more realistic, more dynamic, more efficient and truly life-giving.

¹⁶Vide Draft Plan Vol. I p.211. The 1951 Census figures were 75.84 million (Feb. 28. 1951)

¹⁷ Pakistan Economic Journal May 1956

¹⁸ P. E. P. Broad heet on World Population, 26th April 1954. P. 69

¹⁹ Cole an Hoover in 'Population Change and Economic Development in Low Income Areas.'