



Begging to Preserve “Dead capital”?

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Budget time is approaching! The usual demands of the government will hit newspapers!

It surprises me that after 64 years of poor economic management, failed policies of bankers and bureaucrats, and failed budgets, we continue to expect wonders from our budget.

I say forget the budget! It is only a speech full of promises that are forgotten the day after the speech has been delivered. In our history no budget has been adhered to for more than a few weeks. The budget document has no sanctity.

But the economy is in a deep recession—percapita income is by all estimates going to decline. Poverty is on the rise. When per capita incomes go down poverty will increase! There is going to be pain among the dispossessed.

What should we do? Well the policymakers--bankers and bureaucrats-- are going to do what they do best---beg some more and follow the master's (donor) advice.

But for the rest of us we should think some more and raise our voices for change. Those who have the privilege (not the skill) of making policy keep intact the system of rentseeking, privilege and corruption.

Rest of us who are ashamed of our continual begging must look to alternatives. Surely a nation of 200 million with a nuclear bomb can have a little more self respect and be turned off by our policymakers panting for aid in every corner of the world. They even beg from tiny UAE and Qatar!

History and economics (skills considered useless in government) show that we can use our 'dead capital' to generate growth, revenues and jobs at home. "Dead capital" can be defined as potentially valuable assets that are currently not being used productively. Some examples:

1. Governor houses (I can count about ten around the country) which are now occupying city center space tax free and at huge budgetary cost. We can convert the governor's mansions to high end hotels and make some money while using their extensive grounds for commercial development. I can envisage at least 1 billion dollars if we were to allow better utilization of these properties and 3000 jobs.
2. City center government property should be immediately privatized and made available for big time mixed use development ranging from hotels, shopping malls to apartment blocks. Areas such as Mayo Gardens and the 3 GORs in Lahore (government housing), parts of F 6/3 and the whole sector above the Marriott in Islamabad could be developed into expensive revenue yielding high class commercial developments. To this should be added the land that army VIPs are enjoying such as their various houses and messes in the middle of the city. Many of the provincial cities too have considerable land the government is occupying for non commercial purposes such as housing bureaucrats both civilian and military. My crude estimate is that sales of these properties could fetch upwards of 4 billion dollars and 8000 jobs.
3. Then there are large tracts occupied by government training institutions. NDC, Staff College, naval War college, NIPA. Civil service academy in Lahore all come to mind. Why can they not be moved to Quetta or Kohat and this land freed once again for serious development? I can easily see about half a billion dollars from this and 2000 jobs.
4. Then of course there are the stadiums which occupy huge tracts and are not used for entertainment. Instead their walls are being used for shops. Neither a stadium nor a shopping mall, this is a most egregious waste of resources. If we were to merely demolish fortress stadium in Lahore and make a multipurpose facility to include hotels, shopping malls and a convention center, the exchequer could gain by few hundred million dollars and 3000 jobs could be

created. Better utilization of our other stadiums as well as the convention center in Islamabad could generate revenues of about 50 million dollars annually and 2000 jobs.

5. A large part of city center land is given over to the elite for their entertainment at subsidized rates. This includes the polo ground, golf courses as well as club such as Sindh club and the Punjab Club. If the peasant's land can be acquired for DHA, why not take over these rich man facilities for serious commercial development that relieves our debt burden. This could be a large bonanza yielding many jobs. We could even build libraries and community centers on this land.
6. Creative destruction could yield a huge bonanza too. Take Gulberg Market, liberty in Lahore, Jinnah super market in Islamabad! If we merely find a way to turn these relics of another time into modern assets, dead capital can be converted in to gold. For example, liberty is a huge area which could house a beautiful modern multi level shopping mall as well as hotels, apartments, offices and parking. I can easily see about a hundred million dollars increase in our GDP over 2 to 3 years plus and 5000 jobs from this project alone. Use of this concept in other places could mean more output, revenue and jobs.
7. Strangely enough we still have anachronisms like the CSD on the Mall road of Lahore in an age when we have hypermarkets coming into town.
8. Still more creative destruction! Our cities look dated and decrepit because our silly bureaucracy does not allow renewal. Housing stock has normally an average age of 20 to 30 years. Zoning also needs renewal each generation. Yesterday's suburb or housing could be today's commercial hub leading to large valuation gains. As I have been arguing for many years, our zoning laws are antiquated and anti development. Allowing our housing stock to be renewed from low slung kothis to high rise flats and commerce in all our cities from Karachi to Kohat could be a big bonanza. I think this could be huge leading to an acceleration of growth of about 2 percent per annum for about 20 years.

There is more but I am limited in space. With so much dead capital lying around, why do we beg with dishonor? My calculations suggest with these simple changes GDP could double in about 15 years or less! Not to mention the growth of construction, hospitality, retail and ancillary industries. Of course our rich and famous would be a little uncomfortable!

Let us be clear to keep the party going for our rich and famous including our policy makers –bankers and bureaucrats—we are forgoing billions of dollars and hundreds of thousands of jobs. Poverty persists because of their failed policies which do not address dead capital.

Indeed not only are we forgoing earnings we are shamelessly begging for more debt! Will someone educate our policymakers –bankers and bureaucrats? Or could it be that we do need some learning and research in policymaking?

The media could give this demand for reform the headline instead of announcements of the alms that we get!