

Critically evaluate the impact of Bhutto's nationalization on the economy of Pakistan.

1. Introduction

Zulfiqar Ali Bhutto's nationalization policy transformed Pakistan's economic future by shifting the industries from private owners to the public ownership. The main aim was to bring social justice and redistribution of wealth but it lost investor confidence, and ^{lack} ~~lack~~ of effective procedures led to decline in industrial sector, and initiated fiscal burden on the government.

2. Objectives of Nationalization Policy

The main aim was to ^{break} ~~break~~ the wealth concentration that was held by few families of Pakistan. Bhutto wanted to create equitable society and eliminate the difference between rich and poor. Bhutto also wanted to ensure the protected workers, who were getting low wages and badly treated by the private individuals. His ~~goal~~ goal was to break monopoly created by few families.

3. Analysing Repression of Bhutto's nationalization policy on the economy of Pakistan

A. Increase ^{losses} ~~asset~~ burden on government

For the short term, industries made good significant profits, but within a few years, industries were mismanaged and due to lack of procedure works and accountability, companies started to make persistent losses.

“From 1975 to 1985, state-owned enterprises losses reached at \$1.5 million in just 10 years.”

Ayesha Jald

B. Massive Capital flight

When the announced came into being, countless investors sold their companies to the state at very low prices. And investors took that money out of Pakistan due to nationalization policy in Pakistan. Investors wanted to have profits not to share with government.

“\$0.5 million capital flight in just one year 1977.”

Dawn Editorial

C. Burdenizing Government Fiscal Budget

When companies were making loss, government needed funds to run operations and to bring economy under control and paying

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wages to the employees. To fulfil these public companies expenses, government took money from fiscal budget. The move to save leads to more contribution of budget led to weakening the budget.

More than 35% of fiscal budget was paid off to the SOEs in 1979."

Maheeta Lodhi: Pakistan Beyond the State of Crisis

D. Diminished investors Confidence

When companies were owned by the state, private investors had no reason or motive to invest in the economy. Clearly ownership of their business will ultimately belongs to the government. Then investors saved their money at the money and banks.

E. Banking channels were used for political gains

When banking were privatized, many politicians withdrew amount from the bank for their own purpose in the range of investment in particular sectors. This way banks were forced to lend money without any proper regulation or regulatory

borders. Loans were also given on "Sifan" and patronage.

F. Excessive subsidies and low tax collection

Many of industries like sugar. Sugar industries lied on the subsidies, show that industries do not have sufficient funds to run the company. Then government was forced to give high subsidies. However at the time of tax collection, there is no profit generated then no profit tax system became a routine.

Out of 1564 companies, 721 companies were getting subsidies.
Lahore School of Economic Review

G. Exploitation and mismanagement of industrial Resources

There is no ownership to check and balance the industrial resources. Companies resources like machinery were used for private purpose and senior employees took for their home instead of keeping the company. This way all resources, raw material, machinery and goods were exploited and mismanaged by the few senior officers of the industry.

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H. Opportunity for corruption within industry settings

Due to lack of accountability, transparency and auditing, officers were forced junior staff to create fake invoices and end up overvalue the goods purchase item to get more amount to acquire the equipment or raw material.

"Weak oversight turned many enterprises into sites of patronage, over-staffing and rent-seeking."

I. Economic security of Pakistan: Lesson from History

I. Rising Trade deficit and external balance

Pakistan's export grew in short term, but imports and imports-intensive industrialization grew faster. This contributed to a continuous trade deficit from 1972 onwards.

J. From Export-oriented to Import-led markets

The 1960s showed strong export-led industrialization and influx of dollars. While, from 1970 onwards caused export got slower and higher importance

and rising import bill due to the export
countries.

K. Post-Privatization fear in the investors

When government changed and
succeedingly government announced, privatization
there was cold response from the investors
as they fear the unpredictable policies
of government. Due to which, Pakistan
economic growth rate remained low for
several years.

L. Enhancement of Agricultural Yields.

Seeds of high yields were brought
in Pakistan that could produce three
times (3x) more yield in the crops. Owing
to this there was rise in Agricultural
efficiency but soon after this also
stagnated due to inadequate capital and
responsibility.

Example. "IR3 Seeds imported from India
in 1964. that increased 3x
of field productivity."

M. Diversified Business Operations

From Banking sector, Bhutto's
nationalization policy was able to expand

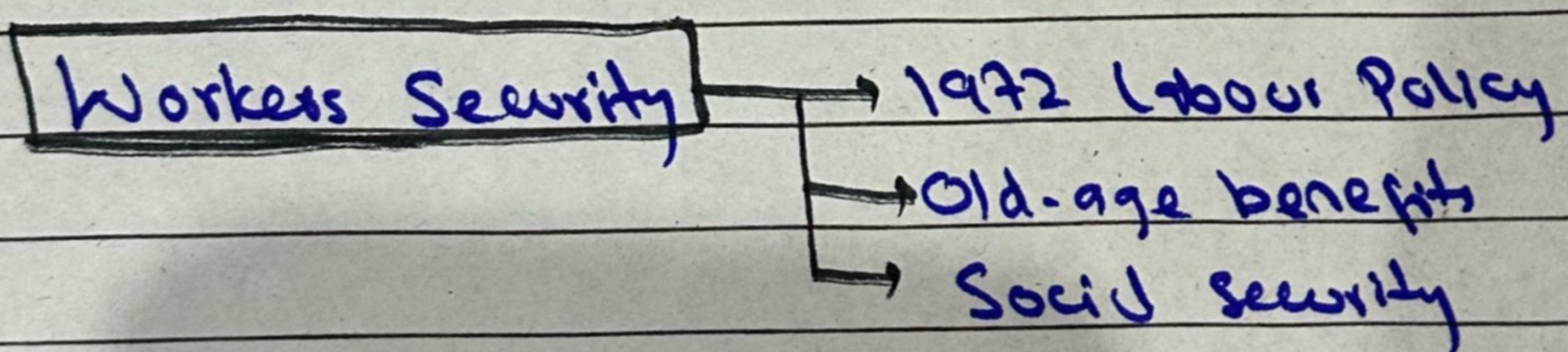
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its business portfolio. Such insurance companies were established in the National Bank of Pakistan within the ambit of National Bank. Moreover, Port Qasim and Pakistan Steel Mills were established in the Karachi with the cooperation of Russian Companies.

Examples: Pakistan Steel Mills 1973
Port Qasim, Karachi

0. Provided workers security

Worker's participation and security were considered in the operations of companies. Various benefits were introduced to compensate the employees.



4. Conclusion

Bhutto's nationalization policy was well intentioned but unfortunately poorly implemented on the ground. His policy failed to deliver lasting equity, while further weakening efficiency, fiscal burden and investor confidence in Pakistan's economy.