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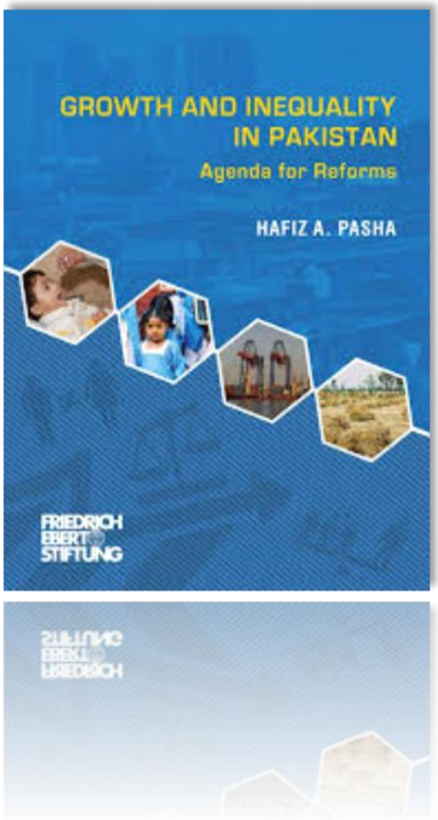

***Growth and Inequality in Pakistan: Agenda for Reforms* by Dr Hafiz A. Pasha Friedrich-Ebert-Stiftung, Pakistan, 2019, 550pp.**

*Reviewed by Asif Javed and Vaqar Ahmed**

This book is a promising addition to economic literature which explains the sluggish growth pattern of Pakistan and the various forms of inequalities in society. The book defines the country's growth and inequality pattern during times of various governments from 2001-18. Income inequality increased in Pakistan during military regime, while inequality decreased after 2008 under democratic rule since the latter tend to follow inclusive growth policies and spend more on development. Hafiz Pasha explains that large land owners still own a major chunk of productive land which takes away massive advantages from agriculture. Multinational companies, commercial banks, urban real estate developers and other privileged groups hold the prime resources which results in unequal distribution.

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Pasha sees the China-Pakistan Economic Corridor (CPEC) as a vital breakthrough for Pakistan's economy which has the potential of economic transformation. He also sheds light on trade and fiscal deficits which are major concerns for the government. Fiscal deficit, due to inadequate tax collection and increase in current expenditures, results in budget deficits every year. Furthermore, increase in subsidies, tax evasion and poor performance of the public sector are also causing fiscal deficit. The chapter on taxation explains that income tax collection is highly skewed as the poor are paying more taxes than the rich. Work by academics like Vaqar Ahmed and M. Talpur (2016) and Jean Dreze and Amartya Sen (2013) have shown how redistributive (tax) policies can help mitigate inequalities. Dr Pasha book recommends that tax-to-GDP ratio can be increased through increasing tax filers; transparent and simpler tax system; better integration among federal and provincial tax systems; balanced sectoral tax incidence; and equitable tax burden across income groups.[1]

Trade deficit is another area of concern which can be dealt with an export revival strategy. Enhancing energy capacity through both generation and transmission; flexible exchange rate; provision of export refunds; and export incentive schemes should be adopted to boost exports and control trade deficit. Industrial revival is essential to boost economic activities within the country for which lower energy rates; renegotiation of FTA with China; decrease in corporate tax rate; and capacity development of industries can play a crucial role. On the other hand, higher import tariffs, tariff quotas and regulatory duties can curtail the higher import volume. Energy shortfall and terrorism affects the economic growth of Pakistan as well since the estimated decline in investment due to terrorism is reported to be USD 62.5 billion, while overall cost of the War on Terror is estimated at USD 251.8 billion. The total investment to GDP ratio of Pakistan is lower than other South Asian countries.

The author also covers social sectors like health and education, and highlights that Pakistan lags behind other South Asian countries in life expectancy and average years of schooling. Inequality in access to basic facilities among provinces is visible from the data, while the rural-urban divide is also critical. Due to abysmal performance in these sectors, Pakistan will not achieve the targets related to the Sustainable Development Goals (SDGs). The integration of SDG units with federal and provincial governments can streamline progress towards the Goals. The government is implementing several social protection programmes - the largest of which is the Benazir Income Support

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[1] These concerns have lately gained traction in other studies as well. See: Ahmed, V. 2017, *Pakistan's Agenda for Economic Reforms*, Karachi: Oxford University Press; Husain, I. 2017, *Governing the Ungovernable*, Karachi: Oxford University Press.

Program (BISP). Its effectiveness can be enhanced by increasing conditional cash transfers for sending female children to school; embracing family planning; and child immunisation. The book also describes significance of the population census and discusses the outcomes of higher population growth rate which may affect living standards of people.

A complete chapter is devoted to 'Green Growth' which sheds light on the impact of climate change on Pakistan's society and economy. The state is facing environmental challenges like water scarcity; air pollution; deforestation; and vulnerability to natural disasters. The initiatives taken by Khyber Pakhtunkhwa provincial government under 'Green Growth Initiative' are promising to address energy shortages and tourism promotion.

The book provides valuable insights regarding economic policies and measures taken by the government which includes the Federal Public Sector Development Program (PSDP) and CPEC projects. It is highlighted that issues such as implementation capacity; feasibility of adequate self-financing by corporation in key sectors; and wastage in special programmes are affecting effective delivery. Reduction in development spending will lead to decrease in overall GDP growth rate and lesser economic opportunities. A 2014 study 'Public Infrastructure and Economic Growth in Pakistan: A Dynamic CGE-Microsimulation Analysis' also discussed that developing public infrastructure is vital to promote economic growth in Pakistan. CPEC has the capacity to encourage growth and regional trade. Economic zones under CPEC and Gwadar Port in Balochistan are vital measures to promote economic development. Privatisation process should be dealt with great care to ensure that no public asset is sold on lesser rate to acquire foreign exchange, while on the other hand, employee interests remain protected.

Future editions of the book may be expanded to focus on how the agriculture sector can be revived, and explain to a non-technical reader how the growth rate of Pakistan can be increased through higher investment and greater macroeconomic stability. Areas like reform of monetary policy; improving coordination between monetary and fiscal policies; financial market reforms; financial inclusion; impacts of free trade agreements; and impact of internal and external migration can also be explored.

This book will go a long way in enhancing understanding of Pakistan's policy-makers about the country's economy; as well as provide local academics areas for further study. The efforts of Friedrich Ebert Stiftung to encourage comprehensive debate around these issues needs to be commended.