

CSS-2025

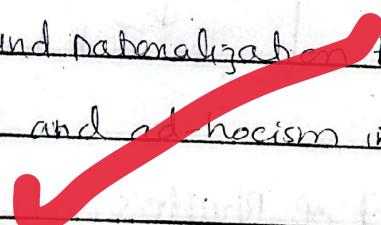
Qno:3 Critically evaluate the impact of Bhutto's nationalization on the economy of Pakistan?

ANSWER :

① Introduction:

Since its inception, Pakistan's economy has been faltering from one crisis to another. With the exception of Pakistan's golden 1960s when it was considered one of the top 10 Asian economies, the nation's whole economic history has been on the brink of collapse. Even today, Pakistan's economic landscape is a case study of policy missteps, governance failure, and lack of proactive economic management.

Also, the transitional nature of Pakistan's political history from industrialization and nationalization to economic liberalization and私有化 in its economic policies



② Historical Background

Following Ayub Khan's era in 1960s which was considered as the decade of development

due to rapid industrialization, Zulfikar Ali Bhutto raised the slogan 'socialism is our economy' with the slogan of 'equality in our society'.

However, his nationalization policies led

to a big ~~industrial~~ economy. Though he had well-intentioned economic plans, they

failed to ~~put down~~ meet the demands of the down-trodden

segments in society.

The Flat Fifties (1947-1958)

↓
The Golden sixties (1958-69)

↓
The Socialist seventies (1971-77)

↓
The Reformist Eighties (1988-99)

↓
The Revivalist Nineties (1999-2001)

↓
The Decade of Crisis (2001-2008)

Not required ↓
The Turbulent Twenties (2008-18)

Stick to what's been asked

③ Impact of Bhutto's Nationalization

on Economy:

(a) Short-Term Immediate Impacts

(b) Undeclared Private Banking

The link between finance and

Productive industry was severed. Bhutto nationalized all private banks in 1974. It disrupted credit inflows and deterred the efficiency of private sector.

(ii) Detracted Private Investment in Large-Scale Manufacturing

Private investment in LSMC (large-scale manufacturing) was decreased as all major companies and banks went into direct state control. Industrial output growth was declined by 50%.

(iii) Decelerate Agricultural Output Growth

Bhutto enacted land reforms in 1972 to redistribute land from feudal lords to tenants. Division of investment and rigid farm policies dented the agricultural growth output.

You haven't mentioned any positive impacts

(iv) Spiked Inflation

After the (97) war, GDP growth reduced

So add them here too

in Pakistan → Moderate inflation

We aren't just focused on negative ones..are we?

spiked to 15 to 17% in 1972-1977. Current Account Deficit also widened and foreign aid added to the already blooming debts.

(b) Medium-Term Impacts

(i) Weak Trade competitiveness

Exports fell significantly due to state regulation and control over economic sectors. Also, export revenues from key economic sectors declined drastically.

(ii) External Debt servicing

Pakistan struggled heavily to pay its bills as debt rescheduling began in 1974. Pakistan business community diluted the state Bank of Pakistan's role.

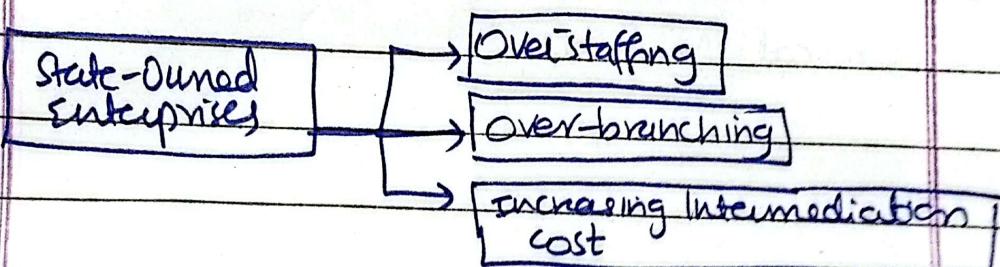
Interest-free rural credit programme also diverted capital flows.

(iii) Market Disruption

India also controlled food prices and the export controls too. By 1980, exports of cotton and wheat had resumed growth due to modernization.

(iv) Loss-Making SOEs

It is not the business of government to do business. Many PSOs continued to operate at a loss. Nationalized industries were adding to the fiscal burden, instead of reducing it.



(c) Long-Term Impacts

(i) Underperforming Public Banks

The decades of non-performing public banks has minimized their efficiency over time.

The public sector could not allow

private sector to function effectively.

(ii) Mounting Macro-Economic Imbalances

Inflation rose to two digits due to state monopoly over economy. Key economic sectors showed stalled growth and poverty increased significantly.



(iii) GDP Growth Decelerated

Macro-economic growth worsened as state-owned enterprises underperformed. Also, fiscal deficits widened to finance subsidies to the state-owned companies.

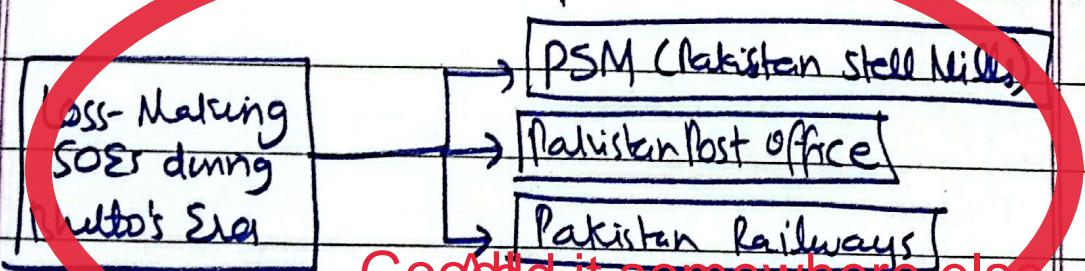
Critical Analysis

Even the best of policies, regardless of how well-intentioned they are, falter when timely implementation, political continuity and collective ownership are absent. Bhutto's nationalization policy did lift millions out of poverty by breaking the elite capture of 22 families. However, its trickle-down effect could not

grow under over time for the general public

Conclusion

Thus, it could be concluded from the above discussion that Bhutto's nationalization plan had overall negative impacts on the key economic sectors. However, there were some positive impacts, too, which were immediate in nature and had no long-term positive effect on economic sectors. Therefore, Bhutto's nationalization plan institutionalized governments' overcentralization of key economic sectors, only to render them more inefficient, corrupt, and cost-expensive.



Good it somewhere else
Try and substantiate your arguments with references from books etc
You have got potential
Good luck!