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 fabric 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 investors confidence, and ~~lack~~ lack of effective procedures led to decline in industrial sector, and inflicted fiscal burden on the government.

2. Objectives of Nationalization Policy

The main aim was to ~~bring~~ 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 to protect workers, who were getting low wages and badly treated by the private individuals. His fiscal goal was to break monopoly created by few families

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

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A. Increase ~~fiscal~~ losses burden on government

For the short then, industries made good significant profit, but within few years, industries were mismanaged and due to lack of procedure works and accountability, companies started to make persistant losses

"From 1975 to 1985, stated-owned enterprised losses reached at $1.5 million in just 10 years."

Ayesha Jalal

B. Massive Capital flight

When the announced came into being, certain investors sold their companies to the stated at very low prices. And investor took that money out of Pakistan due to nationalization policy in Pakistan. Investors wanted to have profit 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 raw material and paying

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

"More than 35% of fiscal budget was paid off to the SOEs in 1979."
Maleeha lodhi: Pakistan Beyond the State of Crisis

D. Dwindled investors confidence

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

E. Banking channels where used for political gains

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

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bodies. Loans were also given on "Sifarish" and patronage.

F. **Excessive subsidies and low tax collection**

Many of industry like ~~sugar~~ sugar industries lied on the subsidies, shows that industries do not have sufficient funds to run the company. The government was forced to give high subsidies. However at the time of tax collection, there is no profit generation then no profit tax ~~sugar~~ 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 stationary were used for private purposes and senior employees took to the home instead of keeping the company. This way all resources, raw material, material and goods were exploited and mismanaged by the few senior officers of the industry.

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H. Opportunity for corruption within industry setting

Due to lack of accountability, transparency and auditing, officers were forced junior staff to create fake invoices and also overvalue the ~~gov~~ 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."

Economic security of Pakistan: lesson from History

I. Rising Trade deficit and external balance

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

J. From Export-oriented to import-led markets

The 1960s showed strong exported led industrialization and influx of dollars. While, from 1970 ~~onward~~ onwards export got slower ~~and~~ higher imports

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and rising import bill due to the exporter 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 economy but soon after this also shrank due to inadequate compliance and accountability.

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

M. **Diversified Business Operations**

From banking sector, ~~Bhut~~ Bhutto's nationalization policy was able to expand

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its business portfolio. Such as insurance companies were established in the National Bank of Pakistan within 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

O. Provided workers security

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

Workers Security → 1972 Labour Policy
→ Old-age benefits
→ Social security

discuss the critical analysis part as well..........

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4. Conclusion

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