**Issues in the economy of Pakistan**

This handout will give Insha Allah a way to analyze different issues, will teach how to formulate policies and how to judge their consequences and finally reaching to an ultimate solution. Let me first clarify with the help of example. You, then should be able to analyze the things in the same way. This method gives a clear understanding of things and removes ambiguities from our minds

Task: Identify an issue, its reasons, and then come up with ultimate solution/strategy and its future consequences on people, on government, on sovereignty, on economy in short run and in long run

**Issue: Energy crisis**

**Reasons/causes**: Circular debt, line losses, underutilization of installed capacity, Non- construction of dams etc.

**Solution**: in short run, the only solution is to control line losses and payment of circular debt while in long run the ultimate solution is the construction of dams and going to alternate methods of producing energy….

**Consequences:** controlling of line losses will have positive impact on economy as well as on society. Moreover, the employees of WAPDA should not be allowed to use free units at the cost of rest of people and industry. Its not a free good at all! Are they not being paid for their services?

Now question is How to pay circular debt: how much is the debt? What are ways to repay the debt? May be taking extra loan, increasing the price of electricity, printing of new money…

If we take loan to repay the debt, it will never be paid actually. If we increase the price of electricity even then we will not be able to pay all the debt, interestingly, prices are already increasing, hurting all economic activities and cost of living of people. Have we succeeded to repay? The last solution is the to print new money to repay the debt, there may be inflation in short run but no interest payments, no debt, no electricity shortage which costs to the economy in billion of rupees on daily basis. But the million dollar questions are: why there is so much debt? Were people not paying their electricity bills? Why there are so much line losses? Why govt. is unable to control? How would you control? Can you control? What is the necessary condition and what will be the sufficient one?

Construction of new dams: consequences of construction of new dam is the displacement of people loss of property, shortage of water for some areas etc.

Are all these not opportunity costs of dams? are these new in the world? These are common costs throughout the world, people can be compensated for the loss of place, properties and guarantees can be given to those who have fear of shortage of water in future. We are wasting 70 percent of our water, we have put the whole country in darkness, the economic growth is slowing down, the costs of not having dams is enormous. Actually we can never overcome shortage of water unless we have reservoirs! And dams are reservoirs no doubt. Once you store your water properly then you can move it through different channels. Due to mistrust on each other, misguided by some political leaders we are like a family who always quarrel with one another and depriving the blessing of Almighty Allah. Can all those who are opposing dams give us solution? after all they are also living in this country! what is being done in world, India is constructing the dams on our rivers, china is constructing world’s largest dam other than 20000 small dams and still there is no dispute

Lesson? Power corrupts and fear of losing power corrupts more

There is nothing like unity, union is strength, its always!

Some other issues you may practice for next class are related to

1. Health ( for example health facilities are not adequate and expensive)
2. How to control Inflation?
3. How to reduce Poverty?
4. How to explore our resources?
5. How to increase our tax revenue?
6. How to reduce unemployment or how to promote employment?
7. Be ready for the question in final
8. How to manage your economy so that there should be no deficit, increase in economic activities, no loans from IMF etc.

Hint: use monetary and fiscal policies as tools for macroeconomic management, for example, increase or decrease in money supply or interest rates etc. policy related to government expenditures and tax revenue. Analyze the consequences (short run and long run) of each of above tool on

1. GDP or economic activities
2. Employment generation
3. Fiscal deficit
4. Sovereignty of nation and self-respect of people
5. Sustainability

Once a doctor told me that his teacher used to say that “ forget about the books when you are checking the patients” and “ eyes don’t tell what mind doesn’t know”

Similarly, forget about your books and sayings of economists, anchor persons, or political leaders when you are formulating a strategy for people and for country. Always keep in mind that people living here are like your brother or sister or mother or your friend. Your brother needs job, your sister has a great desire to get admission in college, your mother is ill and you and your friend need a playground to forget all the worries of life.

Now first judge the cost of your brother’s unemployment and its consequences on your sister’s education and your mother’s illness and dreams of life

Then estimate the cost of shattered dreams of your sister if she could not get admission in college

Then estimate how much you are willing to pay to save the life of your mother

Remember!! There are many brothers, sisters, mothers and your friends who are being deprived of their basic rights because those are in a position to take decisions are selfish and don’t consider people as their family members. Insha Allah many of you will be in a position when you would be able to take decision, the decision about your brother’s career, your sister’s dreams and your mother’s health, take right decision at that time because your brother may get job in near or far future but once the time to get education is gone it will not return, and if mother die, will never return again, the Mother, without substitute! So the lesson is there is nothing like spending on education and health… and are these not the most deprived and neglected sectors in Pakistan? you know why?