The Pakistan Society of Development Economists (PSDE)
35th Annual General Meeting and Conference
December 17-19, 2019
Islamabad

MACROECONOMIC STABILISATION AND STRUCTURAL REFORMS

CALL FOR PAPERS

Macroeconomic stability is a prerequisite for continued economic growth and development. Pakistan’s economic performance, though punctuated with spells of impressive growth, has been mostly volatile. Sudden upturns followed by sharp downturns in economic activity have been a rule rather than an exception, which symbolize the fickleness of Pakistan’s macroeconomic health. The fact that Pakistan’s economy goes through recurrent episodes of macroeconomic fluctuations despite repeated efforts and spending of precious resources shows that the country is facing deep-rooted structural problems. If we look at the past few years we shall find Pakistan’s economy to be trapped in three fundamental gaps: the revenue-expenditure gap—the fiscal deficit; the export-import gap—the trade deficit, and the saving-investment gap, compromising macroeconomic stability, hindering sustainable growth and leading to the twin deficit problem. Currency devaluation, lower foreign exchange reserves and high inflation are further aggravating the macroeconomic imbalances.

Lowering the revenue-expenditure gap, bridging the export-import gap, and reducing the saving-investment gap are the main macroeconomic challenges to be addressed by structural reforms. These reforms are needed for the smooth functioning of the economy by improving institutional and regulatory frameworks in which the economic agents operate. Through the years, economic managers and policymakers, with the aid of international financial institutions, have attempted various structural reform programmes with disappointing results. The revenue collection, for example, continues to be the Achilles heel of Pakistan’s economy. As a result, low tax-to-GDP ratio, coupled with unsustainable expenditures, makes high fiscal deficit rear its ugly head repeatedly. The situation of the external sector is equally bleak as even after seven decades Pakistan has not been able to diversify its export base, which still consists mostly of primary and semi-manufactured products. Nominal growth in exports and increasing imports, therefore, have resulted in persistent current account deficits.

With regard to the tax to GDP ratio, we see that the tax base is not expanded among the different sectors equally. For instance, the agriculture sector is contributing 22% to the GDP but less than 2% to the total tax collection. On the contrary, manufacturing is contributing 18% to the GDP but has a tax share of 63%, showing a heavy tax burden on the sector. Such anomalies stress the need for the widening and more equitable distribution of the tax burden among different sectors. Along with a focused revenue collection effort, prioritising and streamlining government expenditures should be in focus to narrow down the revenue-expenditure gap to restore macroeconomic stability.
Poor productivity growth has resulted in the loss of competitiveness across the board: agriculture performs far below potential; the share of manufacturing is stagnant, and the share of trade in GDP is declining. Pakistan’s export performance has left much to be desired: its exports are not only stagnant but have a very narrow base, making them vulnerable to international conditions. To boost its exports, it must be investigated how previous measures have failed to revitalise Pakistan’s trade. Pakistan has signed various bilateral as well as multilateral trade agreements but has not benefited from these agreements. Subsidy-driven, low technology-based export promotion model still dominates, while exploring new destinations and diversification of exports remain ignored.

Current account deficit is an issue plaguing Pakistan for long. External borrowing is required to finance this gap which is mainly caused by a wide saving-investment gap in the country. The main reason for this gap is the low saving rate in Pakistan, which compares badly to the global average and to the regional economies like India, China, Bangladesh, and Sri Lanka. Economic growth in Pakistan is mainly domestic market driven, instead of being export-led, and increase in consumption has squeezed the domestic and national savings substantially.

Estimates suggest that Pakistan needs to generate over a million jobs every year to absorb new entrants into the labour force, which should be one of the focuses of its economic policies. Along with employment generation, the focus should also be on decent work environment and providing protection to the workforce. The problem, however, is that during economic downturns and in efforts for macroeconomic stabilisation, labour protection is often ignored. The evidence, on the other hand, does not support reducing labour protection as a factor in bolstering growth.

To deliberate on all the above-mentioned issues and come up with possible recommendations to remedy the situation, we at the PSDE have selected “Macroeconomic Stabilisation and Structural Reforms” as the main theme for its 35th AGM and Conference. Keeping the conference theme in mind, the following sub-themes have been chosen:

- Strengthening fiscal and debt management
- Foreign exchange reserve management and growth
- Revitalising trade
- Institutional reforms
- Employment generation and labour protection
- Monetary policy management
- Increasing productivity and resource management

The PSDE invites papers for its 35th AGM & Conference based on the above sub-themes. This year poster sessions are also being introduced so those submitting abstracts have the opportunity to present their work visually.

- Papers presented at the Conference shall be published in an AGM and Conference proceedings volume.
- A maximum of two abstract submissions is permissible per author.
- The author has to be a member of the PSDE for presenting at the AGM.
- No submission would be entertained after the due date.
Instructions for Submitting Abstract
The abstract should:
   i. Clearly reflect the research objectives and the methodology being used
   ii. Not be more than 500 words
   iii. Identify the Conference sub-theme it is being sent for
   iv. Mention whether it is submitted to be considered:
       a. only as a paper/oral presentation
       b. only as a poster/visual presentation
       c. or as a poster, if not accepted for oral presentation
   v. be submitted to both these email IDs: psde@pide.org.pk and research@pide.org.pk

Dates to Remember
Last date for abstract submission: July 15, 2019
Intimation for abstract’s acceptance/rejection by July 30, 2019
Last date for submitting the full paper: November 3, 2019
Intimation for paper’s acceptance/rejection by November 29, 2019
AGM & Conference: December 17-19, 2019