

Dissecting the political economy of Pakistan with Dr. Ammar Ali Jaan

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"A basic principle of modern state capitalism is that costs and risks are socialized to the extent possible, while profit is privatized," Chomsky has said a decade earlier and it fully sank in for us these past couple of months. We never had much to show for, but the pandemic clearly dealt the final blow to our economy. In fact, it laid bare the rickety machinery that was on the brink of collapse anyways. As the federal budget rolled out last month against the backdrop of surging global oil prices and rupee depreciation, many Pakistanis found the ground slipping beneath their feet.

The government is busy self-congratulating its performance for reviving the IMF program and getting the 'train back on track.' But for the millions falling in middle and lower economic strata, the budget offers no relief. IMF's infamous austerity measures will be seen fully in effect in the coming months and the poor would have their worlds turned upside down.

While the corporate and industrial sector got away with billions worth in subsidies, the public health and educational budget was squeezed to make up for the revenue shortfall. Political activists and intellectuals like Dr. Ammar Ali Jaan have been railing against the state for letting the masses bear the brunt of a few men's eccentricities.

Ammar is the central leader of Haqooq e Khalq Party and an excellent academic. The Students' Herald team, comprising Vice President Progressive Students Collective, Ali Raza; Editor-in-chief of The Students Herald, Jowdut Syed; and the Cultural Desk Incharge at TSH, Haris Malik sat down with him for a discussion on the recent budget-tastrophe and its implications for the ordinary citizens. Ammar sees it as a structural failure of our political economy which for years has allowed the exploitation of many at the hands of a few. The exchange is styled in the form of an interview.

Team TSH (Jowdut): As you know, the federal budget has seen major cuts in public spending in order to appease the IMF. How do you see the austerity policies of the IMF impacting our education as well as the Corona-stricken health sector since Pakistan has spent the lowest in education during Pandemic years?

Ammar: The major problem with the economy right now is our unproductive elite. I call it the *parasitical elite*. This establishment does not bother investing in productive sectors like innovation, artificial intelligence, technology or the manufacture of any commodity that can be exported or needs skill-based and educated labour. This saves them the trouble of spending money on universities or funding academic programs. Obviously it is no use putting millions in research or educational infrastructure when you are not looking for a skilled workforce.

Every economic boom in our country is accompanied by a balance of payment crisis. The reason being the decadent elite artificially stimulating the economy in a decadent way through real-estate speculation and monopolising land and chemical industries.

This leech-elite of ours is only interested in **rent-seeking**. Now, let me explain what this rent seeking behaviour is. For instance, you buy huge acres of land and wait on the market forces to double its value in a year or so. Or you speculate on luxurious housing projects and golf courses in a country which cannot produce food enough for its own needs. This purely unproductive and wasteful expenditure pumps the money into the economy for a while but it doesn't have the potential to stimulate a long term and sustainable economic cycle.

Therefore, our state's financial practices are undergirded by these unproductive, inefficient and wholly speculative real-estate ventures of our bored elite. And to support their exuberant lifestyles, our imports skyrocket creating fiscal and trade imbalances since we are not exporting anything valuable to balance the trade basket.

Team TSH (Haris): We can recall this pattern when the import of luxurious cars and accessories surged during the Pandemic while the economy was going downhill. Subsequently, oil and fuel consumptions also increased, all without adding anything valuable to the domestic economy. While the government doesn't have enough funds for building a better network of public transports, a few eccentric millionaires are busy emptying the forex with their love for imported cars.

Ammar: Yes. And when luxury imports increase, more malls are built to fuel consumption-led growth. Ironically, more than half the population lives below the poverty line and yet building expensive malls, brimming with overpriced and overhyped brands, is our priority. A quick math will tell of the percentage of those who can actually afford these items.

One cannot obviously export a plot to balance imports. This imbalance leads to the balance of payment crisis. Foreign exchange reserves shrink because the dollars gushing out of the country far exceed the money coming into the system. When you have depleted forex reserves, you cannot buy essential items because you are short on international currency to make payments.

The IMF asks of the poor indebted countries to change their policies, and open up for free trade, privatise health and education, increase inflation, but is completely blind to the financial sectors and financial institutions in New York and London which were primarily responsible for 2008's global meltdown.

You might have noticed that every economic boom in our country is accompanied by a balance of payment crisis. The reason being the decadent elite artificially stimulating the economy in a decadent way through real-estate speculation and monopolising land and chemical industries.

The problem with our industrial sector is not that it is not capable enough – the issue is the civil-military corporate nexus monopolising every sector, leaving absolutely no room for small and middle enterprises to thrive. These business tycoons and real estate mongers siphon off this money offshore and buy expensive properties there as well.

Team TSH (Ali Raza): The masses are expected to pay the bills in taxes and die for their motherland while the generals shuttle off to Switzerland-s.

Ammar: The third largest player in Dubai's real estate market is none other than Pakistan. To sum it all up, this is our development model; invest in real estate and shopping malls, import billions of dollars worth of luxury items, boast off the growing economy and there comes the crunch, with an inexorable balance of payment crisis.

Team TSH (Jowdut): Like the hangover after an extravaganza where you realise that you

have a family to go back to.

Ammar: Except, the ruling elite never has to answer to this ‘family’ i.e the citizenry. Hence, enters the IMF in the picture. The magical formula they hand over is to ‘reduce spending, balance the budget’. So, our compliant state zeroes in on the task of reducing spending, and sets eyes on clamping down public expenditure. Of Course they won’t nag the military or the corporate sector.

Real estate mongers, business tycoons, IPPs – they are all out of question. So, the good old public has to be slaughtered again. Inflation sparks, sales tax increase, interest rates go up and all economic activity comes to a halt. It always breaks down to the public paying for their jamborees.

We have less debts with the IMF than the international and local banks. The problem with IMF is that it expects us to first pay back these dues in full before turning to our domestic requirements. The interesting thing here is their dual policy. The IMF asks the poor indebted countries to change their policies, and open up for free trade, privatise health and education, increase inflation, but is completely blind to the financial sectors and financial institutions in New York and London which were primarily responsible for 2008’s global meltdown. They cannot be regulated or brought under accountability for creating the biggest economic disaster of the 21st century that led millions of ppl to lose their jobs and starve.

We need an alternative system of global finance, a system which puts the domestic needs of a country at the heart of its economic operations while international monetary obligations and debt repayments play second fiddle to these immediate concerns.

These hypocritical policies of global monetary institutions has led to a state of affairs wherein a poor country like Pakistan has to pay 41 billion dollars in debt a year. Accumulated debt of all developing countries stands at about 70 trillion dollars. Across the world, it’s a disaster- no jobs, no social security, no medicines – owing in part to the supply chain crisis set off by the ongoing Russian-Ukraine crisis. In dire times like these, it is virtually impossible for the poor countries to settle their debts. If the situation escalates, it might lead to war and famine across the world, but especially in the Global South.

All of this brings us back to what the Left has been shrieking for years – that we need an alternative system of global finance, a system which puts the domestic needs of a country at the heart of its economic operations while international monetary obligations and debt repayments play second fiddle to these immediate concerns.

Team TSH (Ali Raza) : Like you have explained, the power structure has been replicating around the world for decades reproducing itself. The children of feudals who lorded over acres of common land a couple decades ago are now the business savvy elite of today. This tiny chunk gets their education from prestigious private institutions around the world, easily sneak their way into the highest echelons of civilian bureaucracy or join their dynastic political parties, and lord the country just like their forefathers did.

The same cycle is observed in the military-corporate corridors. The question that keeps young leftists like me up at night is, how to dismantle this system of highly concentrated and centralised power or intervene to change the course of history. Shed some light on it.

Ammar: The good news though is that intellectuals and political actors around the world are coming to accept that the primary model of development extolled for years, to be humanity’s only path towards progress, is a big fat lie that rests on the principles of injustice, inequality and unsustainability. It’s no less than a facade with no substance underneath. A building that has a rogue

foundation, featuring Sugar Mafias, numerous **Malik Riazes**, and **Papa John's**, is doomed to fall.

According to a recent report by UNDP, Pakistan spends 2660 billion rupees a year in elite privileges. And yet the public is repeatedly told that we are short on funds for health or education! The corporate sector gobbles up 724 billion, the landed elite hits a windfall of a whopping 570 while the sugar mafia amasses 100 billion rupees worth of public taxes. Now, try putting these figures in your head alongside the total social protection budget that stands at a meagre 624 billion. Four times less than the elite subsidies.

It's a welfare state for the rich, there's no other way to put it. We do have socialism after all, wherein the state bears the losses of the private sector while they get to have all the profits for themselves, drunk on the hopes that someday these benefits are going to magically trickle down to the poor.

Team TSH (Jowdud): Socialism for the rich, capitalism for the poor.

Ammar: Very much so. And all these profits made through our state's generous investments are going to be laundered or siphoned out abroad without a penny given back in dividends.

In Saraiki waseb the cotton crop spread over thousands of acres of land has been wiped out to grow sugarcane. It needs more water, more electricity and yet has no export value whatsoever. This useless unproductive mafia ingurgitates **100 billion** of taxpayers money every year while the educational budget is religiously sliced in half. For FY 22-23, a scant **62 billion rupees** will be invested in HEC. Public sector universities are broke and many are struggling to stay afloat through private investments and commercial loans.

A system that is clearly on the brink of collapse is publicly defended by men in suits who claim that the common minds cannot grasp the intricacies of economy. But the common man can see when something is falling, and more so when it's falling on his head. And then he sees the same men running to the IMF to bail them out.

Coming back to your previous question, to break down this cycle of unproductivity, artificial growth, balance of payment crisis and austerity programs, we need to first identify what makes this tiny percentage of elite so strong. I think the major difference between them and 99 percent of the population is their excessive organisation. Be it the commerce sectors, sugar industry, farmers associations overseen by the feudals, or the state machinery like police, bureaucracy, military, state intelligentsia, media – they are highly organised, both economically and socially.

The masses, where the real power lies, on the other hand, have been tactfully atomized. Their sense of collectivism is wiped out of their memories through state institutions and ruling ideas- or at least, the state tries its very best to accomplish that.

Team TSH (Haris): As in, Gramscian cultural hegemony?

Ammar: Yes. But also, forcibly. From the ban on student unions in Zia's regime to the violent crackdown on every form of collective action and assembly, the state has a history of muzzling political dissent through brute force. The workers, the peasantry, the women, the students, none have been awarded the privilege to opt for political discourse or action. Many of my students were abducted, or booked on sedition charges – all for standing up to the gruesome crimes of state.

I always advise the people on the Left to stop getting inspired from the February revolution or the Arab spring. We should not take our inspiration from events, rather from organised work.

The silver lining though, is that the masses are not politically unconscious rather lack tools of organisation and collective action. The state knows the potential of this working class so much so that it has to resort to extreme measures in order to keep them at bay. These were the segments who challenged the system throughout history, fighting for representation in economic policies but have been disorganised and broken down over the years. So, now even if the petroleum prices are raised by 800 rps, people won't be able to fight it off, because they do not have the right platforms. The structure needed to carry out a people's struggle is what is missing in today's Pakistan.

Team TSH (Jowdud): We see how people are kept in the dark about bills and policies that might affect their livelihoods and quality of life. They are left out of the decision making process and more or less, rendered passive. Take for example, the budget cuts in higher education for this year. Apart from a few voices, there wasn't much said about that in public spaces. The media effectively played it down.

Yesterday, I got to know that my alma mater BZU multan will be increasing the fee for fall semesters by 60 to 70 percent! We are always told by the policy makers how everything will be alright once a couple billion dollars come into the system. But does this really hold true now? Or have we hit the end of the road?

Ammar: I always advise the people on the Left to stop getting inspired from the February revolution or the Arab spring. We should not take our inspiration from events, rather from organised work. We need to consider the work that goes behind an uprising- deep and patient work, besides mere social media activism - this in fact, is the real work; the organization that is done within the masses. If right wing parties like TLP can get organised and not the contemporary Left, then this is our failure.

Today's Left has turned to social media activism instead of engaging in deep, laborious struggle to organise the proletariat. The battle has to be taken down from twitter to the working class neighbourhoods and educational institutes. Unless we have an organised and ideologically-charged mass base, it wouldn't count if millions of people pour into the street one day because it will all be over by the evening. They don't have the organisational structure or the sort of leadership to look up to. Therefore, there's a dire need to educate the masses on political lines if we even want to envisage a different tomorrow.

Coming to your second question, we do need the IMF right now, because unless it approves, the international market doesn't lend money to the states. But this is not even the problem right now. The question is where are the economic reforms to avoid this situation in the future? Do we want to change the base of our economy? Are we going to diversify our exports? We are talking about a modern country run by ancient bourgeoisie, those that became defunct in the 18th century, and yet the same landed aristocracy, nobilities, and military establishment is ruling over us today.

Now, who's fault is this that we are somehow at odds with virtually all of our neighbours? Can't be theirs alone. We need less muscle power and more diplomatic solutions.

If we don't deal with them now, the economy is going to be stuck in this cycle forever. If we want to get out of IMF's clutches, we need to work on our internal political economy. The combat and non combat budget of the military exceeds what we can afford without sacrificing the middle and lower middle classes. There's an urgent need for audits within this ever-expanding military empire.

Team TSH (Ali Raza): Now that we are on it, let's discuss our abnormally large defense budget. Do we really need to feed such a big army? Do we really have the security threats as we are told? We have been explained that an independent nation needs a big force, but

are we really independent?

Ammar: Unfortunately we are a rentier state. While our landed elite seeks rent through land, our military rents out our geostrategic location. Our major source of income is to fight someone else's wars. The whole of ex Fata and Waziristan was rented out to the US against Russia and then the Taliban – even our people were sold as fighters. This war economy of ours has made the military establishment politically powerful and they are the de facto rulers.

This is not an independent military, it has always had the backing of the West, throughout the cold war to fight off the communist block. This backing consolidated their political standing and they easily found their way in the financial sector. Their burgeoning share in the financial sector alone is 256 billion rupees as calculated by Hafiz Pasha.

Team TSH (Jowdud): They have developed the taste for the dollars.

Ammar: And to convince the public, you need the politics of fear. Developing this constant paranoia of an imminent attack by the neighbours. We do need the military for deterrence but to justify this lion's share of resources on account of our geography is totally unjustifiable. Now, who's fault is this that we are somehow at odds with virtually all of our neighbours? Can't be theirs alone. We need less muscle power and more diplomatic solutions.

Team TSH (Haris): We have another looming catastrophe. Climate change is fast becoming an imminent threat to our survival and a hot topic of international diplomacy. Where do you see Pakistan's position around this debate?

Ammar: For now, climate change is further down the list of our concerns. We cannot address this problem unless we turn our political economy around. Just like any other matter of public concern, it was brushed under the carpet up until now, when it is standing right on top of our heads.

Team TSH (Ali Raza): What do you think the role of our leftist youth should in this economic crisis?

Ammar: A student, comparatively, has the privilege and time to make himself aware of the ongoing situation, get politically conscious and has the margin to act as well. They should invest in studying as well as organising because campuses have been the birthplace of revolutions, and revolutionaries.

In the individualistic age of today, you have to organise and create a breeding ground for collective action. And take these learning out of the classroom. Do not settle down for individual consciousness but bind with the people, spread the word, prepare an army. Build collective knowledge and communities of conscious youth because you are going to be the drivers of change. Discourse should be put in perspective with the social and political climate, and not just get stuck in theoretical and apolitical intellectual practice. For what is the purpose of knowledge, if not to attain collective good.

Student politics is important, for it shapes the socio-political world view of the youth of today, and the leaders of tomorrow. Unlike dynastic politicians, who never had a meaningful contact with the living, breathing masses, these young revolutionaries have a profound and comprehensive understanding of their society as well as international progressive movements and working class politics.

The state has invested a lot to silence these working-class students because this is the segment with the biggest potential for change. They have been oppressed for decades, they have seen it all and they are ready to fight.

You have to understand that the power lies in you being together. You need to seek each other out and connect with people in order to realise that you have common problems and the solution lies in collective struggle and not in individualist and a-political rhetorics.

Dr. Ammar Ali Jaan
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