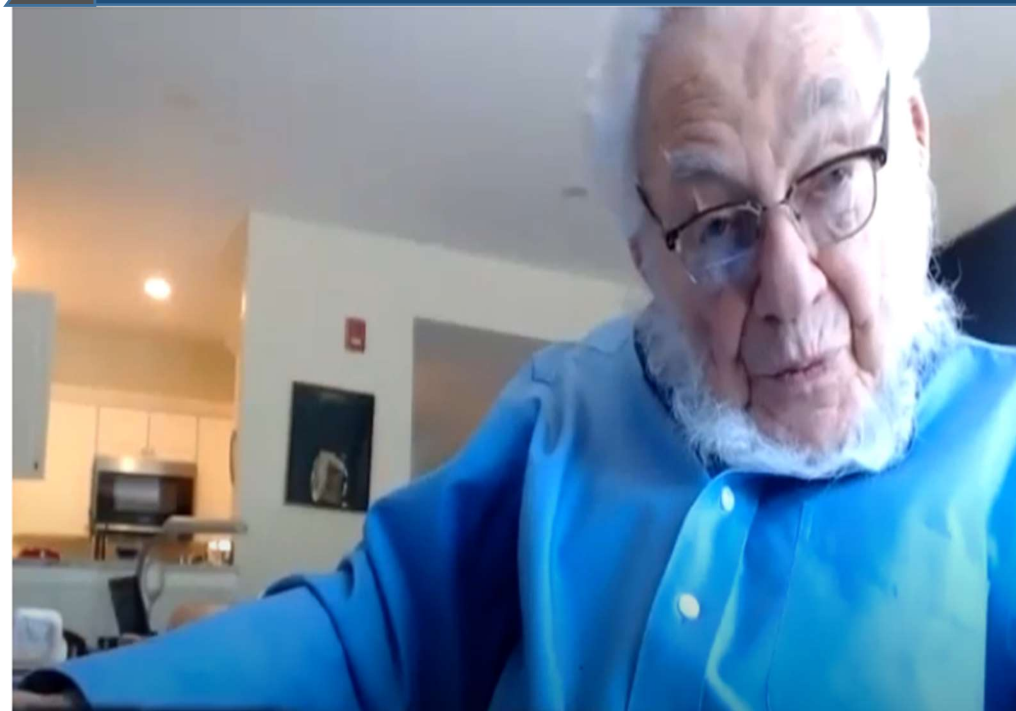
Webinar Brief No. 8:2020

Webinar with Prof. Gustav F. Papanek



This webinar was organized to learn about the experience of Prof. Papanek in Pakistan and how does he see the evolution of policy in Pakistan. Prof. Papanek influenced Pakistan enormously. He was born in Vienna, Austria and completed his PhD degree from Harvard University. After doing his PhD he joined the US army and spent two years as a soldier voluntarily. Thenceforth, he joined the US Department of Agriculture. After serving in the agriculture department of the US he transferred to the aid program as a chief economist for Asia and spent two years in the aid program. These two years were the wonderful time of his life. Later, Republican Party came into power and fired all the staff and argued that the state department is full of communists and incompetence. This is how Professor Papanek lost his job. At that time, he was the father of two kids having no job. Then he went to Harvard University and asked them to help him. Surprisingly at that moment Harvard University was putting together an advisory board for Pakistan and offer him to join the team. This is how the journey of Prof. Gustav F. Papanek began in Pakistan.

Key Points

- The situation of Pakistan was worse and at that time, the manufacturing industry was contributing only 1 percent of the national income and Pakistan considered a country with peasants and soldiers in 1951. Only one textile industry was in West Pakistan and three were in East Pakistan.
- He visited India to know how they were doing well and some officials of India told him that Pakistan is going to rejoin India because it was not a viable state with no industry, no bankers and just producing cottons for mills in Ahmedabad, Bombay and etc.
- At that time Pakistan only had one agriculture economist and Pakistan did not have any good statistics on some important issues like they didn't have any figures about the investment rate. However, people of Pakistan have turned out to be very sensible and flexible. Economic incentives were working well and Pakistan had a very small group of merchants they were mainly trading domestic grains and other staples. Further, everything was imported. Industrial goods were imported from India and Pakistan did not produce any matches, soaps, or kitchen related item and everything was imported from India.
- The first trade conflict between Pakistan and India was the devaluation of currency. India devalued its currency from 3.3 to 5.2 rupee to the dollar and Pakistan refused to devalue the currency. This is how the trade between Pakistan and India came to a halt and suddenly everything which was imported from India was stopped.
- At that time Pakistan didn't have enough foreign exchange and it became scarce and was rationed by way of import licenses. So, it became more profitable to produce some of these goods in Pakistan.
- Professor Papanek found a fifty to hundred percent rate of return on producing some of these industrial goods after doing a survey of industrialists.
- After giving high export subsidies Pakistan went from producing no industry to exporting industry and became a major player in textiles in the world market. Pakistan achieved really remarkable progress from 1954 to 1965.
- The major and first responsibility of the Harvard advisory group was to develop the first five years plan for Pakistan. The major issue was which direction should opt either the industrial development goal or agriculture. The other issue was the unavailability of data to create a sensible input-output table for planning.

- But by that time some Pakistani economists came back who knew about the input-output table. This was the latest and most widely discussed innovation in economics. So, at that time the input-output table was the basis of planning.
- Further, Dr. Nadeem added that there was another issue that agriculture was supposed to deliver surplus to be given to the urban sector. At the same time East Pakistan was supposed to be invested in and in a less compared to West Pakistan because the rate of return was higher in West Pakistan.
- This is attributed to the Harvard advisory group that the first was based on these two notions.

Professor Gustav F. Papanek argued that an open economy might have been better but Pakistan used economic incentives very imaginatively. He concluded that Pakistan succeeded moving from no industry to exporting industry in an extremely short period of time by distorting market incentives and a successful blend of private initiative and government intervention in the economy. That made a real progress in the period of 1954-1965.

https://www.youtube.com/watch?v=UJd22p7MCZ4&feature=emb_logo

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