

**NEO-LIBERAL GOVERNANCE
AND POVERTY
IN PAKISTAN**

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INTRODUCTION

In Pakistan, historically, the causes of poverty and inequality have been deep rooted in the process of colonialism. Whereas independence, like many other developing states of Asia and Africa is just a shift from the status of colony to neo-colony. Though oppression and looting under the colonial policy was typical of 'accumulation by dispossession' through which the wealth of the natives were robbed and appropriated in imperial centre. Those processes of looting are not disappeared with the end of colonial rule, but they are revived and fine-tuned in the contemporary world under 'new imperialism' and reinforce the poverty in the state.

Today, our economy is the hostage of imperialist interests of developed capitalist block, predominantly the U.S. In the contemporary neo-liberal globalized world, Pakistan has driven to depend more and more on foreign direct investments, loans and trade with centers of global capitalism. Local ruling elite provides the domestic basis to implement neoliberal economic agenda of these imperialist forces. Pakistan remained unable to realize its economic potential resulted in overwhelmed dependence on external assistance. The reliance on foreign aid, assistance and loans and conditionalities attached to them, gradually usurp the government's power. Recently, sharp increase in the poverty incidence in Pakistan is associated with two trends including: Unprecedented food inflation; and transmission of international energy prices to the domestic consumer.

DISCIPLINARY NEOLIBERALISM, A NEW PHASE OF CAPITALISM

Leftist socialist theorists such as Karl Marx, Lenin explain how the capitalist mode of production leads to widening the gulf between rich and poor. Marx asserts that the existing internal contradictions of the capitalism will eventually doomed with the appropriation of wealth to a particular class i.e., bourgeoisie which further extend its control over 'the state' to save their interests. Capitalism passed through different phases through out the history ranging from merchantilism to industrialism. Neo-liberalism, the recent phase of capitalism, was a result of recession in 1970's. It was a theoretical alternative to Keynesian welfare state model which shifted the capitalist world towards financialization.

Capitalism, contemporary socialist theorist Harvey placed his argument, experienced a chronic difficulty of 'overaccumulation' since 1970s, a condition where capital and labor lie idle without any profitable venture. Neoliberalism, a new phase of capitalism adopts number of processes which Harvey termed as 'processes of accumulation by dispossession' to solve the overaccumulation crisis. B. Patrick, an environmental activist and professor put it in this way: David Harvey has provided a nuanced explanation of how the permanent process of primitive accumulation evolves into what he terms as system of 'accumulation by dispossession'. . . .

Accumulation by dispossession intensifies as a result of the onset of capitalist crisis and the widespread adoption of neoliberalism, as the system seeks to mitigate and displace (through never fully resolved) crisis tendencies, Harvey interprets these reactions as 'spatial and temporal fixes' for overaccumulated capital, because they also serve as crisis management tools. (p. 2005). Leftist socialist theorists such as G. Sam, P. Leo, D. Harvey, Bakker and Gill supports the theory of capitalist imperialist state i.e., the U.S., safeguarding its interest through other nation-states without burdening its 'empire' with colonies. For this, Ajaz Ahmed writes, U.S. fought 'a war of position' and achieved dominance over its capitalist rivals. It is clearly evident from the history that uninterrupted accumulation of capital was constantly backed by accumulation of political power in the case of the U.S. In the post world war II era, the U.S. successfully managed to be the head of all economic and political alliance with advanced capitalist states. Hence, at the time of overaccumulation crisis of 1973, U.S. along with advance capitalist block possess every tool to forcefully sell neoliberal doctrine to every state in order to find profitable venture for its overaccumulated capital not only protecting the interest of the ruling elites of the U.S. but international bourgeoisie.

Harvey, like many other leftist theorists, believes U.S. led advance capitalist block managed to enforce disciplinary neoliberal doctrine to each and every polity of the world. The process was orchestrated by the International financial institution. As a result of contemporary neo-liberal economic and political restructuring, social fabric of international as well as national societies has changed. More and more measures for security of capital pushed a great number of people into insecurity and poverty.

The role of the state has shifted from Keynesian welfare state to shumpatarian workfare state. Although, accumulation of wealth and political power been the project of the bourgeoisie class since Second World War but structural changes, the world have been gone through in the last thirty five years are irreparable damage. As Hardt and Negri put it, “the qualitative changes that have blurred the economic and political landscapes of the new millennium are structural and irreversible superseding the effectiveness of national juridical structures (Hardt and Negri, 2000: pg336).

Neo-liberalism has globalized the human insecurity, poverty and Pakistan is no exception, though a worst case of ‘poverty incidence’. The Neoliberal doctrine has been introduced to Pakistan by IFIs through the government since 1988, with the claim of road to development and decrease in poverty. Whereas, it actually “aims at socializing costs, privatizing profits, and defending the perks and privileges of increasingly reduced rich minority [national/international], all with the increase in more sinister consequences for the majorities and for the planet itself” (Chomsky: 2009). It is very important to understand ‘processes of accumulation by dispossession’ under neoliberal governance in Pakistan as a contributing factor in the incidence of poverty and inequality in the society. *Hence, our aim is to find out how neoliberal trends of governance naming “accumulation by dispossession” are contributing to the incidence of poverty in Pakistan?* First of all we should come across what does the accumulation by dispossession imply?

There are different interpretations of Marx’s primitive accumulation by Lenin, Luxemburg, fundamentally, it describes the patterns of separation between people and means of production. Labor is dispossessed by the means of production to release a pool of (unemployed) labor to be exploited by the bourgeoisie for profit maximization. Harvey asserts, “A closer look at Marx’s description of primitive accumulation reveals a wide range of processes. These include the commodification and privatization of land and the forceful expulsion of peasant population; conversion of various forms of property rights (common, collective, state etc.) into exclusive private property rights; the suppression of rights to the commons; the commodification of labor power and suppression of alternative (indigenous) forms of production and consumption; colonial, neocolonial and imperial processes of

appropriation of assets (including natural resources); the monetization of exchange and taxation, particularly of land; the slave trade; the usury, the national debt, and ultimately the credit system as radical means of primitive accumulation. The state with its monopoly of violence and definition of legality plays a crucial role in both backing and promoting these processes.” (p. 145) He believes that all these processes ‘remain powerfully presents within the capitalism’s historical geography up until now.’ And he termed these existing practices of neoliberal capitalism as **“processes of accumulation by dispossession”**

Harvey argued that the ‘inability’ of the US and advance capitalist states (as it has been viewed in case of 1973s overaccumulation crisis) to accumulate through expanded reproduction on a sustained basis has been paralleled by a rise in attempts to ‘accumulate by dispossession’. His work exceptionally reveals the role and influence of International Financial Institutions (IFIs) under the advance capitalist block headed by the U.S. in maintaining these processes in the neo-liberal era of capitalism. Growth, prosperity, liberty were the manifestation of the prescribed philosophy of disciplinary neo-liberalism which is entirely contradictory with the results it accrues in the client states. Here we will examine theory of ‘accumulation by dispossession’ in Pakistan with the advent of neoliberal mantra of privatization, liberalization and deregulation since late 80s as a road to prosperity. The role of the state as the facilitator for the implementation of these processes is explored further.

MECHANISMS OF ACCUMULATION BY DISPOSSESSION IN PAKISTAN UNDER THE UMBRELLA OF GLOBALIZED NEO-LIBERAL GOVERNANCE

Accumulation by dispossession became increasingly more salient after 1973 in part as compensation for the chronic problems of overaccumulation arising within expanded reproduction. The primary vehicle for this development was financialization . . . For all of this to occur required not only financialization and freer trade, but a radically different approach to how state power, always a major player in accumulation by dispossession, should be deployed. (Harvey: 2003, p.156) International financial Institutions are the required architecture to deploy ‘processes of accumulation by dispossession’ i.e., forced privatization, liberalization and deregulation, part and parcel of the loan deals with the client states.

Liberalization	giving up domestic control over essential sectors such as trade and finance, permitting foreign companies to own key enterprises such as national banks, easing controls on foreign investment and capital, reducing trade tariffs, duties, restrictions and barriers, etc
Privatization	increased role of the private sector in providing all types of goods and services, transfer of ownership and management of public enterprises to private companies, change in operational aspects of public/state companies with increased stress on full cost recovery, efficiency, etc.
Deregulation	a general withdrawal of the State from providing control or oversight over economic and financial transactions, the removal of all government/public "interventions" that might affect the free functioning of the market; for e.g., removal of price controls on goods and services, dismantling of public subsidies, etc.

Eleven loan arrangements by IMF and World Bank have been taken place in Pakistan, since 1988 when it became member of these financial institutions. Pakistan in 1988 under People party's government, on the dictation of IMF opened the doors for neoliberal economic doctrine. In 1990s the economic slump drove the country to adopt Structural Adjustment Program (SAP). Under SAP Pakistan took on the policy of privatization, liberalization and deregulation. There were almost six arrangement in Benazir's era; two were in Nawaz's era; and two in Musharaff's tenure including one in 2008 taken by Zardari's government. Pakistan acquired the loan facility with different terms and conditions such as removal of price control, ended subsidies, eliminate tariff protection, privatizes government enterprises, forced deregulation to minimize the role of the state in social sector including environmental standards. Loan is provided to Pakistan under different programs of IMF including stand by arrangements, Structural Adjustment Program (SAP), Poverty reduction and Growth Facility (PRGF) and Extended SAP. Each one of them has different implications for the socio-economic development in Pakistan.

Although Privatization is not new policy in Pakistan but the momentum it gains since the end of 80's till today is particularly a part of the project of neo-liberal project carried out by the U.S. led capitalist states through IFI's. Government plays a role of facilitator in order to provide the legal protection to process of privatization and of private property. Privatization, Roy concludes, is essentially 'the transfer of productive public assets from the state to private companies. Productive assets include natural resources. Earth, forest, water, air. These are assets that state holds

in trust of the people it represents. . . . To snatch these away and sell them as a stock to private companies is process of barbaric dispossession on a scale that has no parallel in the history (Harvey: 2003, p.161).

Government of Pakistan in different phases forced to comply with IMF and World Bank reform initiatives that involve the privatization of social services without considering how dreadful it is for the people particularly, for marginalized and vulnerable communities. Since late eighty's of last century Pakistan has passed through massive waves of privatization.

The underlying aim of all privatization process was to release the public, state-owned assets to the market on throwaway prices. So, the foreign companies can thrust on them with their over-accumulated capital for profit making while depriving the people from the cheap or free public goods and services. According to Dawn, Nov. 6, 2002, the IMF attaches the release of the Poverty Reduction and Growth Facility (PRGF) program with the privatization of the KESC. Regular increase in the tariffs and removal of the subsidies imposed by IMF in different phases would remain an ineffective tool cost recovery. Inefficiency, wastages, power theft and arrears on the part of influential individuals were the reason behind the privatization of the KESC. Hence, KESC was privatized in 2005 and there was no improvement in the services or the efficiency of the unit since than. Whereas, there is a many folds increase in the bills of the consumer and the use of electricity is becoming unaffordable for the common man.

Similarly, privatization of the PTCL in 2006 is the most controversial of all. PTCL was one of the major revenue contributors in Pakistan which was sold in a 'secret deal' for only 2.6 billion dollars, ruthlessly underpriced. The News, 2006 reported, "By far the PTCL has been the highest profit earning state-owned company with real estate assets of worth billion of rupees across the country including commercial plaza, residential colonies and exchange." Harvey explains this process as release of devalued public assets for foreign companies to thrust with their over-accumulated capital and maximize their profit by total cost recovery.

Ironically, under the facility of the PRGF program in 1997-2000 or 2001-04, the privatization of great public asset was pledged in order to achieve the debts repayments and poverty reduction as was mentioned by Pakistan privatization commission in 2000. The arrangements for poverty reduction (as visible from its title) were devoid of any pro-poor strategy of poverty alleviation, instead it aimed to contribute in establishing conditions for higher growth to provide a room for public spending. In the same way, the famous document of the Poverty Reduction Strategy Paper (PRSP), government was assigned to prepare by the IMF carried the same growth-oriented strategy. While research reports such as “Combating poverty: Is growth sufficient,” SDIP 2004, provide clear evidence that there is no relationship between poverty reduction and growth. It further aggravates the problem of the inequality when the fruits of the growth restricted to the rich in the absence of the any pro-poor policies of distribution. It apparently seemed the few indicators improved due to the flow of remittances after 9/11 as a result of an overall improvement in the economy but poor are not the beneficiaries’ of enhanced growth.

Another prong of IMF prescribed neoliberal strategy is liberalization. Liberalized trade can benefit poor only when it is just and fair otherwise it exacerbates poverty and inequality. Industrialization in Pakistan had initiated in 1960s and was under protectionist policies until 1988. In 1988, World Bank (WB), International Monetary Fund (IMF) forced Pakistan to liberalize economy and trade. Trade liberalization is a part of the strategy sold by IFIs to mitigate poverty and foster development in client states. Trade liberalization when introduced at a particular level of industrial development accrues positive out comes such as in China and India, both were closed economies until early 90s. But early liberalization in Pakistan flooded domestic markets with cheaper imports, which made it impossible for the domestic producers to compete and forced them to shut down their businesses or industries. Similarly, removal of agricultural subsidies by the government under the regimes of WTO and IMF, ruined the domestic farmers, particularly, the small farmers negatively effected and dragged into intense poverty. It also paved the way for the corporate farming and buying of the agricultural land by the transnational companies. By dispossessing the local farmer/industrialist/entrepreneur, the bigger economies accumulate wealth by capturing our markets. Furthermore, as tariffs are reduced, it

is likely that government revenue will be lost. Alternative sources of revenue adopted by the governments are additional burden for the poor population. Shrinking of the revenue base also cuts back government's expenditures. The historical experience of the some developing countries, including Pakistan, suggests that often when there is a pressure to cut public spending, it is the development expenditures – the most productive and pro poor kind – that offer the line of least resistance (SDIP: 2005-6, p.40)

Privatization and economic liberalization is a perpetual call of deregulation or hollowing out of state. Under Structural Adjustment Program (SAP), government's regulatory powers were greatly seized. Under SAP, government drastically decreased the support to agricultural sector and almost stopped subsidizing. Debt trap further put a downward pressure on budgetary allocation for agriculture in annual development plan. On the other hand, the growing power of the capital and increasing influence of transnational companies pushed state back from its welfare state role. The **Protection Reform Act, 1992** is the most important development in this sphere. It was not only about the favoritism for privatization but provide an edge to corporate over the government. Among many other provisions it affirms that the privatized unit can not be taken back for any reason. Marx's general theory of capital accumulation in accordance with classical political economy assumes that it can only occurred under some pre-set conditions. The conditions include free functioning competitive markets with institutional arrangements of private property, juridical individualism, freedom of contract, and appropriate structures of law and governance guaranteed by the a 'facilitative state'. (Harvey: 2003, p.143) Role of this 'facilitative state' is not in favor of people but in favor of capitalist class interest. Therefore, Harvey following Marx and Luxumberg emphasized that doctrine of neoliberalism does not produce "a harmonious state in which everyone is better off. It will produce ever greater levels of social inequality. This trend of growing inequality can be observed in each and every state where neoliberal doctrine is enforced as a road to prosperity. In Pakistan, the governments (without any exceptions of democracy or military rule) are at the service of private business. Moreover, pressures from advanced capitalist states and IFIs, loan conditionality and repayments further confine the role of the state for public policy-making and spending. It has been

expected that the global financial turmoil may change the role of IFI's, these institutions managed to survive surprisingly, enabling them to set another round of 'accumulation by dispossession'. For instance, Pakistan's November loan came with the requirement to raise interest rates and electricity tariffs.

SOCIAL RESTRUCTURING

Policies of liberalization and privatization not only injurious to domestic economy but completely alter the social set up or class structure of the society. These policies open up a terrain of human insecurity that has many dimensions such as health and educational insecurity; job insecurity; environmental insecurity; food insecurity etc. "Capitalist market forces penetrate into the spheres of society previously shielded with from commodification. When capital enter into basic social and human institution it produces destabilizing consequences for social reproduction" (Bakker & Gill: 2003, p.20). For instance, the first and foremost condition of the IFIs is the social expenditure cut down such as health, education, pension, child care etc. Increased cost of living, unaffordable education and medical care aggravate the problems of illiteracy, mortality, health risks, an added fuel to the cycle of poverty. Social restructuring as a result of neoliberal economic policies produced a new class division in the society discussed in the following table.

Elites, ruling class and plutocrat (super-rich billionaires)	Very small proportion of the population; highly mobile along different jurisdiction; possess range of assets, property, bank account some of which may be off shore. They are the 'facilitators' of global corporate capitalism.
The culture of contentment	Protected labor aristocracy; work directly or indirectly for transnational corporations; relatively secure workers and global brand users. They emerged and strengthened their position as a result of ruthless corporate downsizing of the middle management and skilled labors, a part of economic restructuring under neoliberal policies.
Vulnerable or insecure people	Highly unprotected, proletarianized, marginalized people, have unequal representation, unequal treatment before law. They are used as a disposable commodity by the corporate employer. Their ability to enjoy the fruits of consumerism subjected to income fluctuations.
Marginalized and poor people	Large pool of people, neither significantly articulated into the productive systems and exchange circuits of the capitalism nor outside the framework of consciousness and action due to the flow of information through electric media. Highly subordinated and dispossessed by economic and political opportunities.
Source: <i>Power, Production and Social reproduction</i> , Bakker&Gill, 2003 p.191-196	

As it has been discussed earlier, privatization has been prescribed to Pakistan by the IFI's and other local economic gurus as source of equity and economic justice. In Pakistan, two major objectives of privatization in Pakistan were supposed to be debt servicing and poverty alleviation. None of these have been achieved yet but it has caused social development slow down. "The pre-privatization period (1981-1991) witnessed an annual average growth rate of 6.7 % of GDP while it went down to 4.4 % during privatization period (1991-2001)" (Karim: 2008, p.1). Once privatize the social goods are turned into entities that are simply judged by the profit criteria and no longer provided on the basis of human needs. The natives are dispossessed by the asset they used to enjoy in the form of common property rights and TNC/ruling elite of the country are provided the way of accumulation of wealth through them. Large pool of jobless people as a result of the downsizing, golden hand shakes in privatization process increased socio-economic vulnerability of Pakistani society. For instance, in case PTCL's privatization many employees expelled from their jobs under 'voluntary separation scheme' (VSS). These jobless people and their family have to bear the grim future in harsh economic realities of the country. Privatization of the education and health; inflated food prices will further pushed these people to vulnerable group. On the other hand, it can be observed that expropriation of wealth to upper, privileged class has increased many folds. Inequality, therefore, is the crudest outcome of neoliberal policies not only within the states but globally. Despite the poverty the poor of the country pay more tax than the rich as poorest 10% contributes 16% of its income in taxes comparing to 12% of their income by richest 10%. This is the country where poor is paying more to maintain the rich (SDIP: 2004, p.94).

Government spending, restricted with debt repayment, is decreasing with the passage of time. Despite the importance of the public services for the poor, Pakistan's combined federal and provincial current expenditure is dominated by three non- public service heads: debt servicing, defense and general management. Similarly, the annual growth in expenditure on social services, including education, health, public health, and social security, halved from 10.4 percent during 1973-91 to 5.4 percent during 1992-97 and to less than one percent during 1998-2003 (SDIP: 2004, p.94). Hence, in an invisible way the larger segment of society was deprived of

the services and their share in national wealth. Daily Dawn reported that the finance ministry released only 70 billion rupees for development projects in July-Dec against an expected 200 billion rupees. The government have been left with no option to meet the budget deficit target of 4.2% by the end June, as agreed with the IMF.”

Though, most of the contemporary IMF loan agreement contrary to previous agreements included the clauses of social safety nets and social development. But poor crisis ridden economies of the borrowers are now unable to survive without cuts to public services and social protection.

RESISTANCE AGAINST NEOLIBERAL DOCTRINE

After three decades of enforcement of Neoliberalism in each and every corner of the world, it has been declared ‘an unsustainable blue print for governance in a globalized world’ (Janine Brodie: 2003, p.48). Like in many other polities of the world, in Pakistan neoliberal governance “took a heavy toll on individuals, families, and communities, intensifying the desperation of poverty, opening a yawning gulf between rich and poor, fuelling political alienation insecurity and violence every where. So, it is important to figure out that what would be alternative system to it? There are number of contesting ideas regarding the question. Some entirely rejects idea that if any change is possible. Whereas, others supports ‘a return’ to Keynesian welfare model, i.e., more government spending in public sector such as education, health and other physical infrastructures which would generate more employment activity and emphasized on the human face of development.

Change role of the International Financial Institutions is another idea gaining the popularity among different school of thoughts. A revival and transformation of the roles of the IFIs are needed in order to make world a better and secure place. It is important to consider the developmental needs of different states. These institutions may help these countries to evolve a developmental model appropriate for that particular state without imposing ‘one size fit for all’ strategy. Harvey points out in one of his interview, “A new state financial architecture is required. I don’t think that all existing institutions like the Bank of International Settlements and even the IMF should be abolished; I think we will need them but they have to be revolutionarily transformed. The big question is who will control them and what their architecture will

be. We will need people, experts with some sort of understanding of how those institutions do work and can work” (Harvey: 2009). Consensus building in the world community to adopt the path of sustainable development is the most crucial attempt in this regard. Our survival is inextricably linked with the survival of the planet.

NEW PARADIGM OR NEW BEGINNING FOR PAKISTAN

Fortunately, Pakistan has not met the same fate as that of South Africa or Argentina and there are few underlying reasons that cast a shield against financial or military crush over Pakistan. The processes of dispossessions are provoking widespread resistance and this now forms what is the core of the anti-globalization movements. In Pakistan the dismissal of Justice Iftikhar Chaudhry, that paved the way to neo-social movement by lawyers, was also constructed around the privatization process i.e., privatization of ‘Pakistan Steel mill’. Beside other reasons the fraudulent privatization of Steel mill was the seed bed of the struggles that eventually moved the whole country and successfully dismantle the Musharraf’s regime. This movement was not only the emblem for need and desire of independent and free Judiciary but also the power of popular opinion. The role played by the media in the success of the lawyer’s movement was unprecedented. Electronic and print media in Pakistan has already achieved a high level of freedom since Musharaff’s tenure. Free media played a central role in educating common man and consolidating popular opinion during this movement. Hence, the movement gained an impetus with the coordination of public, lawyers and politicians through media. The victory of the movement depicts that Pakistan is now entering into a new phase of the history where prerequisites for change have already been set i.e., free media, free judiciary and popular support for change (in the face of growing anti-American sentiments). Being an ideological state, Pakistan, with its great geopolitical importance, remains pivotal to international politics. It has been used to fight proxy war during cold war era and war on terrorism in post cold war era. Parallel to this, Pakistan’s regional security concerns legitimize its launch as a nuclear state. Pakistan has been considered as a nucleus for Islamic world as it has been strongly demonstrated in the Zulfikar Ali Bhutto’s era. The second Islamic conference 1974 perceived as great threat of unification of Islamic world and which was considered as one of the decisive factor in shaping international political scene afterwards. Similarly, the Pakistan’s

nuclear test on 28th May, 1998 is also seen as Islamic bomb and owned by the whole Islamic state. Hence, nuclear capability might be a reason for which IFIs could not orchestrate the financial crisis as it was in Argentina, Japan, South Africa and everywhere else. There is always a fear on the part of world community i.e., economic decline to the level of financial crisis (specific to IMF showcase studies of neoliberalism) may lead to any irrational, prompt and irresponsible use of weapons of mass destruction.

Since its independence Pakistan is an ally of the U.S. Despite of having good relations with socialist China, Pakistan's economy is always tilted towards western capitalism. During cold war it had been given the responsibility to fight proxy war from communist Russia. Since late 70's of nineteenth century, Pakistan was showered with unconditional American support and gigantic military aid for Afghan-Russia war which enabled Pakistan to carry on its nuclear program. 'Mujhaddin' fighting against the evil of communism made the word jihad most sacred one. In the post cold war era, particularly after 9/11 all these 'jihadi' turned into terrorists for Americans. Once again Pakistan emerged as a territory with great geostrategic significance for America's war on terrorism. The theory 'poverty leads to terrorism' made Pakistan eligible of American social and military aid. The recent Kerry-Lugar bill is a case in point. Though, the aid aims at poverty reduction can not meet the socio-economic needs as the consequence of the drone attacks, military operations and neoliberal remedies but can be viewed as way out being bankrupt. Pakistan's support to the war on terrorism resulting in number of security issues which further strengthening the regime of privatization. There is a growing trend of privatization and militarization of the security. On Nov. 2, 2009 the daily Dawn reported there are 600 private security agencies working all over the Pakistan. This is another way dispossessing the people from the collective security, conventionally provided by the state pushed it under private domain to benefit private business for accumulation.

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